# Asseco Central Europe
# Annual Report 2020

asseco

## Contents



The complete Annual Report for 2020 including the Individual and Consolidated Financial Statements contains the enclosed USB key.



# Technology for business, solutions for people.

**Jozef Klein**
CEO and Chairman of the Board of Directors



Dear readers, colleagues, and clients,

the year 2020 was a great challenge for all of us. But it was also the year that taught us how to turn crisis into opportunity, adapt quickly to a demanding situation, and to re-evaluate current priorities. Our company was no exception. We have changed our strategy and started focusing on new goals. We have strengthened our position in the area of international business and also in the segments where we already were active. Specifically, our growth in the commercial sphere that dominates in view of our results achieved, in particular, in the areas of ERP, banking, and insurance has been remarkable.

In 2020, we celebrated an important milestone – the 30th anniversary of establishment of our company - Asseco Central Europe. During the past three decades, we have recorded an exceptional growth and succeeded in developing a local start-up into one of the most distinguished software houses in Central and Eastern Europe. This important anniversary of our company gives us an opportunity to look back at all our achievements. Our first clients included banks and I am truly pleased to see that we continue developing our competencies in that area as well. In the last year, we cooperated with our long-standing clients, but we won also new customers and this fact only confirms the exceptional nature of our banking solutions. Following the successful acquisition of the TurboConsult company, we achieved a dominant share of the building savings market in the Czech Republic. We have been developing also our solutions for the insurance segment. Based on the cooperation with our long-standing client, we signed a partnership agreement in 2020 with Aspecta, a Liechtenstein insurance company, for the next 4 years. As it has been already mentioned, our solutions help also in the healthcare sector and support more efficient functioning of hospitals and, first of all, efficient healthcare provision via information systems, telemedicine, and information systems dedicated to the artificial intelligence-based disease detection. All this only underlines the fact that we, as one of IT leaders in the country, need to look forward and continue development of innovative and timeless products meeting the highest quality standards and availability criteria.

I am truly pleased to say that we have confirmed our position as an IT market leader. According to Trend TOP ratings in Infotechnologies prepared by the weekly magazine Trend for the last year, we ranked first in three categories.

I am convinced that our future is digital. Accelerated digitization of all processes and hybrid work models will become a standard in a number of sectors. I believe that the year 2021 will be the year of a slow return of our optimism in all spheres of life.

Dear friends and colleagues,

last but not least, I would like to thank all our clients and business partners for their trust, long-standing cooperation, and continuing favour.

My thank you goes also to my colleagues who form a fundamental pillar of our company. I know that the satisfaction of our clients is backed by the engagement of my colleagues who work hard every day and make every effort to meet demanding requirements of clients and win their trust while providing them with a significant added value within their business activities.

# Asseco **Group**

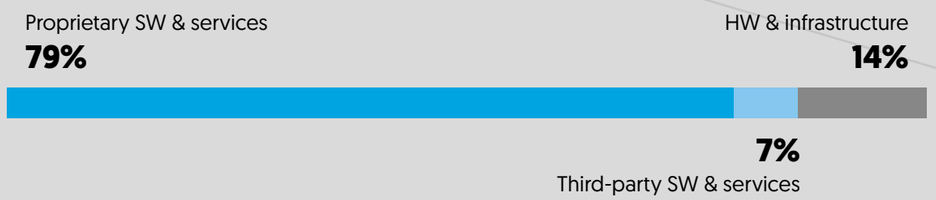
**28,000 +** headcount

**60** countries

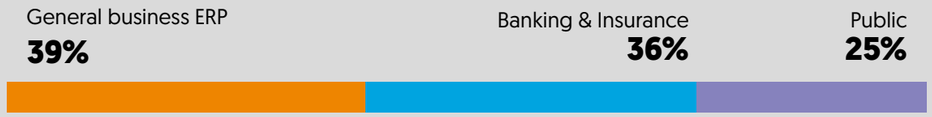
€ **2.7** bil revenue 2020

WSE | NASDAQ | TASE stock exchange

**Revenues structure** by type




**Revenues structure** by sector



# Asseco Group

**Asseco Poland** | **Asseco International** | **Formula Systems**

Asseco Poland is the parent company of the Asseco Group ("the Group"). It is Poland's leading IT company, operating on the domestic market for 30 years. In 2004 Asseco began its international expansion and now is among the largest IT companies listed on the Warsaw Stock Exchange, in terms of market capitalization.

Asseco Poland is a driving force behind the international Asseco Group, gathering numerous, directly or indirectly controlled subsidiaries. The Group's key activities are focused on producing proprietary software solutions and IT services. Asseco specializes in complex IT undertakings, integration projects and consultancy services, for all major sectors of the economy.

The Asseco Group is currently present in approx. 60 countries worldwide, giving it a truly global reach. In Europe it is present through its regional holdings: Asseco Central Europe (Slovakia, Czech Republic, Hungary, Germany, Switzerland, Austria), Asseco South Eastern Europe (Balkan countries, Turkey), Asseco Western Europe (Spain, Portugal, Italy, Scandinavia, Baltic Republics) and Asseco Eastern Europe (Russia, Georgia). The Group's operations outside of Europe, spanning Israel, the USA and Canada to name just a few, are conducted by companies incorporated in the Formula Systems holding, dually listed on the Tel Aviv Stock Exchange (TASE) and NASDAQ Global Markets. Formula Systems holds shares in three listed IT companies: Matrix IT, Sapiens International and Magic Software.

In 2020 the Asseco Group employed approx. 28,000 highly committed professionals, including over 3,400 specialists in Poland.

## Major events in the Asseco Group

Asseco Group's growth strategy is based on two major pillars – organic growth of its proprietary software and service businesses alongside intensive M&A activities, broadening its geographical reach and strengthening its market position. The Group's M&A activities are focused on promising markets offering strong growth opportunities – mainly emerging markets, but also the USA. In the previous year Asseco Group consistently implemented this strategy.



### Asseco Poland

Asseco Poland Segment's organic growth is driven by a wide array of high-quality solutions, ranging from custom-made software specifically tailored to meet clients' needs, through industry-wide customizable products for various sectors of the economy, to pre-configured software products aimed at small and mid-sized enterprises. Asseco Poland operates in the three main sectors of banking and finance, public institutions and general business. In the banking and finance sector, the company continued to work for its existing customers by performing, among others, long-term service contracts which accounted for approx. 40% of revenues from this sector in 2020. During the reporting period, Asseco Poland expanded its cooperation with numerous commercial banks. Furthermore, the company signed a contract with an e-Commerce firm for the implementation of an IT system for post-sale handling of loans. In the reporting period, Asseco's sales force engaged in activities aimed at acquiring new projects both in Poland and on foreign markets. The company was implementing its plans to enter the German banking market. The cooperation with adesso, a reputable and recognizable provider of core software systems for insurance companies and IT services for banks in the DACH market, resulted in establishing a new company based in Frankfurt am Main, namely adesso banking solutions GmbH, in which Asseco and adesso each have 50% of shares. The newly founded company will serve the banking sector in German-speaking countries (Germany, Austria, Switzerland). In addition, in 2020, Asseco launched a universal process and technology platform for the sale and servicing of financial products – Asseco BooX (Bank out of the Box). This solution, first of its kind in Poland, includes a defined set of processes designed to support financial products with the possibility of being adapted to operation on virtually any market. BooX, as a cloud-based subscription platform, is ideal for testing business hypotheses and proving the validity of new banking models and e-Commerce platforms. The cooperative banking market is another important business area for the Segment of Asseco Poland. The subsidiaries of Asseco Group operating on the Polish market provide services to approx. 420 cooperative banks and support nearly 330 banks in the area of modern e-Banking solutions offered in the Software-as-a-Service (SaaS) model. Additionally, Asseco Poland holds a leading position among the providers of IT solutions for institutions operating on the Polish capital market.

In 2020, the company continued its cooperation with the public sector institutions, including the Social Insurance Institution (ZUS), National Healthcare Fund (NFZ), Ministry of Finance, Ministry of Justice, Agency for Restructuring and Modernization of Agriculture (ARiMR), Agricultural Social Insurance Fund (KRUS), and General Inspectorate of Road Transport (GITD). Asseco performed activities under the agreement for maintenance of the Comprehensive Information System (KSI) that was signed with ZUS in 2019. In addition, the company has performed execution contracts under the 2018 framework agreement for the modification and development of the KSI system software. Asseco Poland also implemented the agreement concluded in 2018 for the development and maintenance of the Client Portal and Service Bus (ESB) as part of the Electronic Services Platform at ZUS. In the reporting period, the company concluded a supplementary contract for this project. In March 2020, Asseco signed another agreement with ZUS to make their Comprehensive Information System and Electronic Services Platform ready to handle the tasks resulting from the introduction of the Act on special solutions related to the prevention, counteracting and combating of COVID-19, other infectious diseases and emergencies caused by them. In July 2020, Asseco Poland concluded another contract with ZUS for the preparation of their Comprehensive Information System and Electronic Services Platform to perform the tasks resulting from the Act on the Polish tourist voucher. During the reporting period, the company continued to carry out its contract with the Agency for Restructuring and Modernization of Agriculture (ARiMR) for development and maintenance of their IT system. In 2020, Asseco Poland provided IT services to the Ministry of Justice on the basis of execution contracts under a framework agreement. In March 2020, the company signed a 3-year contract with the Ministry of Justice for maintenance and development of the IT system that supports the National Register of Indebted Persons which is intended to facilitate restructuring and bankruptcy proceedings. Asseco Poland also provided services to the Ministry of Finance in the scope of maintenance and development of two customs and tax systems, as well as maintenance and development of the Automatic Road Traffic Monitoring Center (CANARD) at the General Inspectorate of Road Transport (GITD). Asseco also continued its cooperation with the Agricultural Social Insurance Fund (KRUS). The company also continued implementation of its contract with the National Healthcare Fund for maintenance and development of the NHF Operations Support System which was signed in 2019. Asseco has consistently strengthened its presence on the healthcare market. Regulatory changes and the obligation to maintain part of medical records in electronic form both support the digitization process at medical facilities. Asseco's solutions enable these institutions to introduce new e-Services.

In the general business sector, Asseco cooperates with major telecoms and energy companies. The company continued to work for leading energy industry groups under previously signed contracts and new orders gained during the reporting period. In March 2020, Asseco Poland concluded a bridging agreement with Cyfrowy Polsat Group under which a team of approx. 100 specialists of Asseco can perform tasks in the project of IT systems transformation at Polsat Group. In addition, dedicated, separate teams carry out projects also for other telecommunications and media customers of Asseco.

2020 was a period of intensive work also for our subsidiary Asseco Data Systems (ADS) operating on the Polish market. This company expanded its sales of security and trust services, including digital signature. During the reporting period, ADS developed also a platform for managing HR processes in business, as well as integrated IT solutions for managing universities, the teaching process, and development of employee competencies. Moreover, the company implemented projects including software for mass communication, i.e. handling of correspondence and management of documents in paper and electronic form, or Smart City solutions.

## Asseco International

Asseco International Group achieved good performance across all major regions of its operations, Central Europe, South Eastern Europe and Western Europe.

During the reporting period, companies operating in the Czech Republic and Slovakia continued their cooperation with domestic public sector institutions. New projects were implemented, among others, for the Public Health Office of the Slovak Republic, the Czech Social Security Administration, and the Czech Ministry of Labour and Social Policy. In addition, in April 2020 Asseco Central Europe developed and launched IS COVID, a central IT system in Slovakia for registering orders and results of laboratory tests for the presence of SARS-CoV-2 virus which has helped significantly increase the number of samples tested daily. Moreover, in the reporting period the company signed agreements with the international insurance company Youplus for the implementation of software in the Czech and Slovak branches of the insurer. Asseco Central Europe Group has observed strong demand for ERP solutions that are marketed by Asseco Enterprise Solutions. Favourable sales results were reported by Asseco Business Solutions and Asseco Solutions companies operating in German-speaking countries, Czech Republic and Slovakia.

Asseco South Eastern Europe Group, which operates on the South Eastern European markets, reported much stronger financial results for 2020 than in the comparable period in the previous year. Such a robust financial performance was accomplished mainly by expanding the scale of operations in the payment solutions segment, as well as by implementing major efficiency improvements in the banking solutions segment.

In 2020, the Group generated good financial results on the Western European markets, where it conducts business activities through companies based in Portugal, Spain, Lithuania and Denmark. Asseco PST, which is present in Portugal and Portuguese-speaking countries in Africa, continued its cooperation with banks by providing maintenance of core banking systems as well as carrying out migration projects and payment card management projects. Asseco Spain, a subsidiary of Asseco Western Europe, gained new contracts for the supply of IT hardware, software and related services. The company was involved in tele working and remote education projects. It also strengthened its cooperation with public institutions on the Spanish market, as well as with customers in the education and transportation sectors. During the period reported, Asseco Lithuania carried out projects, among others, for the Lithuanian Museum of Art involving modernization of its IT system and development of new e-Services, as well as for the National Library of Lithuania involving development of the Virtual Electronic Heritage System. The company signed several new contracts, including with Ignitis, the state-owned energy industry group, for the maintenance and development of their billing system. This will be the first implementation of an IT system performed by Asseco Lithuania in the utilities sector. The company has also engaged in the tendering procedure for building a new billing system for Ignitis which is present in 4 countries (Lithuania, Latvia, Estonia and Poland). The company signed contracts with the Lithuanian Ministry of the Interior, the Chancellery of the Parliament, the National Land Service at the Ministry of Agriculture, and the National Education Agency. In addition, the company concluded an agreement with the Lithuanian Transport Safety Administration for the development and implementation of an electronic system of services, consulting and information for the transportation industry. Peak Consulting, which operates on the Danish market, implemented projects for the Danish military forces, police, financial institutions, state-owned energy corporation, and the Nordic Regional Security Coordinator, which is a joint office of the operators of electricity transmission systems from Finland, Norway, Sweden and Denmark. Tecsisa, a Spanish provider of software for producers and distributors of electricity that was acquired in 2019, signed an international deal to expand its existing cooperation with the Italian energy industry group Enel which operates in 33 countries on 5 continents. The new 3-year contract provides for the development and maintenance of already deployed systems, as well as software implementations in new countries, including the migration of systems to the Kommodo platform, which is a cloud-based Big Data solution designed specifically for the utilities sector.



## Formula Systems

In the reporting period, the Formula Group companies achieved significant growth in revenues and operating profit.

Matrix IT, a leading IT company in Israel, reported record-high results at all major levels of the income statement. Such improvement resulted from both organic growth and company acquisitions. During the reporting period, the company focused on supporting its existing customers and gaining new orders. In connection with the coronavirus pandemic, the company intensified its activities in such areas as: systems integration and computing infrastructure, communication solutions and cloud-based solutions. In July, Matrix IT took over Gestetnertec Ltd., the oldest leading company in Israel dealing with the management and distribution of office documents for companies. Gestetnertec has operated since 1931 as an exclusive representative of the global Gestetner Corporation, and is a vendor of advanced office automation solutions, among other things.

The financial performance of Sapiens International, a leading global provider of software and IT services for the insurance industry, reflects the company's continued focus on supporting its existing 500 customers and gaining new business. Sapiens is constantly developing the functionality of its solutions and expanding the portfolio of products and services, thereby gaining a strong ability to tighten its cooperation with existing contractors. During 2020, Sapiens increased its revenues in North America and Europe, being the company's engines of growth and accounting for more than 90% of its total sales. The current situation related to the coronavirus pandemic has increased the importance of digital solutions, and has highlighted the need for insurance companies to migrate from legacy software to new platforms. The company has observed a growing demand across all of its business lines. During the reporting period, Sapiens continued to pursue its strategy of expansion through acquisitions. It took over sum.cumo GmbH, a German technology provider offering digital, innovative and consumer-oriented solutions for the insurance sector, and Tiful Gemel Ltd., a company engaged in insurance services and pension fund management, as well as Delphi Technology (Delphi Technology Inc. and Delphi Technology Inc. China), a provider of software for the property and casualty insurance related to professional liability in medicine. In November Sapiens announced that it signed an agreement for the acquisition of shares in Tia Technology, based in Denmark. Tia Technology is a leader in the sale of IT solutions primarily to the property-casualty (P&C) insurance sector. The acquisition made by Sapiens is yet another step in the company's efforts to build a strategic position on the insurance software market in Scandinavia. Increased demand for digital products, combined with high recurring revenue and a solid balance sheet, determine the company's strong position in this challenging market environment.

Magic Software, a global provider of integration and application development platforms solutions and IT consulting services, recorded double-digit growth in 2020. Most of the company's revenues came from the healthcare, finance and defense sectors. The financial results of Magic Software are a result of focusing on building long-term cooperation with customers as well as completion of company acquisitions. During 2020, Magic Software took over: Aptonet Inc. which is a provider of specialized services for operational research, IoT, mobile and web solutions; Magic Hands B.V. which primarily provides comprehensive and innovative IT solutions for the entire SME sector, but also designs innovative and mobile business applications; Mobisoft Ltd. which is a developer of digital products supporting the sales process; and Stockell Information Systems Inc. which is a provider of IT consulting services including design, development, maintenance and implementation of ERP systems.

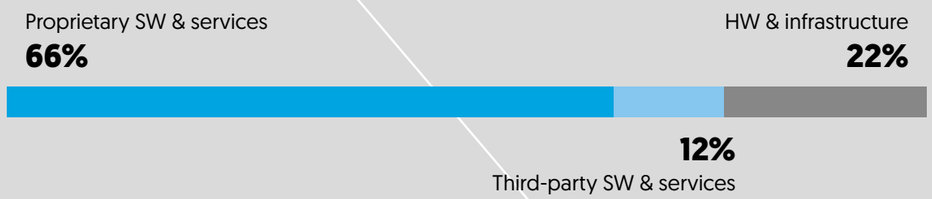
# Asseco International

**7,200 +** headcount

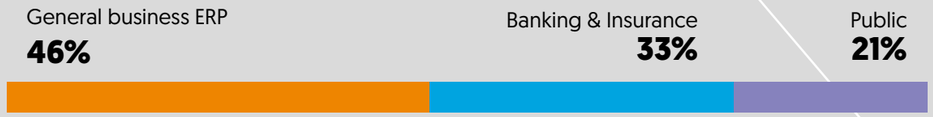
**40** countries

€ **721** mil revenue 2020

**Revenues structure** by type




**Revenues structure** by sector



# Asseco
# Central Europe

**31** years on market

**3,200 +** headcount

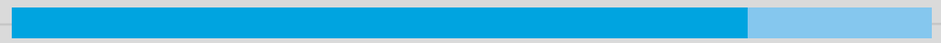
**7** countries

€ **297.8** mil revenue 2020

General business ERP | Finance | Healthcare
Industry & Utility | Infrastructure & Integration | Public

## **Ownership structure**


## **Revenues structure** by type




## **Revenues structure** by sector

# Asseco CE
## history

The history of the Company goes as far back as 1990, when ASSET, a. s., was established. After the separation of the software division, ASSET Soft, a. s., was established on 16 December 1998, which formed a strategic partnership with Asseco Poland (then Comp Rzeszów) in 2004. Thus, both companies laid the foundations of an international Asseco Group. The Company operated under the original business name until 21 September 2005, when it was changed to Asseco Slovakia, a. s. In October 2006, the Company was quoted on the Warsaw Stock Exchange and thus became the first Slovak company directly listed on a foreign stock exchange. The Company entered the Czech market by acquiring PVT (later Asseco Czech Republic) in 2007. In July 2009, Asseco Slovakia and Asseco Czech Republic were integrated, thus increasing the extent of cooperation between the two companies. The business name Asseco Central Europe, a. s., was registered in both countries in spring 2010. Asseco Central Europe has increased its sales potential and competitiveness thanks to the joint strategy of new solution development, sharing of knowledge, and extending its range for customers.

# Asseco CE
## today

Asseco Central Europe (Asseco CE) is today one of the strongest software houses in Central and Eastern Europe. It is active in Slovakia, the Czech Republic, Hungary, Germany, Austria, Switzerland and Poland. Other IT companies are also a part of the Asseco Central Europe Group. The Company implements challenging commercial projects, as well as those for state administration and local government, built on long-term experience gained through extensive projects for tailor- made solutions, heavily emphasizing support to clients' strategic goals. In December 2017, Asseco International became the parent company of Asseco CE with its headquarters in Bratislava, Slovakia.



# Our
## mission

The mission of Asseco CE incorporates binding values which form an integral part of our international business environment. These values are principally represented by a consistently high quality of solutions and services, continuous care for customers and flexibility in responding to the needs of the market. This enables the provision of cutting-edge professional IT services and systems, which support our customers' business activities and success. Last, but not least, it includes assurance of the long-term prosperity of Asseco CE.

# Awards
## for the company

Both Asseco CE and its subsidiary companies received several significant awards in 2020. The Company has long been at the top of the Trend TOP in ICT, a chart compiled by the weekly magazine Trend. Detailed overview of the Company's ranking:

| | |
|---|---|
| TOP IT Suppliers for Private Financial Sector | 1. |
| TOP IT Suppliers for Public Sector | 2. |
| TOP IT Suppliers for Service Providers | 1. |
| Software Houses in Slovakia | 2. |
| IT Suppliers in Slovakia Ranked by Value Added | 1. |
| IT Suppliers in Slovakia Ranked by Sales | 2. |
| Producers of original software in Slovakia | 2. |

Source: Trend TOP in IT, the weekly Trend, September 2020.

Here is a summary of some of Asseco CE's additional successes:

- Trend TOP 200 – the largest non-financial companies in Slovakia – Asseco CE ranked 61th in 2020.
- Asseco CE won the ITAPA 2020 Award in the category of Best Slovak Digitization Project for the IS COVID project.

# Strategic
## objectives

- To be a trustworthy strategic partner to our customers and to support their growth and competitiveness by delivering modern information systems with high added value
- To continue to increase our customers' satisfaction, by increasing the quality of services and by applying the latest trends in the development of information systems
- To be a thought leader in software development and provision of IT services, strengthening the Company's position within Central European and international markets by promoting a strong, technically and morally astute customer-oriented employee base.
- To support a strong, technically and morally capable and customer-oriented employee base.
- To build a corporate culture that supports the Company's cooperation, creativity and dynamic development
- To develop and promote scientific and research-based activities in the field of IT.

# Our
## vision

### Asseco CE's vision

The vision of Asseco CE is to become a leading supplier of software solutions and provider of comprehensive IT services and consulting. Thanks to our responsible approach and innovative technologies, we want to be a strategic, trustworthy and reliable partner for customers in both domestic and international markets. We want to be a socially-responsible company and contribute to improving society´s quality of life.

### Asseco Group's vision

The vision of the Asseco Group is to build a reliable and profitable IT company, providing its clients with software and services of outstanding quality and with high added value. The strategy of the Asseco Group is based on three pillars. The first is organic growth, achieved through proprietary software and services, the second involves expansion through acquisitions, and the third involves support for promising start-ups as a strategic investor.

### Organic growth

Asseco's strategy relies on good sector-specific business expertise, which is supported by technological competence. The Company builds long-term trust-based relationships with customers, becoming their strategic business partner. Asseco leverages the vast experience of its international affiliated companies to create a comprehensive portfolio of products satisfying the needs of thousands of its customers. The Company wants to be perceived as a "one-stop shop" and therefore, in addition to its own IT solutions and services, it also delivers infrastructure necessary for the proper operation of the product supplied.

### Expansion through acquisitions

The Asseco Group and Asseco CE acquire companies that either strengthen their industry-specific capabilities or provide an opportunity to enter new geographic markets. Asseco Poland has successfully implemented its acquisition policy for several years and is currently one of the most experienced market consolidators in Poland. Asseco CE furthers its IT competences through acquisitions, while expanding its portfolio of products across a variety of business segments.

### Expanding the portfolio with start-ups

Asseco, as an accelerator, is interested in supporting and having interests in start-ups as a strategic partner with the aim of helping implement interesting business ideas and thus extending its own portfolio of products and services.

# Key
## values

### Satisfied customers

The only reliable method of winning and retaining customers is to provide them with quality services and solutions with a high added value, enabling them to reach their strategic goals. Their satisfaction and resulting loyalty are the basis of Asseco CE's success.

### Employee satisfaction

The Company is aware that its employees represent a key factor in the provision of quality services, considering their motivation and loyalty an integral part of its success. It aims to create a stimulating working environment that develops the creativity of employees and supports their personal growth. Asseco CE encourages staff to express their opinions and make suggestions. The corporate culture of Asseco CE values open feedback, which any employee can share through their divisional HR partner.

### Trust of shareholders

Making the right key decisions, while accounting for the interests of shareholders, meeting expectations and building confidence is another of the Company's key values. Central to fulfilling this value is a transparent approach to process management which is a precondition for long-term maintenance of shareholder confidence.

### Constant organic growth

The Company attempts to track and create modern IT trends, continually improving and bringing to market advanced technologies and "solutions for the demanding customer", which meet customer requirements and bring significant added value to their businesses.

### Social responsibility

Asseco CE Group seeks to contribute to improving the quality of life not only by compliance with legislation, but also through the development of innovative IT and support to scientific institutions also pursuing this goal. Costs to R&D (including non-capitalized costs) in 2020 were EUR 9,293 ths.

# Management system

The management system in Asseco CE is based on the Company´s vision, strategy, and objectives and supported by the quality and environmental management system, information security, IT service management, and through compliance with the assessment of software product quality.

The various system functionalities, such as planning, documentation management, internal audits, risk management and implementation of corrective actions help the management and other staff to prevent disagreements or risk events, thus achieving the goals of the Company and meeting customer needs stakeholders and employees of the company.

## Quality Management System

Asseco CE implemented its certified Quality Management System (QMS), according to the ISO 9001 standard, in 2002 for the first time and maintained its certification in April 2020. The Company's top management focuses efforts on maintaining and continually improving QMS effectiveness in accordance with the standard. This aligns with one of the the Company's primary goals of achieving customer satisfaction through continuous improvement of its solutions and services provided.

## Environmental Management System

Asseco CE achieved its first ISO 14001 Environmental Management Systems (EMS) certification in 2008 and successfully maintained it, together with the ISO 9001 standard certificate, in April 2020 (the scope of certification for both standards is identical). The Company´s environmental policy has become an integral part of its strategy of corporate social responsibility, and while its business activity has no significant impact on the environment, it strives within its philosophy of being "environmentally responsible", to help protect human health and the environment and improve its quality. Waste separation and decommissioning of computer technology in accordance with the relevant legislation as well as effective management of the use of motor vehicles are among the main activities from the point of view of EMS.

## Information Security Management System

To ensure adequate protection of Company information as well as that provided by customers, Asseco CE introduced an Information Security Management System (ISMS) according to the ISO 27001 standard. The ISMS system was certified for the first time in 2010 and in April 2020 Asseco CE was maintained the certificate according to this ISO standard.

## IT Service Management System

Asseco CE achieved ISO 20000-1 certification for the first time in 2015, which was maintained in 2020. The Information Technology Service Management System (ITSM) contributes to improving the efficiency and quality of IT services by supporting process management. The scope of the ISO 20000-1 certification is a system of management of IT services provided under the Public CZ Business Unit (BU) and TurboConsult, for the operation, management, support and development of information systems for external customers and within the Public SK division for operation, management and support of information systems and provision of analytical, methodological and educational services for customers in the field of state administration.

## Requirements for quality and software product quality assessment

Asseco CE in the Slovak Republic was granted for the first time the ISO 25000 certificate in 2017 and in 2020 the company successfully maintained again. This management system, ensuring compliance with requirements for quality and software product quality assessment, was implemented within the Public SK BU and encompasses design, development, production, implementation, system integration and post-implementation support for information systems and software.



# Code of conduct

The Company's Code of Conduct represents a set of principles that are focused on its employees, as well as the surrounding environment. It primarily recognizes principles of ethical behavior while conducting business and upholds objectivity, transparency, accountability and openness in activities. Asseco CE declares that both now and in the future, it is committed to remaining a reliable partner for its customers, shareholders, business partners, employees and public in all the countries and regions where it operates. Asseco CE creates the conditions for an open and transparent corporate culture.

## Relations within the Company

Asseco CE regards respect for people as one of its principal core values and as the basis for all interpersonal relationships. All forms of discrimination, abuse, humiliation, sexual harassment or indecent behavior against individuals or groups are prohibited within the Company. No-one can be disadvantaged, favored, harassed or excluded because of their gender, ethnicity, race, age, origin, religion or physical limitations and violation of the dignity, rights or privacy of any employee is outlawed. Next in terms of importance comes honest, conscientious and efficient work, communicative ethics, loyalty to the Company, upholding its reputation and safeguarding its assets and ethics in conflict resolution.

## Relations with customers and suppliers

Relationships are built on respect, professional attitudes towards customers and appropriate conduct towards business partners. Domestic and international legal frameworks apply to all processes involving customers and business partners, as implemented by Asseco CE.

# ISO certificates

SK/CZ| ISO 9001, Quality Management System

SK/CZ| ISO 14001, Environmental Management System

SK/CZ| ISO 27001, Security Management System

SK/CZ| ISO 20000-1, IT Services Management System

SK| ISO 25000, Quality Requirements and Quality Evaluation of Software Product

SK| Industrial Security Certificate at the "Secret" level, National Security Authority

CZ| Entrepreneur Certificate at the "Secret" level, National Security Authority

# Business partners

Asseco CE concluded partnership contracts with a number of leading global IT players. In many cases, the Company achieved its highest level of qualified partnership, has received numerous professional certificates and has actively participated in the implementation of projects and business cases. Strategic partnerships, continuing education and professional growth of employees improve the Company´s ability to follow the trends and standards of the IT market and to react promptly to increasing quality demands of IT solutions and services.

A10 CZ | Gold Partner

CISCO SK/CZ | Select Integrator Partner

Dell EMC CZ | Solution Provider

HPE SK | Silver Partner

HPE CZ | Business Partner

Huawei CZ | Bronze Partner

CheckPoint SK/CZ | 2 Star Partner

IBM SK/CZ | Gold Partner

Microsoft SK/CZ | Gold Partner

Oracle SK/CZ | OPN Member

RedHat SK | Advanced Partner

RedHat CZ| Ready Partner

VMware SK| Advanced Partner

VMware CZ| Partner

# The Company's governing bodies

The Company's governing bodies are the General Assembly, Supervisory Board and Board of Directors.

## General Assembly

The General Assembly is the supreme authority of Asseco CE. All shareholders or their attorneys have a right to participate in the General Shareholders' Meeting, in addition to members of the Board of Directors or Supervisory Board, in accordance with Company statutes. The Board of Directors convenes the General Shareholders' Meeting at least once a year, generally at Asseco CE's registered office.

## Supervisory Board

The Supervisory Board is the governing authority of the Company, which supervises the performance of the Board of Directors, as well as the Company's business activities.

| | |
|---|---|
| Adam Góral | Chairman |
| Andrej Košári | Vice Chairman |
| Marek Panek | Member |
| Przemysław Sęczkowski | Member |
| Miroslav Kepencay | Member (elected by employees) |

## Board of Directors

The Board of Directors is the statutory body of the Company. It acts on behalf of the Company in the manner specified in the statutes and laws.

| | |
|---|---|
| Jozef Klein | Chairman |
| David Stoppani | Vice Chairman |
| Branislav Tkáčik | Member |

## Management of the Company

Management of the Company comprises the Board of Directors and the top management of Asseco CE. The Board of Directors is the governing body of the companies comprising the Asseco CE Group. Its purpose is to ensure a consistent approach to the business activities and internal processes of the Group companies. It is also competent to make decisions that ensure unified management of Asseco CE in the area of strategic and operational management of the companies.

| | |
|---|---|
| Jozef Klein | Group CEO * |
| David Stoppani | Country Manager CZ |
| Branislav Tkáčik | Group CFO & Corporate Governor |
| Peter Lakata | Chief Transformation Officer |
| Krzysztof Bondyra | Insurance Business Unit (BU) Director |
| Martin Chripko | Banking BU Director |
| Filip Kadeřábek | Utility BU Director |
| Peter Ondrovič | Public SK BU Director |
| Michal Polehňa | Public CZ BU Director |
| Tomáš Rohožka | Healthcare BU Director |
| David Šindelář | Infrastructure & Integration BU Director |
| Miroslav Kepencay | Coordination & Strategy Support Director |
| Lucia Krajčíková | HRM Director |
| Michal Navrátil | Internal Support Director |
| Simona Vaculová | Marketing & PR Director |

* the highest job position is indicated



### Jozef Klein

Chairman of the Board of Directors

Jozef Klein graduated in Theoretical Cybernetics and Mathematical Informatics from the Mathematics and Physics Faculty of Comenius University in Bratislava. He has worked for Asseco CE since 1996, first externally, and later as an internal employee in the position of Product and Project Manager in the field of DWH & BI. He has been the Chairman of the Board of Directors of Asseco CE in Slovakia since 2002, and Chairman of the Board of Directors of Asseco CE in the Czech Republic since 2009, simultaneously holding the position of CEO in both companies. Since December 2020, Jozef Klein has been a member of the Supervisory Board of Asseco Enterprise Solutions, a. s. and since July 2017, he has served as Chairman of the Board of Directors for Asseco Enterprise Solutions, a. s., and since November 2017, also for Asseco International, a. s. He acts as the Chairman of the Supervisory Board in the companies of the Asseco Solutions (SK), Asseco Solutions (CZ), Asseco Solutions AG (DE), Asseco Bussines Solutions SA (PL), Asseco South Eastern Europe (PL), Asseco Central Europe Magyarország, CEIT (SK), DWC Slovakia, exe (SK) a EdgeCom. Since October 2009, he has also held the important position of CEO at the European group level of the Asseco Group. He won EY Entrepreneur Of The Year™ 2016 in the Slovak Republic.

### David Stoppani

Vice Chairman

He graduated from the Faculty of Applied Informatics at Tomáš Baťa University in Zlín but began working at PVT (later Asseco) as a Project Manager even during his studies. He worked in the field of informatics later as well, when he became a Lead Manager for IT companies in XT– Card. He acted as Chairman of the Board of Directors in Right Power Group for three years and worked in the position of Sales Director for Asseco CE from February 2011 until March 2015 when he became the Utility BU Leader. He has been the Vice Chairman of the Board of Directors of Asseco CE in the Czech Republic since 2016, and a Member of the Board of Directors of Asseco CE in Slovakia since December 2012. He is also Chairman of the Board of Directors of Asseco Berit AG and Asseco Berit GmbH. Since 1 December 2014 he has also held the position of COO of Asseco CE in the Czech Republic. and a Member of the Board of Directors of eDocu (SK). Furthermore, he acts as Vice-Chairman of the Supervisory Board of company První certifikační autorita (CZ) and member of Supervisory Board of Asseco Solutions.

### Branislav Tkáčik

Member of the Board of Directors

He is a graduate of the Faculty of Business Management of the University of Economics in Bratislava and has been working for Asseco CE since 1998. Beginning in 1999, he worked as Financial Manager, later as Financial Director and participated in building the financial department and implementing instruments of financial oversight. During preparations for the IPO on the Warsaw Stock Exchange he was involved in IFRS application and subsequently put into practice the process of group reporting and consolidation. Currently he acts as a Member of the Boards of Directors for Asseco CE Slovakia and Asseco CE in the Czech Republic. He also holds the position of CFO for the whole Asseco CE Group & Corporate Governor. Branislav Tkáčik is a member of the Supervisory Boards of subsidiary companies Asseco Solutions AG (DE), Asseco Enterprise Solution, Asseco Central Europe Magyarország, exe (SK), eDocu and Prosoft Košice.

# Portfolio


ERP
Banking
Industry & utility
Healthcare
Insurance
Public
Infrastructure
& Integration

# ERP

## Asseco Enterprise Solutions (SK)

Business Information Systems from Asseco Solutions address the needs of companies regardless of size in various sectors and public administration organizations. The company´s systems are complemented by a wide range of services and partner programs that are highly appreciated due to advanced technology and other characteristics resulting from perfect knowledge of local markets. Thanks to the geographical proximity of Asseco Solutions branches and their immediate contact with customers, the company can modify its portfolio specifically according to local requirements in all sectors and offer excellent and professional services. Individual local solutions may also be offered also in other countries after they prove themselves in practice.

## Asseco Solutions (SK, CZ, DE, AT, CH, IT)

Asseco Solutions is the largest provider of ERP systems in the Czech, Slovak and German speaking markets. The software applications developed by Asseco Solutions are distributed to all key markets in Central Europe and beyond. Asseco's Business Information Systems address the needs of companies of all sizes in a variety of business areas. To make sure every system is optimally tailored to the client's needs, Asseco provides development, implementation and support from a single source. The product portfolio ranges from information systems for a broad spectrum of enterprises in the manufacturing, trade or service industries, to products for public administration and those addressing the specialized needs of companies providing accommodation and catering services. In addition, the product portfolio is complemented by a wide range of services and partner programs. Aside from standard modules and functionality, Asseco also develops custom solutions, tailored specifically to the needs of a client. Dedicated to providing excellent software experiences to mid-sized companies, Asseco holds the Quality Certificate ISO 9001:2008 and has frequently been awarded international accolades over the years. The company currently consists of branches in seven key countries: Slovakia, the Czech Republic, Austria, Switzerland, Germany, Italy and Guatemala. As of 31 December 2020, the group employed 846 staff, a number which is rising.

www.assecosolutions.eu



**Asseco Spin** - Optimized management of business processes in medium-sized companies.

**Asseco Helios** - Modern business process management for medium-sized companies.

**Helios Nephrite** - Product designed for the enterprise segment.

**Helios Orange** - Product designed for the SME segment.

**Helios Pantheon** - Product designed for public sector.

**AP Plus** - A globally proven solution for medium and large companies.

## Asseco Business Solutions (PL)

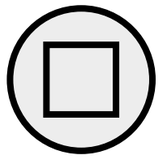
Asseco Business Solutions (Asseco BS) is a company listed on the Warsaw Stock Exchange. The company furnishes modern IT solutions for enterprises of any size, character, and industry. The comprehensive range of Asseco BS includes:

- ERP systems that support business processes in large and medium- sized enterprises (Softlab ERP by Asseco and Macrologic ERP by Asseco)
- A suite of applications for small-company management (WAPRO ERP by Asseco)
- Sales Force Automation solutions for the mobile workforce operating globally (Mobile Touch by Asseco)
- Data integration platform (Connector Platform by Asseco)
- Customer Portal supporting online cooperation between the manufacturers and retailers (Direct Portal by Asseco)
- A program handling factoring transactions (Factor by Asseco)

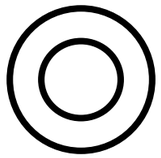
All the solutions offered by Asseco BS reflect the knowledge of experienced professionals, a proven development methodology and the use of modern IT tools. With high-quality products and related services, the software from Asseco BS has been successful in supporting the operations of tens of thousands of companies for many years. Its primary market is Poland, but its products have been implemented in more than 50 countries worldwide in regions such as Europe, the Middle East, Asia, Australia, Africa and the Americas. Asseco BS has a dozen offices Poland-wide (including a data center) and a network of hundreds of commercial partners. Moreover, its Data Centres operate across the globe, including EMEA, Russia, APAC and the Americas. The technological and business partners of Asseco BS are the largest global software and hardware vendors, such as Oracle, Microsoft, HP, IBM and Citrix.

www.assecobs.pl

## Asseco Enterprise Solutions



**Asseco Solutions**



**Asseco Business Solutions**

# Banking

## Asseco CE | Banking Business Unit (SK, CZ)

Last year, we celebrated the 30th anniversary of establishment of the Asseco Central Europe company. From the very beginning, the company has been a partner of and supplier of information systems for the banks and financial institutions active in the Central Europe region. In 2019, Asseco Central Europe became the 100 % owner of the TurboConsult s.r.o. company and in 2020, the TurboConsult company was successfully incorporated within the company´s structure. TurboConsult became the Banking Business Unit Division and the new colleagues increased the number of permanent employees up to 220 in five divisions in total. Moreover, we acquired new customers in the area of banking and finance such as Raiffeisen Stavební Spořitelna, ČSOB Stavebná Sporiteľňa, Equa Bank, Air Bank, Volksbank Raiffeisen NOPFeG, odštěpný závod, and others. Thanks to that acquisition, the Banking Business Unit has successfully covered the Czech building savings market as concerns of integrated core information systems.

The portfolio of Asseco´s banking products offers systems for banks, building savings institutions, and companies processing card transactions. The existing products and solutions have been developed in compliance with GDPR and PSD2 requirements and implement the state-of-the-art security features while supporting financial institutions within the process of digital transformation; such systems include, for instance: banking information systems – Core Banking System (StarBANK), Core Banking System (ELBOS), Core Building Savings System (StarBUILD), Core Building Savings System (CIBIS), and Core Card System (StarCARD) that supports modern payment methods, including ApplePay and GooglePay, and contains also Multivendor ATM Solution. Authorization and n-factor authentication are supported by Asseco Security Server (SEZAM). As concerns development and testing, GDPR requirements are addressed by the data anonymization system - Asseco Quality System (AQS); sending of notifications and other messages is resolved through the Asseco Notification System, and full-scale credit management is provided by Credilogic® and Omnichannel front-end and back-office solutions.

Omnichannel solutions are based on a modern modular platform - Asseco Omnichannel that consists of several platforms integrated via microservices. Those solutions provide identical "Customer Experience" regardless of whether bank clients communicate via internet/mobile banking, make use of the call centre, visit a retail point, or use assisted services provided by partner companies. Individual function units consist of applications (omnichannel mini-applications) and widgets that clients may pick up from a boutique and use only those that are most suitable for them.

The StarBANK information system represents another full-scale solution offered by Asseco Central Europe to banks. The system automates all retail and wholesale transactions and features an integrated package of reports, controlling functions, and inter-bank dealing functions. eStarBANK, as a portal solution, allows use of electronic distribution channels ensuring all basic retail functions for remote clients.

The portfolio offered by Asseco Central Europe in the financial sector is complemented by the Credilogic® family of software applications developed by subsidiary company Asseco Central Europe - Magyarország Zrt. Credilogic® applications cover the entire workflow associated with the credit lifecycle from its rise through credit account keeping to the collection of bad debts.

To satisfy the needs of building savings institutions, the company has been developing a modernizing, for almost 30 years, the StarBUILD core-banking system that focuses on building savings products. This comprehensive banking information system fully covers all business processes of building savings institutions. In addition to the core banking system, it includes also an extensive portfolio of optional superstructure modules that are mutually integrated to create one unit. The maximum integration of individual optional modules within one full-scale solution results in a significant reduction in the costs associated with hardware, licences, integration, and their maintenance. Thanks to extending and upgrading the mortgage module, the StarBUILD system has been developed as a multicore system that may serve not only to building savings institutions but may be used also by mortgage banks and thus it represents a full-scale solution that addresses all the requirements linked with housing products.

Asseco Central Europe offers also solutions to secure multifactor authorization and user authentication via the mobile token "m-token" via the SEZAM security server. All notifications and transaction notices are provided by the Notification Centre. Data processing for front-end solutions available on the 24/7 basis and solutions for synchronization of individual back-end systems are critical to satisfy current requirements and in addition to these functionalities, Asseco ODS offers also a number of other features.

Our solutions for the financial sector can be found in international banks (Orient Commercial Bank) as well as in local financial institutions such as Slovenská sporiteľňa and Česká spořitelna (members of Erste Group), Poštová banka, EXIMBANKA SR, Wincor Nixdorf, Moneta Money Bank, Českomoravská záruční a rozvojová banka, J&T Banka, and UniCredit Bank Slovakia. Our company has achieved a dominant position on the building savings market in the Czech Republic. The StarBUILD system is deployed within production operation in four building savings institutions (Moneta stavební spořitelna, Modrá pyramida stavební spořitelna, Stavební spořitelna České spořitelny, and Českomoravská stavební spořitelna) and the CIBIS system has been deployed in 2 building savings institutions (Raiffeisen Stavební Spořitelna and ČSOB Stavebná Sporiteľňa). In 2020, we won the tender for migration of mortgages from Komerční Banka to its subsidiary company - Modrá Pyramída Stavební Spořitelna. The mortgage management system will be operated within the StarBUILD system that works as a full-scale multicore banking information system.

The Asseco Omnichannel solution implemented by a team of Asseco Central Europe has been successfully used within production operation in Orient Commercial Bank Vietnam, SberBank in the Czech Republic, and Poštová Banka. Moreover, in 2020 we won also the tender for supply of Digital Channels for J&T Banka, a foreign bank´s branch in Slovakia. The solution developed for J&T BANKA is based on the Asseco Omnichannel solution, Asseco Security Server – SEZAM, and other products offered by our company. In addition to the banking and financial sectors, the Asseco Omnichannel solution may be used within any other sector where clients are to be approached via various channels with the same information.

asseco.com/ce



## Asseco CE Magyarország | Finance Strategic Business Unit (H)

The Company has over 170 employees, providing services in the banking and healthcare industries. Asseco's strategy is to further enhance its presence in Hungary, increasing revenue from existing businesses, acquiring new customers and initiating new development directions for business and products.

Asseco Magyarország's Finance Strategic BU, Started in 2019 and continued in 2020, made strategic decisions to expand its industrial priorities and to be heavily present not just in banking, but also in insurance and industrial markets.

Credilogic – Asseco Risk Platform (ARP)

Asseco CE Magyarország has continued to work on our own Credilogic System and ARP, a Camunda based up-to-date decision engine that is used as part of credit loan origination. Credilogic covers the loan lifecycle, from origination, decision to loan accounting (Loan Account Management).

IFRS17

ACEM continued and finalized the development of the Asseco IFRS17 Reporting System, a solution that many insurance companies must comply with in their financial reporting by 2023. The Asseco IFRS17 reporting solution is a cutting-edge, auditable, automated, transparent regulatory and management reporting solution that can help insurance companies in their compulsory reporting.

Blockchain and RPA

ACEM also initiated steps in the blockchain and RPA (Robotic Process Automation) fields, based on the market demand.

asseco.hu

## Omnichannel

**Asseco Omnichannel Platform** - A complex system that allows a bank built an effective solution for both direct and service channels. Unique concept of mini applications is able to simply expand with new features, even directly by a bank or third-party supplier.

**StarBANK** - A complex banking information system.

**StarCARD** - A card system.

**ELBOS** - A banking information system.

**StarBUILD** - It covers all business processes of a building savings bank. It contributes to the improvement and automation of accounting processes, increases the quality of the database, speeds up processes and increases the efficiency of processed accounting operations.

**CiBiS** - A building savings bank information system.

## SEZAM

**Asseco Security Server SEZAM** - SEZAM security server allows institution's clients to securely login to all portals and applications – desktop and mobile - using same set of authentication methods.

# 01

# Industry & utility

## Asseco CE | Utility Business Unit (SK, CZ)

A wide portfolio of the Asseco CE Group is complemented by solutions in the area of GIS and large assets. The Utility BU offers customers a full-scale solution based on a brand-new software platform – SAMO. SAMO will enable our customers to develop simple and more complex applications and portal solutions.

In developing SAMO, we have drawn on our rich experience acquired during 27 years of work in developing and implementing special technical solutions. New SAMO is directly linked with successful software products TOMS, AG Portal, and WFMS and significantly develops the possibilities for application of our key system - LIDS that has become the basis of the new platform.

The SAMO platform is a framework for creation of application logic based on metadata and has been compiled based on the SOA/microservice (MSA) architecture. All existing and future components will communicate via open standards and protocols. The SAMO platform allows transfer of various applications and systems that cooperate in detail to support end-to-end enterprise processes – smooth information exchange and execution of transactions, redundancy and data duplicity reduction, and functioning as a single system. SAMO applications may be modified and developed independently by a team of users. SAMO natively provides all business logic via documented API interface (REST, WMS, WFS) that may be published also through a web interface such as OpenAPI.

SAMO allows creation of metadata-based applications through configurations. Metadata include a detailed definition describing the manner of data storage and relationships among data parts, description of the user interface providing editable and localization forms, thematic templates, definitions of topological and analytical tasks and basic rules for data checks. The implementation team or a trained user may create, modify or update all required configurations. SAMO elements represent reusable building blocks (metadata code blocks).

SAMO EAM is a technical and operational information system that usually belongs to the category of EAM systems (Enterprise Asset Management). SAMO supports the technical and assets records and documentation concerning all equipment and items on the basis of the GIS type system and the processes within planning, construction, maintenance, and operation of technical infrastructures. Typical users of SAMO are companies managing infrastructure assets, e.g. extensive distribution networks (power, gas, water, sewerage systems, telecommunications, central heating), large industrial premises, mines, town administration authorities that build the "Smart City" infrastructure, administrators of traffic infrastructures (roads, railways), state administration bodies, and insurance companies (assessment of floods and other risks). The SAMO EAM solution is usually followed by other components, especially the SAMO WFMS module to support the management of field workers or the SAMO Portal, which allows us to create portal solutions to support communication with customers.

The modularity and flexibility of SAMO solutions enable us to enter also other segments. SAMO AIS is a platform module supporting public administration processes. Available functionalities may be configured to support all processes of both daily and strategic public administration tasks. It covers entering of requests, assessment workflow, notification services, data analysis, spatial content adding, collection of comments, and adoption of decisions that are automatically published in compliance with local legislation. All functionalities are based on metadata descriptions and that is why local administrators may update or create new templates or processes as necessary. Thanks to the integration options, SAMO AIS supports elimination of redundant data and streamlines the required data flow. SAMO AIS is ready-made for integration into other public administration systems, use of open data from various sources such as central or federal public administration registers (cadastre, citizens, business licences, ...), and publication of all information in the prescribed form and at the prescribed time. SAMO AIS may be used by any local, central, or federal authorities ranging from small municipalities to ministries responsible for the entire country. SAMO AIS provides a way to develop and maintain efficient e-Government and e-Self-Government and provides both users and citizens with immediate values.



Our most important customers include companies operating utility networks (Pražská plynárenská distribuce, a.s., N-ERGIE AG, Norimberk, EWR Netz GmbH Worms, Technische Werke Ludwigshafen AG, Stromnetz Hamburg GmbH, NEW AG Mönchengladbach, Teplárny Brno, a.s., Vodárenská akciová společnost, a.s., Brno, Východoslovenská vodárenská spoločnosť, a.s., Košice, Brněnské vodárny, a.s. SWU Stadtwerke Ulm GmbH, ENNI Energie & Umwelt Niederrhein GmbH, Moers, SYNTHOS), the companies owning large industrial premises (BASF SE, CURRENTA GmbH & Co., Novartis Pharma AG Basel, AUDI AG, Daimler AG, ŠKODA AUTO, a. s.), and organizations in the area of state administration and self-governments (State Land Office of the Czech Republic, Land Survey Office (Czech Republic), Olomoucký region, Agencja Restrukturyzacji i Modernizacji Rolnictwa (Poland), City of Langenthal (Switzerland), City of Vienna, and important engineering and consultancy companies (Basler&Hoffman, Lienhard). The Technology Agency of the Czech Republic decided to continue the three-year scientific research project with us, focusing on the algorithms for generalization of maps – ZABAGED with the application of artificial intelligence algorithms.

asseco.com/ce

## Asseco BERIT (DE, CH)

The Asseco BERIT Group holds competences in the field of geographic information, asset management and other systems supporting processes in utility companies within Asseco CE. The group consists of its GIS & Utility Division and the subsidiary companies Asseco BERIT GmbH, seated in Mannheim, Germany and Asseco BERIT AG, seated in Sissach, Switzerland. The group currently employs 42 people – analysts, developers, consultants and project managers. The solutions supplied are based on their own development (SAMO, LIDS, TOMS, AG Portal and WFMS), continuing during the 28 year history of BERIT, a. s., which has been incorporated in Asseco CE since 2008. Thanks to its own business and implementation network, the products developed by Asseco CE may be used by customers in many countries of Europe, especially in Germany, Switzerland, Czechia, Austria, Slovakia, and Poland.

www.asseco-berit.de

www.asseco-berit.ch

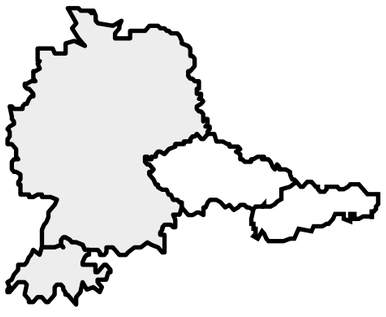
www.samo-asseco.com

## CEIT (SK)

CEIT is a technology company providing industrial undertakings with innovations supporting increased efficiency. It focuses on logistics and production automation, process optimization, design, materials sciences, digital enterprise, and full-scale solutions for smart factories. These solutions result primarily from the company´s own R&D activities. The most well-known CEIT innovations include mobile robotic systems securing efficient, safe, and reliable distribution of materials within industrial enterprises. CEIT provides expert solutions for automation, digitization and innovation of products and processes. It has developed its own intelligent factory concept combining digital, real, and virtual environments. Seated in Žilina, it operates effectively in Central Europe and its customers include important industrial companies from the automotive, mechanical engineering, chemical, and electro-technical industries.

www.ceitgroup.eu





samo Strategic Asset Management & Operations

**SAMO** – Information system that automates various activities in the public administration and commercial sector. It includes the natural use of data and functions of geographic information systems and the corresponding effective management of attributes, such as issuing declarations of the existence of a network, publishing analytical source data, providing data on the current state of infrastructure and more.

**CEIT intelligent mobile robots (AGV)** – Intelligent mobile robots that ensure reliable, efficient and safe automated logistics in industrial halls and plants.

**CEIT Table** – It is an interactive tool for efficient planning and design of production and logistics. It enables production or logistics planning using parametric 3D models.

**FACTORY TWIN** – Sophisticated solution, built on partial phases, which together represent a complex cycle, from digitization, planning and dynamic simulation through the implementation itself, to autonomous control and self-optimization.

# Healthcare

## Asseco CE | Healthcare Business Unit (SK, CZ)

Asseco CE provides a wide range of solutions for the entire vertical line of the health sector – standardized software products and full-scale solutions developed to meet specific requirements of our customers. The solutions intended for the health sector include Mediform, ZPIS, Strix and Jubula. Mediform is a full-scale information system covering all important processes within an insurance company, e.g., IS administration, code lists and catalogues, client registers, receipt of insurance contributions, control and collection of contributions, annual insurance contribution settlement, calculation and payment of charges to healthcare providers, medical reviews of costs and refunds of costs to the insured persons from the EU. The system also includes the account file and accounting. ZPIS (Zdravotný Poistný Informačný Systém – health insurance information system) is a central multi-layer information system (IS) intended for health insurance companies. It contains the full application software for administration of and support for the activities of health insurance companies. It is based on long-term experience in developing and enhancement of health insurance systems and contains the latest knowledge in the area of modern technologies. The system is universally applicable and modifiable based on the relational database technology. The information system is integrated with an internet portal and an electronic filing room for the contact between the customer and their clients and partners and may be connected also to other supporting systems (ERP, MIS, call centers, ...). The Strix software is the first product from the family of products supporting improvement of hospital care financing in Slovakia. Strix classifies hospital care into almost 1,200 so-called DGR groups, factoring in both medical care issues and financial aspects of individual cases thanks to which it supports fair financing of hospitals. Jubula is a DRG module intended for assessment physicians in health insurance companies to obtain and prepare data from the system about insured people, hospitalization cases, and the health care reported by healthcare providers in respect of provided benefits.

The most important clients of the Healthcare BU include specialized health institutions, owners and operators of regional healthcare networks (Svet zdravia (SK) and other hospitals), health insurance companies (Česká průmyslová zdravotní pojišťovna, Oborová zdravotní pojišťovna zaměstnanců bank, pojišťoven a stavebnictví, Union zdravotná poisťovňa, Všeobecná zdravotná poisťovňa, Vojenská zdravotní pojišťovna České republiky, Zaměstnanecká pojišťovna Škoda, Dôvera, zdravotná poisťovňa), Fakultná nemocnica s poliklinikou F.D.Roosevelta, ambulances and general practitioners.

asseco.com/ce



## Plantago

Electronic prescription system.

## DRG BI

A set of modules for creating reports and improving cost management, for monitoring the economic results of cost centers, for calculating case costs according to the ÚDZS methodology, for planning hospitalization services.

## IMI

Hospital information system.

## iCardio

CDSS system for cardio treatment.

## OnkoTeam

Oncological patient management and treatment system.

## Telerooms

Information system for teleconsultation.

## Chiroptera

Unjustified claims management system for health insurance companies.

## Comura

Revision of the eligibility and correctness of prescribed medicines.

## Promis

Complex Hospital information system.

## eZdravie

The ehealth system is a central repository of a patient's medical records and is a source of important information about the patient's health that can save his life.

## Asseco CE Magyarország | Healthcare Strategic Business Unit (H)

Healthcare Strategic Business Unit consists of the following three departments:

- MedWorkS Team – development and support of our integrated hospital system
- Innovation and Knowledge Center – new MedWorkS system and service package; healthcare innovations
- Custom Development Team (created in 2020) – software development based on individual needs of central and local public administration institutions

In addition to the maintenance fee for its existing systems, Healthcare Strategic Business Unit sales revenue was significantly affected in 2020 by the Hungarian Village Program, with the highest project value in the company's life. As in the previous years, the healthcare business unit exceeded its projected sales revenue, and in 2020 also exceeded the budget by more than 20% in net profit.

MedWorkS Team had no complete hospital system implementation this year due to the pandemic but our MedBakter microbiological laboratory system was implemented in the central PCR laboratory established by the government. Additional module and product sales were made to our customers, increasing service content. Providing COVID-related up-to-date information and implementing special patient administration were the most important tasks for the healthcare business unit this year.

The activities, contract portfolio, revenue and headcount of the Custom Development Team also expanded further in 2020 with a custom software development contract won in cooperation with 4iG within the framework of the Hungarian Village Program.

The Innovation and Knowledge Center has completed the "Intuitive Medical Intelligence" R&D innovation project as planned, thereby completing part of the new MedWorkS system as well. The iCardio project has entered its final phase, and the team also implemented a pilot in cooperation with Bács-Kiskun County Hospital. We submitted a new innovation tender for developing an International HIS platform, due to its positive evaluation we managed to win a new R&D contract for the period of 2021-2023. This contract ensures the completion of the new MedWorkS system's development. Each development will be part of the new product portfolio and will provide an integrated solution to our customers through the HIS core.

asseco.hu

## PROSOFT Košice (SK)

PROSOFT Košice was established in 1993. Since its very beginning, the company has focused on development of software products for healthcare providers. It has implemented a quality management system under ISO 9001,ISO 20000 and ISO 27001 standards, which is audited annually.

The PROMIS® medical information system comprises software for hospital wards, outpatient offices, shared examination and treatment facilities, transport and rescue medical services, and central processing of full facility data. The information system consists of modules and therefore, in addition to the full-scale installation of the entire system, individual modules may be installed separately with the possibility of enhancing the system later and according to the customer´s needs. Customers include:

- Hospital networks, hospitals with polyclinics, specialized hospitals, specialized treatment facilities, polyclinics, spa facilities (45+)
- Smaller non-governmental health facilities, outpatient offices (doctors – specialists, 1st contact physicians), private laboratories, etc. (500+)
- Rescue Medical Service and Medical Transport Service (10)
- Social Service Centers

Interoperability represents an important feature of the PROMIS® solution. This includes two-way communication with external laboratories, two-way interconnection with PACS from various suppliers, and interconnections with calling systems, technological facilities, Groupers, projects BL online, SVALZ online, eRecept, eZdravie, Moje eZdravie, economic information systems from various suppliers, with the management system from Asseco CE.

www.promis.sk

# Insurance

## Asseco CE | Insurance Business Unit (SK, CZ)

The portfolio of Asseco CE for the insurance sector comprises information systems for commercial and pension insurance companies. The full-scale information system StarINS automates all back-office transactions in the area of non-life, life, health, and pension insurance. The full-scale Core Insurance solution from Asseco CE is complemented by iPortal that may form its part or work independently. It is modern front-office solution offering functions of electronic distribution and service channels. Thanks to the application of the latest technologies and know-how from international fairs together with the StarINS systems and partner solutions (such as HannoverRe ReFlex), it represents an attractive solution in the digital insurance area. Another product intended for insurance companies is SofiSTAR

– a production information system for pension savings management companies. The system safeguards front-office and back-office activities at a high level of process automation, including internet access for clients to personal pension accounts and automated processing of electronic pension savings documents. Clients of the Insurance BU include commercial insurance companies and pension savings management companies both in the Slovak Republic and the Czech Republic (Allianz – Slovenská poisťovňa, Stabilita d.d.s., Allianz pojišťovna, a. s., Pojišťovna VZP, a.s., Youplus Insurance International AG CZ). Our efforts aimed at offering software products internationally have resulted in the successful launch of operation of the StarINS solution in Wapic Insurance plc, Nigeria (non-life insurance) and Wapic Life Assurance Ltd. (life insurance). In 2019, our digital insurance solution was successfully commissioned in the Czech Republic under contract with Aspecta Assurance International AG, Liechtenstein.

asseco.com/ce



iPortal by asseco

**iPortal** – A responsive self-service front-end solution providing features that streamline sales processes and minimize back office operations by "expelling" the most requested services to the portal.

StarINS by asseco

**StarINS** – A comprehensive back-office solution, serving life, non-life and composite insurance carriers, supporting all lines of business and covering the most of back office operations present in the insurance business.

looX by asseco

**looX** – Insurance out of the box represents an end-to-end software suite for commercial insurance (i.e. life, non-life and composite insurance) covering the insurance carrier's front-end operations via its Asseco iPortal and back-office operations via Asseco StarINS integrated into one common platform.

# Public

## Asseco CE | Public SK Business Unit (SK)

The public administration systems developed and implemented by the Public SK BU represent, in addition to the solutions intended for commercial entities, one of the major areas of the Company´s focus. As concerns central public administration, Asseco CE specializes in development and supply of solutions that cannot be implemented by standard means and tools without investing a great amount of creative work. The strongest domain of the Company is the ability to design and implement systems processing large volumes of data with a sophisticated transaction logic and special portal solutions with an interface providing forms intended for the public administration, which are implemented with connections to the sectoral components of eGovernment and basic registers. The specific offer for the state administration includes designing and supply of full-scale systems, including HW, network infrastructure integration platform, and specialized high-load applications with guaranteed high accessibility, which address specific requirements of the state administration concerning central information systems, agenda systems, registers, auditing information systems for distribution of the contributions and subsidies provided by the government and budgetary information systems for processing and publication of large data files. The special area of competence of Asseco CE is the area of traffic telematics, including the Intelligent Traffic System (IDS), which overlaps with Smart Cities and Smart Traffic issues, and its transposition for the purposes of traffic surveys and monitoring of objective liability. This solution allows more efficient use of the existing traffic infrastructure and increases traffic flow, resulting in time and fuel savings. Its implementation reduces negative impacts on the environment. Another area covered by Public SK BU is business intelligence. In this area, the Company has proceeded within software development from reporting tasks through dashboards and ad-hoc analyses to advanced methods of datamining and predictive modelling. The Company provides its StarBI solution either as a turnkey project or through customization of already developed modules. It uses the standard BI platform and databases (IBM, Microsoft, Oracle and SAS). Asseco CE offers a wide range of solutions for monitoring and assessment of profitability (products, clients, business channels), reporting automation for internal and external environments (regular reporting, ad hoc outputs), deep data analysis via datamining tools and resolving various tasks such as fraud detection (insurance industry, state revenues – taxes), cross-selling, add-on selling, customer segmentation, and other types of tasks. The AQS (Asseco Quality Services) solution is intended for data consolidation and transfer among heterogenous systems. The solution combines a software product, methodology, and related services focusing on execution of data migration, consolidation, and cleaning. The main goal of the Public Consulting division is to extend its services to other areas of the national economy and the private sector in addition to activities carried out within the sectors of education and labor, while focusing on consultancy. Integration of existing and innovative education systems and implementation of new programs inspired by education related requirements and labor market trends will remain our priority. The current trend of high economic growth contrasts with a lack of qualified manpower and this creates a demand for quality consultancy services and innovative solutions for education. Our priority is to maintain existing partnerships, such as those with the Trade Union Confederation (Konfederácia odborových zväzov - KOZ), Association of Employer Unions and Associations (Asociácia zamestnávateľských zväzov a združení - AZZZ), National Employer Union (Republiková únia zamestnávateľov - RUZ) and Association of Towns and Villages of Slovakia (Združenie miest a obcí Slovenska - ZMOS). eHealth covers solutions for public administration services in respect of "Electronic Health Services". It secures implementation of visual services "Patient health information provision" – Electronic health record. The solution also includes administration patient summaries, personal account statements, citizen personal records, online medical appointments and registration of examinations and laboratory examinations. The important component of the solution is assignment of consent to provision of patient medical information and „ePrescription" solution, the practical importance of which was appreciated by doctors and patients, especially after the outbreak of the Covid 19 pandemic.

The most extensive projects implemented in this area include supply of solutions for ministries (Ministry of Transport and Development SR, Ministry of Finance of the SR, Ministry of Interior of the SR, Ministry of Health of the SR), Supreme Audit Office of the SR, Tax Directorate of the Slovak Republic, Public Health Authority of the SR, National Health Information Center, Česmad Slovakia and State Institute for Professional Education. Important clients of the business unit include commercial organizations as well as non-commercial entities. Asseco solutions significantly assist the Financial Directorate of the SR to combat tax evasion, allow processing of the data obtained from the Czech Statistical Office and serve to integrate data and systems as in the case of Českomoravská stavební spořitelna.

asseco.com/ce

## Asseco CE | Public CZ Business Unit (CZ)

Asseco CE (CZ) became a member of the Asseco Group in January 2007. The company ranks among the most important providers of full-scale IT solutions and services in the Czech Republic. It implements demanding projects for the state administration and self-government as well as for the commercial sector. The company has extensive experience gained through years of integration and consultancy projects and places a strong emphasis on modern architecture of information systems and security. It has achieved the position of preferred and credible supplier of key information systems for the government (basic and public registers, modern portal solutions oriented towards the needs of citizens or eNeschopenka) and has become a recognized partner for creation of strategies for the government´s digitization projects (eGoverment, eHealth). It is a stable partner for its customers and helps solve all the processes associated with extensive IT areas, including specialized customized applications, geo-information systems, solutions for digital technical maps, aganda systems, ECM or BI solutions supporting managing and decision-making processes, smart city solutions, IT infrastructures, back-ups, and server and desktop virtualization or security. Furthermore, the company supplies portals, electronic banking systems, chip card systems, and other software to financial institutions and capital market entities.

The profile of Public CZ Business Unit is similar to that of Public SK Business Unit. The intensively developing competencies of our company in the area of public administration may be enhanced by application of the Enterprise Architecture principles. We use those principles to map the current situation, to propose a future architecture of the target environment (in the segment concerned it is, for instance, an office or a central administration office), and to draft transformation projects and roadmaps. The TOGAFTM methodology along with the modelling language ArchiMate™ are used to develop projects of this type. Currently, so called Government Enterprise Architecture (GEA, EA modified for public administration) represents a significant trend in the public administration area with an increasing frequency of use. In the Czech Republic, the GEA principles serve as the basis for so called National Architectonic Plan (NAP). Each new project in this area must comply with the architectonic templates and principles codified in NAP. To support further development of the BU Public in this area was the right decision. Application of GEA within digitization of public administration, including all its segments, contributes towards better arrangement and systematization within designing and implementation of new eGovernment projects, which results in more frequent use of that competence within the projects focusing directly on architecture creation. A specific offer for the public administration comprises designing and supply of full-scale state administration systems, including HW, network infrastructure, and specialized high-load applications with guaranteed availability for specific requirements of the state administration, e.g., central registers, business registers, control systems for distribution of state benefits and subsidies, and budgetary information systems for processing and publication of extensive data files on platforms Informix or Oracle with the use of application servers Weblogic, topology Geocluster RAC, and the Java development environment. Recently, the portfolio of BU Public´s solutions has been extended by a solution based on the microservices architecture making use of open-source technologies and platform solutions MS AZURE.

The largest projects implemented by BU Public CZ include supply of solutions to ministries (Ministry of Interior of the CR, Ministry of Finance of the CR, Ministry of Health, etc.) but we have also been cooperating with the Statistical Office of the CR and a number of other authorities and institutions, the Czech Social Security Administration being one of them. One of the most significant projects in the year 2020 was the launch of the system for electronic reporting of temporary incapacity for work "eNeschopenka" that enables all physicians, employers, and patients to handle everything in a paperless form. This system has reduced the need to visit a doctor and thus contributed significantly to resolving the epidemic situation. In 2020, more than 2.5 million confirmations were issued via eNeschopenka. In December 2020, we launched new ePortal ČSSZ featuring a new fully responsive design that complies with the gov.cz design system and standard WCAG 2.1 facilitating the work with the internet for handicapped people. Throughout the year, we continued the intensive work on one of the most extensive projects in the area of eGovernment of the Czech Republic in recent years – eSbírka and eLegislativa (legal regulations and laws) for the Ministry of Interior of the CR, which is supposed to be finished in 2021. In the last year, we participated also in continuing development of other functions of Portál občana (Citizen Portal). Similarly, we continued development of the Register of Rights and Obligations with the Ministry of Interior of the CR. Within the project, we have implemented Public Administration Services Catalogue that represents a fundamental precondition for digitization of the government´s services and a tool for registration of all activities taking place between public administration authorities and citizens. The Catalogue of Services serves also for registration of the plan for digitization of those activities. In addition, we have implemented also functionalities of the European Single Digital Gateway.

asseco.com/ce

## DWC Slovakia (SK)

DWC Slovakia is a software company focusing on implementation of document and process management systems. Since 2000, the company´s solutions have been used by more than 55,000 users in tens of organizations in both the public and private sectors. It provides a full-scale document management service that meets the legislative requirements applicable to the standardization of administrative document exchange among public administration and self-government bodies valid in the EU and the Slovak Republic. The document management service also includes approval processes. It secures registration, scanning, file number assignment, bar code assignment, and provides tools to manage and control the flow of documents within the organization such as approval processes, change history, and compliance with the deadlines set out by legislation and internal directives. It makes use of various tools such as Document Management System, Workflow, integration platform, and archives. It offers electronic versions of process areas exactly according to the customer´s needs and requirements. Products of the DWC company offer customers more efficient solutions for the area of document management while factoring in the entire document lifecycle from initiation to settlement. DWC implements solutions increasing speed, efficiency and transparency in practice.

www.dwcslovakia.sk

Fabasoft

**Fabasoft eGov-Suite** – System for electronic processing of files, records, documents and workflows.

# Infrastructure & Integration

## Asseco CE | Infrastructure Business Unit (SK, CZ)

The IT Infrastructure & Integration BU supplies infrastructure solutions throughout all stages of their life cycle from technology architecture design, supply, implementation to securing operations at the required service level, including the permanent availability mode and system support on a 24x7 basis. The unit applies its long experience in developing, supplying, and operation of critical systems within the public administration, financial segment, health sector, and utilities and applies standard methodologies for efficient supply and administration of IT systems. In compliance with current trends and using the latest technologies, the Infrastructure & Integration BU focuses increasingly on supply of full-scale solutions up to the "IT as a Service" level, which enables customers to focus on their main business activities while making use of modern, flexible and efficient IT systems. In creating designs, the BU closely cooperates with other business units so that the final solution fully corresponds to the customer´s requirements as concerns functions, safety, performance, availability, extensions, scalability, administration, and supervision.

The supplied infrastructure solutions contain the following main services:

- Safety projects, risk analyses, analysis of compliance of the organization with legislative requirements - in particular, cyber security law, GDPR, and other laws; full-scale proposals of organizational, process-related, and technical measures (e.g., protection of integrity of communication elements, management of access rights, log-in management, SCADA system security, detection, collection, and assessment of cyber security events). We also propose processes for subsequent safe operations of the organization in compliance with new legislation, standards, and best practices. We also implement vulnerability scans and penetration testing.
- Implementation of and support for server systems, networks and their security, data storage systems, database systems, middleware, application servers, and user systems.
- Development of infrastructure for applications making use of containerization.
- Provision of cloud services according to the needs and requirements of the customer either "on premise" at the customer´s facility or in a cloud.
- To support external and internal customers, Asseco CE provides call center and helpdesk services on a 24/7 basis.

The IT Infrastructure & Integration BU secures delivery of hardware, software licenses, network and supporting infrastructures and user devices while making use of partnerships with a number of important manufacturers and distributors of such technologies. The most important customers for whom the Infrastructure & Integration BU has secured design, supply, implementation of, and support for IT infrastructures include The Ministry of Interior of the Czech Republic, Czech Statistical Office, the Supreme Audit Authority of the Slovak Republic, Czech Social Security Administration (operation of the information and communication interface – ePortal), Basic Register Administration (operation of the Register of Rights and Liabilities and the ROS register), the Capital of Prague (operation of the emergency management information system), and the DanubePay company (support for and operation of banking and payment systems), Národní certifikační autorita (NCA).

The IT Infrastructure & Integration BU also operates and develops internal information systems of Asseco CE, within which the BU continuously changes the company´s infrastructure to increase the share of virtual and cloud technologies. This process brings flexibility and efficiency of shared technological resources for projects in the Czech Republic, Slovakia, and Hungary and allows efficient knowledge sharing across companies. It designs, develops and manages development and testing environments for the development teams of business units, required for development and subsequent support for customer solutions.

asseco.com/ce



## exe (SK)

The exe, a.s. company has been active in the information technology market since 1990 and in 1991, the company became one of the first official partners of the Microsoft company in Slovakia. The company has been active in both Slovak and Czech IT markets especially in the area of infrastructures and related services and software development and selling and is also an established provider of translation and software localization services and an authorized Microsoft partner. Moreover, the company has become a successful system integrator with own development centre. In the complex area of globalization and internationalization processes, it is able to efficiently support Slovak companies in marketing their products worldwide. exe, a.s. has recorded more than 700 successful projects for both business companies and public and state administration institutions.

The company enters the market as an important integrator of business software solutions with the thirty years of history. It provides full-scale services ranging from development to implementation of software to increase productivity of companies, which are based particularly on platforms Microsoft Sharepoint, Dynamics CRM, and ABBYY. It offers a helping hand also as concerns digital transformation of companies based on implementation of Microsoft technologies. The company ranks among the first and largest holders of the title Microsoft Licensing Solution Partner in the Slovak and Czech markets. Its solutions focus predominantly on hybrid infrastructure issues, Machine Learning, and solutions based on the Microsoft Azure platform. Today, adoption of modern technologies entails also use of cloud services that a company may obtain through implementation of a hybrid solution or migration into a cloud environment. The exe, a.s. company offers its experts to guide companies on the way to the use of cloud services. Data analyses and their understandable visualisation via the Power BI platform represent one of the fundamental corporate pillars and help senior managers find solutions to potential problems before they actually occur.

The company is also a leader and highly recognized provider of translation and localization services worldwide. Renowned market surveys (CSA) have been including the company among Top 20 providers of language services in Central and Eastern Europe. The company is a member of international professional associations - The Globalization and Localization Association (GALA), European language industry association (Elia), and the Association of Translation Companies in Slovakia (Asociácie prekladateľských spoločností Slovenska - ATCSK) where it currently holds the office of the association president. The exe, a.s. company is a service provider certified in compliance with standards ISO 9001:2015 and ISO 17100:2015 (replacing EN15038).

The company believes that modern technologies change the modern business definition. The future happens today and the company´s mission is to make it accessible to all its clients and to unlock the hidden potential within the business of its clients and transform it into an opportunity. Thanks to continuous generation of new ideas and innovative technological solutions, the company makes it easier for companies to undergo the process of modernisation and digitization in the constantly changing world of information technologies. The company´s strengths include new ideas, the courage to implement them, and a team of experienced experts able to make them reality. This all is aptly described by the company´s new credo "unlock tomorrow".

www.exe.sk

# Major Events

The e-Neschopenka system (temporary incapacity for work confirmations) was launched on 1 January 2020; physicians send electronically all notifications about temporary incapacity for work via their outpatient office or hospital systems or through the ČSSZ e-Portal. In 2020, more than 2.5 million e-Neschopenka confirmations were issued, which represents almost 9 million electronic filings sent by physicians to ČSSZ.

Perry Talents, a start-up incubator, extended its activities also in the Czech Republic and Asseco CE, as a strategic partner, has been now supporting new young entrepreneurs in the CR, following three successful seasons in Slovakia.

Chatbots from Asseco assist in coping with the COVID-19 issues at websites of Ministry of Labour and Social Affairs of the Czech Republic and the Czech Social Security Administration.

For the first time, Asseco Central Europe has ranked third in the "Best Employer in IT & Telecommunications" category within the prestigious survey carried out by the Profesia company.

Activities of Asseco CE have been contributing towards the fight against coronavirus. IS Covid, a central information system, was developed and launched by the company in the Slovak Republic in a record-breaking time – ten days only.

According to Trend TOP Infotechnologies Ranking prepared by the weekly magazine Trend in respect of the last year, we ranked first in three categories. Asseco CE ranked first as "Largest IT Supplier for Private Financial Sector", "IT Service Provider in Slovakia", and "Supplier of IT Products and Services in the SR based on Added Value".

Asseco completed its merger with the TurboConsult company. Starting from 1 August, TurboConsult has been a new division of Asseco Central Europe. Thanks to that acquisition we have enhanced our portfolio on both Czech and Slovak markets with new products and solutions.

The Asseco CE company celebrated the 30th anniversary of its establishment. On that occasion, the company organized the 30 Years of Excellence campaign that included internal and external communication and promotional activities.

Asseco partnered the e-Government conference held in Mikulov on 7– 9 September.

Asseco was the expert guarantor of the Healthcare Summit 2020 online conference held in Bratislava on 6 – 7 October. The conference agenda focused on the condition of the Slovak healthcare system, smart data, and information technologies in the healthcare sector.

At ITAPA 2020 conference, Asseco CE placed third in the category "Best Company Digitization Project in Slovakia" with the Covid information system.

Asseco CE was the general partner of JCI Slovak University Cup 2020. On Thursday, December 3, winners of the JCI ŠTUDENTSKÁ PODNIKATEĽSKÁ CENA competition – the best business ideas of university students – were announced.

In 2020, Asseco Solutions celebrated its 30th birthday. On that occasion, a "birthday" visual campaign was created to accompany all marketing communication activities.

The best brand award program – Superbrands, an independent global authority in the area of business brand evaluation and awarding, granted the Business Superbrands Award to the Asseco Solutions company several times in a row.

In addition to the "corona" package, the standard development of all systems continued as well and we won and implemented new business projects for several major customers. Important events included implementation of the Asseco APplus system along with the Asseco SPIN Flexmobility solution for the FUSO Industries Slovakia company where all key users were quarantined at the beginning of live operation commencement. All the work was carried out online and online activities were performed also for our other new customers such as Vienna International and GPM Tool. In all those cases we implemented the latest version of the APplus 7.0 system.

In October 2020, APplus was crowned "ERP System of the Year" for the eighth time. This year, the Center for Enterprise Research of the University of Potsdam bestowed Asseco with the prestigious award of „ERP for High Tech Industry".

In 2020 the global research and advisory firm Quadrant Knowledge Solutions, has highly ranked the Retail Execution Platform by Asseco Business Solutions in its recent SPARK Matrix analysis. More than that, Quadrant Knowledge Solutions scored Asseco Business Solutions as the technology leader, expecting it to continue being the market front runner for the future.

The company continued successful cooperation with automotive industry leaders not only in Slovakia abut also in the Czech Republic and the automated logistic solutions developed by CEIT have been successfully used also in the AUDI factory in Hungary and the Volkswagen factory in Wolfsburg, Germany.

The company CEIT recorded a success also in the Innovative Act of 2019 competition announced by the Ministry of Economy of the SR every year. The autonomous logistics robot "400LC-F AGV" from CEIT placed third in the Technological Innovation category.

By the end of the year, CEIT announced a common project with the largest Slovak multimedia operator, Slovak Telekom, which involves development of a private 5G campus network within the premises of the CEIT Development and Research Centre in Žilina.

In 2020, Asseco Magyarország concluded a contract within the framework of the Hungarian Village Program; as a result of the public procurement procedure launched in December 2019. The company succeeded in implementing the MedBakter microbiological laboratory system at the National Blood Supply Center.

Currently, the PROSOFT company works, in cooperation with its parent companies Asseco Central Europe, a.s. and Mediworx software solutions, a.s., on a project involving a healthcare information system of a new generation. The company has successfully engaged in providing solutions to COVID issues within the PROMIS information system used by its customers.

Within the IT outsourcing pillar, exe, a.s. presented a new solution called "IT as a service" through which it provides full-scale outsourcing in the area of support for workstations, information system operation and development, and selection of optimal tools and innovations. The exe, a.s. company succeeded in implementing this new service within one of the largest advertising agencies in Slovakia - Wiktor Leo Burnett.

Other successful projects of the last year include, e.g., deployment of the Safetica DLP solution protecting against data leaks in the Digitance company (a member of the Tatrabilling group) and implementation of virtual trainings within Human Digital Lab, an internal project of the Východoslovenská distribučná, a.s. company.

The fact that exe, a.s. offers its customers highly professional services in combination with Microsoft products is evidenced by the award achieved in the Microsoft Awards 2019 competition granted in summer 2020. The competition evaluates the best and most innovative digital transformation applications implemented for customers by Microsoft partners in the Czech Republic and Slovakia. The exe, a.s. company was awarded as Microsoft Awards 2019 Finalist in the processing industry segment for the project entitled Adoption Campaign for Microsoft Office 365 Implementation in the Slovnaft company.

In 2020 Asseco BERIT GmbH and Asseco BERIT AG won two significant new projects. The first one is for Stadtwerke Landsberg KU in Germany. As the regional energy provider for Landsberg am Lech and the surrounding region, Stadtwerke Landsberg KU are responsible for the operation, planning, maintenance and expansion of the electricity, district heating, water, wastewater and telecommunications networks. The second significant project is for Aargau cantonal roads in Switzerland. In 2020 the geographical information system SAMO LIDS was implemented for the documentation of the operational and safety equipment (BSA) of the Aargau cantonal roads.

For the DWC Slovakia company, as for many other entities, the year 2020 was significantly affected by the COVID-19 pandemic. In cooperation with Asseco Central Europe and Slovak Technical University, we launched the second stage of the SmartLife scientific and research project. Furthermore, in cooperation with our partner Fabasoft Austria GmbH, we participated actively in implementing "e-Akte Bund" – a federal state administration digitization project in Germany.

# Projects

Asseco CE's products, services and solutions compete successfully in all areas of the economy. Even 2020 brought interesting new projects.

## J&T BANKA, a foreign bank´s branch in Slovakia

In 2020, our company won the tender and signed the Contract for Implementation of the Digital Channels Solution for J&T BANKA, a foreign bank´s branch in Slovakia. The delivered solution is based on the Asseco Omnichannel platform, a group level solution, that has been successfully implemented by the Asseco Central Europe team for three clients already. In addition to the Asseco Omnichannel platform, the solution contains also other products of Asseco CE such as Asseco Security Server SEZAM, Asseco Notification Centre, and the Asseco Electronic Channel management. The project for implementation of digital channels for J&T BANKA is exceptional in view of its scope and approach to resolving communication between a private bank and clients. The solution covers clearly defined business centres and the core services provided by the bank also in the area of investments. Moreover, it is based on a real Omnichannel concept where both clients and employees of the bank have access to information via the same platform.

## Insurance company YOUPLUS AT and migration of Basler insurance companies

The YOUPLUS project of the ASPECTA financial group continued in 2020 based on the contract for implementation of a digital platform for insurance company YOUPLUS Austria. The project shares a number of common features with the YOUPLUS project in the Czech Republic implemented in 2019 and the project implemented in Slovakia in 2020: it is a full-scale end-to-end solution supporting PaaS (Platform as a Service) based front-end and back-office services provided by a newly established company and it supports fully digitalized and paperless insurance risk subscriptions, entering into insurance policies, and coverage of the policy lifecycle, including policy change requests. The solution focuses on B2B selling and has been integrated with leading brokerage companies operating in the country. It fully covers all the insurance company´s needs in all insurance areas, including reinsurance. One of the differences when compared to previous YOUPLUS projects is embodied in a set of products provided within the solution (unit-linked life insurance with innovative elements within the investment part of the insurance) and compliance with Austrian laws. In 2020, the YOUPLUS project was extended by a data and functionalities migration between Basler insurance companies in the Czech Republic and Slovakia. The insurance companies domiciled in Germany were acquired by the ASPECTA group and currently, their portfolios are subject to the migration to Asseco solutions carried out along with development of the functionalities necessary for the Basler portfolio.

## Poštová banka a.s. - transformation into 365.bank

Asseco Central Europe has been cooperating with Poštová Banka for more than 25 years as the key supplier of the Core Banking information system – StarBank, multichannel solution eStarBank, and Asseco Security Server SEZAM. All these components have been used by both Poštová Banka and its subsidiary - 365.bank. In 2020, Poštová Banka announced an extensive transformation to 365.bank, which entails also migration of a major part of its clients to 365.bank. Asseco Central Europe is the general migration partner of the bank within this complex project that includes also extension of existing systems by new modern services of digital 365.bank.

## Implementation of the ELBOS system in Volksbank Raiffeisenbank Nordoberpfalz eG, CZ

At the beginning of March 2020, we entered into a contract for implementation of a system substituting the existing banking operation system in the Czech branch of Volksbank Raiffeisenbank Nordoberpfalz eG. A draft solution was prepared using the platform of already existing product ELBOS that is currently used by and receives positive references from five other Czech financial institutions. It is a full-scale project addressing all existing operation related issues of the organization and it includes supply of a new responsive internet banking system, extension of the possibilities for international payments, and development of an interface complying with the statutory reporting requirements valid in Germany. The project covers also migration of all existing data of the organization necessary for further operations. In 2020, the first three iterations of the final product were successfully developed, supplied, and tested in compliance with the adopted project schedule. The product has been adjusted based on specific requirements of the bank, creating thus basic preconditions for successful completion of the project in 2021 and deployment of the final solution within routine operation.

## AGV-BASED Instrumental panel assembly line – Jaguar Land Rover Slovakia

Jaguar Land Rover Slovakia in Nitra is a state-of-the-art-car manufacturing plant built between 2016 and 2018. The plant currently manufactures two luxurious models: Land Rover Discovery and Land Rover Defender. The customer required from CEIT company an instrumental panel assembly line that is flexible, scalable, and one that can be integrated with other logistical flows, such as delivery to assembly line. The line also had to be easily relocated if needed and have a very high ergonomic and safety standard. The only possible solution that could meet all the requirements of the customer was to make the whole line AGV-based. The AGV-based instrumental panel assembly line allowed the assembly process to be significantly more efficient, flexible, and scalable as opposed to the line that would be based on the traditional physical structures.

## Asseco Solutions for TESLA Liptovský Hrádok

TESLA Liptovský Hrádok is a joint-stock company that produces engineering products (constructions - stands, cabinets for mounting parts), electrical (printed circuit boards, etc.) and telecommunications (exchanges, communication equipment, their components for repair and service). In September 2020, the business process began in the company and in the selection process we met with two other competing information systems. The presentation of the Asseco HELIOS Orange system was provided by a duo of our experienced consultants. The selection process was to be completed and the decision on a new ERP supplier was to be made by the end of October, but the situation around the COVID-19 pandemic postponed the client's final position to the end of November. One of the key factors in decision-making was a professional and prompt approach by the sales team, a quality presentation by the consultants and the complexity of the modules and functionalities of the Asseco HELIOS Orange ERP solution.

## SAMO platform development

In 2020, the SAMO platform was subject to further development and this extensive project is behind several successful implementations made for our clients. In 2020, the project of implementation of SAMO for the public lighting administration of the City of Vienna, Austria, continued along with the implementation of SAMO within Stadtwerke EWR and TWL, which was accompanied with the development of SAMO platform based portal solutions. Implementation of SAMO in order to support operations and technical activities will continue intensively also in the following years. By the beginning of 2020, a new portal of the N-ERGIE Norimberk company, created on the SAMO platform to serve for communication with the general public, was launched within the production operation. N-ERGIE signed a contract with us for further development of the SAMO system for the next three year. The year 2020 witnessed continuing implementation of the working scheme based on the SAMO platform for Stromnetz Hamburg GmbH, project IVAN for CURRENTA, a German administrator of large industrial premises, and a project for the NEW AG company in Mönchengladbach, Germany, where SAMO will be deployed as a workforce and resource management tool to support municipal utilities networks management. We worked also on further development of the systems implemented for our long-standing customers – Pražská plynárenská distribuce (gas distribution) and Teplárny Brno (central heating). In 2020, we launched SAMO Portal for opinions on existence of networks for Brněnské vodovody a kanalizace (CZ), and we revised the GIS data model (SAMO LIDS).

## COVID information system – registration of SARS-CoV-2 test results

The year 2020 was marked with the global pandemic caused by new virus SARS-CoV-2 and Slovakia was no exception. The Asseco Central Europe company developed a new information system – IS COVID - in the course of a few days after the onset of the first epidemic wave in order to register COVID-19 related data. It is a system for centralized registration of laboratory examination applications and SARS-CoV-2 test results. Originally, IS COVID was developed to register all PCR test applications and related results. The system features two interfaces through which data may be registered. The first one is a web interface for manual data entering and search for results based on various selection criteria. The IS COVID web interface is available on the 24/7 basis. The second interface serves for integration and is used by private laboratories commissioned by the government to carry out PCR tests and state-owned laboratories sending data to IS COVID. The data is subsequently reflected within the IS COVID web interfaces and used, in particular, by epidemiologists, physicians, and emergency aid workers as well as for statistical evaluation of tests both in Slovakia and the European Union. IS COVID is owned by the Public Health Authority of the SR that Asseco Central Europe has been providing with support and development services. Based on a decision of the Government of the SR, the company has enhanced the IS COVID functionalities to cover also nationwide antigen testing of inhabitants of the Slovak Republic and created a new module for nationwide testing, which allows registration of approximately 5 000 sampling points. Within further enhancement of the system, Asseco Central Europe implemented the functionality for positive antigen test result registration by Mobile Sampling Points established starting from November 2020 based on an initiative of the Ministry of Health of the SR. Within that functionality, the company developed also a new overview for antigen testing within the IS COVID web interface thanks to which all the visualized information about the citizens tested by PCR or antigen tests can be found in one place. IS COVID includes also the Statistics module that contains a map of Slovakia displaying PCR and antigen testing results in various views, e.g., according to age, sex, etc. The statistical data is used to draw up reports for the European Union.

## eNeschopenka (ČSSZ)

The project entitled eNeschopenka (temporary incapacity for work) was commissioned as of 1 January 2020. The project involved implementation of a fully electronic process covering temporary incapacity for work. Electronic data processing will simplify the transfer of information among sick people (the insured who are temporarily unable to work), ČSSZ (a health insurance company in the Czech Republic), physicians, and employers. The system has significantly streamlined the information flow because eNeschopenka interconnects electronically as many as three stakeholders: physicians, employers, and ČSSZ. More than 22 000 healthcare providers, 28 000 physicians, and 285 thousand employers have already joined the project and more than 2.5 million eNeschopenka confirmations were issued via the system during the year. The system has significantly facilitated pandemic management due to the fact that it has greatly reduced the need to make personal appointments with physicians. In addition, the project has contributed also through the functionality allowing creation of statistical overviews. In December 2019, before the launch of eNeschopenka, more than 99 % of confirmations of temporary incapacity for work were issued only in paper form. In January 2020, more than 98 % of all confirmations were submitted electronically.

# Human Resources

Asseco CE is one of the major employers in the IT field in Slovakia and the Czech Republic. Our employees are the force behind all our success and create the values that last in the long run. The aim of our company and HR policy is therefore to find a space for future enhancement of knowledge and development of skills of our employees, support for their professional and personal potential, to create a suitable working environment at all levels, and to engage employees in contributing towards the success of their teams and thus also our entire company.

## Employees of Asseco CE

Asseco CE deems each milestone in the working life of its employees to be important – employment commencement, employee adaptation, incentives, remuneration, education, and employee evaluation, including changes in working conditions, promotion, and achieving higher added value within HR processes. Asseco CE selects employees carefully based on their knowledge, skills, practical experience, and personal characteristics required in respect of any given job regardless of their nationality, age or gender.

## Hiring of the workforce

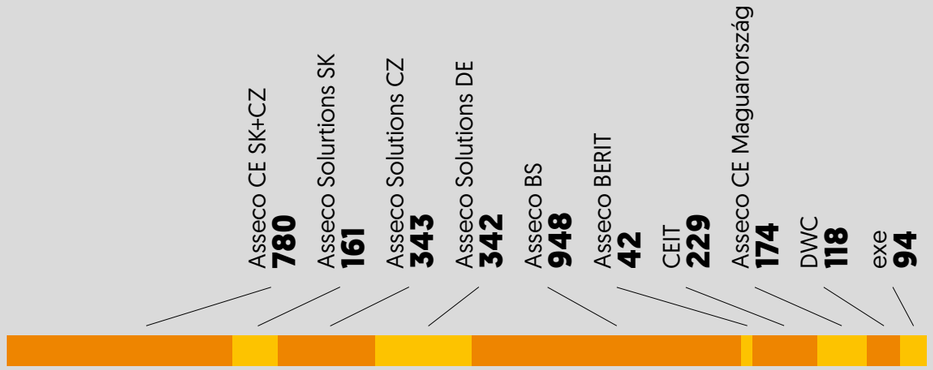
The Company primarily supports professional and career development from among its own staff. Another source of recruitment is the recommendation of external candidates by existing employees. The Company also uses online job portals, collaboration with universities, student organizations and the services of recruitment agencies and today´s popular social media. The Company sees the process of staffing as one of the most crucial processes because the business is the product of human capital and we consider it to be important that new employees not only meet the qualifications but are also compatible with the Company culture. The Company develops its employer brand in the labor market throughout recruitment and other associated activities, which plays an important role when addressing and winning high-quality candidates. To improve the employee selection process, the Company makes use of interviews held via telephone and during personal meetings, expert testing and psychological diagnostic methods.

## Employee relationships and employee care

Asseco CE employees are motivated not only by stable financial remuneration and various benefits depending on individual performance. The Company cares systematically and provides an extensive social program within which it organizes and contributes towards various sports, cultural, and social activities to cater for relaxation after work and to support loyalty and cohesion of work teams. Employees may benefit from the discounts on decommissioned Company assets and contributions towards travel, cultural, sports events and relaxation. Active personal communication of the HR team with managers and employees in all countries has become a standard part of the Company´s life and HR activities have become an informal element in all divisions. Awards are distributed annually on service anniversaries, to the best teams and other results are announced at Company-wide events. During the last year, the Company continued activities aimed at support for employees' healthy lifestyles, such as Health Days (this time in the online form) and Fruit Days. We continue the tradition of a Christmas Party for employees and a Santa Claus event and presents for children. The Company also promotes teamwork and building a cohesive team atmosphere through contributions to teambuilding activities. Other benefits provided by the Company to its employees are a standard and stable part of the social program.

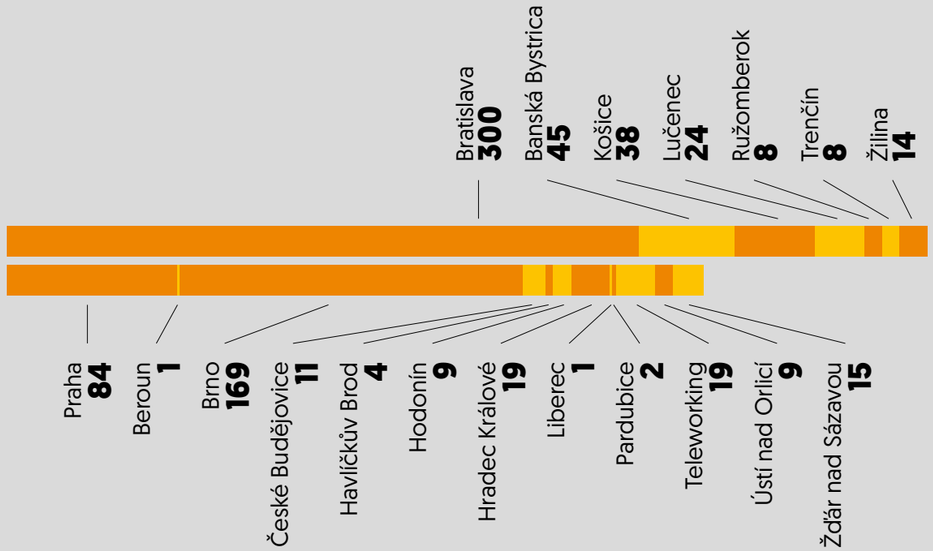
As a part of the employee care during the COVID-19 pandemic, the health of employees is crucial for our company as a basic prerequisite for the continuous fulfilment of our business tasks. A matter of course in everyday life was the delivery of protective equipment from disinfectants or protective masks, several times we organized testing of employees and family members with the contribution of the employer by PCR tests. As we are a company characterized by personal contact at work, our specificity is operating in a hybrid model. We did not order long-term home office work for our employees, but we met the needs of employees resulting from their individual life situations, and we made home office work possible where the nature of work allows them to work in home office. All this under the direction of managers who were responsible for the organization of work and movement of employees on our premises in maximum compliance with strict safety rules and with a view to maintaining the business continuity of our activities.






**Number of employees by subsidiary.**

At the end of 2020, Asseco CE group had 3 231 employees.




**Employee structure Asseco CE SK and CZ by location.**

At the end of 2020, the Company and its subsidiaries with the same name in the Czech Republic had 780 employees, including 343 in the Czech Republic and 437 workers in Slovakia. Employees of Asseco CE work out of major cities (Bratislava, Prague) and at branches in the regions of Slovakia and the Czech Republic. The Company thus promotes the employability of skilled professionals outside the capital city and closer proximity of workers to clients. Through its subsidiaries, the Company employs more than 2,300 additional people.

## Development and education of employees

Asseco CE perceives development of employees as one of its key areas. Employee education is carried out in several forms:

**ACE Academy** – in 2014, the Company introduced an internal employee education model, the so-called ACE Academy. ACE Academy has very quickly become an important part of the employee development process. The objective of ACE Academy is to educate employees, to enhance their qualifications, expertise and skills via internal training and workshops lectured by our senior employees. The training catalogue includes so-called hard skills training events that form its major part, but it includes also training events focusing on business topics, e.g., banking. Employees may also choose from the catalogue training events focusing on soft skills, particularly communication and presentation skills. Some topics are presented via classical training forms, others include practical training or interactive workshops depending on the topic and preferences of the lecturer. Internal training events have proven to be an adequate form of employee development and our plan is to enhance them in following years. In 2020, ACE Academy was attended by 195 employees and the number of training hours exceeded 1,627.

**Development for everyone** – an employee development program supporting interpersonal and intrapersonal skills is available to every employee.

**Inspiring workshop** – an education program within which every employee has an opportunity to perceive work approaches through his or her own personality. A workshop is any easy form of learning for each employee. As part of the inspiring development for everyone, this year we focused on supporting employees working from home.

**External education** – participation in external educational activities, courses held locally and abroad, seminars, and conferences focusing on expertise and soft skills. The company makes efforts to coordinate these activities centrally and strategically while taking into account the individual needs of employees.

**Certification programs** – acquisition of expert partner certificates allowing us to react to standards and trends within the IT market represents an important part of educational activities.

**Foreign languages** - in view of the ICT environment in which Asseco CE operates and the fact that the Company is a member of the Asseco Group, the language skills of employees in both English and German languages are supported on a continuous basis through in-house language courses.

In 2020, 98 employees attended external technical training with the total number of lessons exceeding 1,265. Soft skills training was attended by 108 employees and the total number of lessons exceeded 250. In addition, employees had the opportunity to attend language courses for up to two lessons per week.

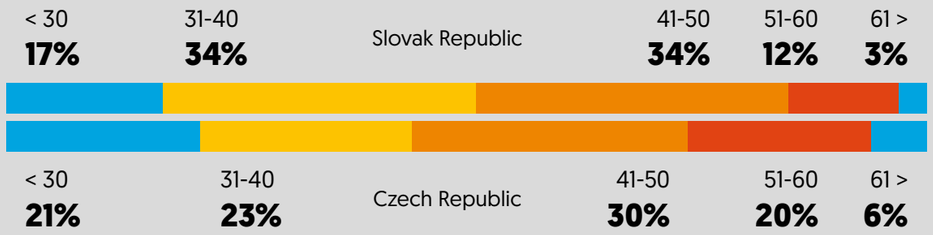


## Cooperation with students

Asseco CE has actively cooperated with several tertiary education institution in the Czech Republic and Slovakia including the Faculty of Informatics and Information Technologies of the Slovak Technical University in Bratislava, Management and Informatics Faculty of the Žilina University, Faculty of Electrical Engineering and Informatics of the Technical University in Košice, and the Faculty of Business and Economics of the Mendel University, Informatics Faculty of the Masaryk University (both in Brno) and the Faculty of Informatics and Management of the Hradec Králové University. Asseco CE provides secondary school and university students with an opportunity to learn in practice all year around, both during the academic year and holidays, through study stays and practical training. Moreover, experts from our Company share their knowledge and experience via consultations with university students working on their final papers, theses or other scientific publications within their professional training. We realize that cooperation with students is key not only when it comes to winning quality employees and to achieving success of the Company in a relatively dynamic IT labor market, but it also represents an important pillar within development of the employer brand in both countries.

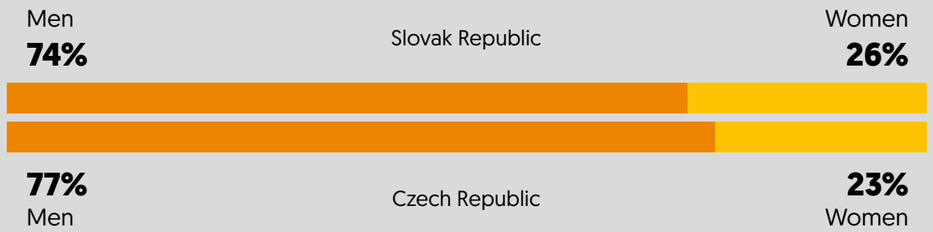
## Best Employer of the Year 2020

In 2020, Asseco CE joined the prestigious Slovak national competition – the most attractive employer and ranked TOP 5 in the IT and telecommunications category.



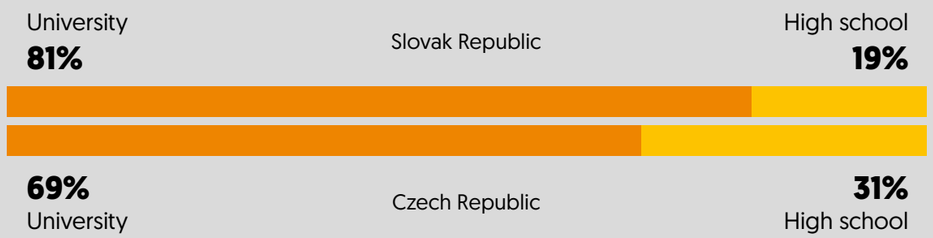

**Employee structure by age.**

The employee age structure has been balanced over the long term. The average age in Slovakia is 40.50 years and 42.34 years in the Czech Republic. In 2020, the number of years worked per employee was 9,35 years on average, due to the high specific expertise and loyalty of our long-time colleagues.




**Employee structure by gender.**

Asseco CE employs 437 people in Slovakia, with 112 (25,61%) women.
In the Czech Republic it employs 343 people, with 78 (22,74%) women.




**Employee structure by education.**

Asseco CE employs 355 university graduates in Slovakia and 237 in the Czech Republic.

# Public Relations

The Asseco CE company understands communication with the public as a necessary and, in particular, continuous process through which it presents the company brand and identity to external and internal target groups. The company´s communication consists of several lines: first of all, the company aims to increase the awareness about the brand and to promote Asseco CE as a leader in the software development area and as an innovative and reliable company providing high quality services and products of the world-class excellence. Secondarily, the company wants to increase the awareness on the market about the company´s sustainable solutions and products forming a part of our vision, to foresee occurrence of future business opportunities within the competitive environment, and to lead a dialogue with all stakeholders within creation of long-term relationships. The interactive communication with students, as potential employees, represents another important channel.

## Internal communication

Internal communication and employee focus are an integral part of the company´s communication. Time-tested internal communication tools include working meetings, discussions, company management members´ visits to individual branch offices, corporate events, newsletter, and the company´s web portal – intranet. The SOFTnews newsletter is intended for employees and friends of the company. Its main purpose is to inform about successful projects, innovative technologies and new solutions and support creation of an internal community and to develop corporate culture and good relationships. The newsletter is available to all employees also in an electronic form via the intranet that offers also archives with older issues. Of course, the newsletter is distributed also to other subsidiary companies within the Asseco CE Group. Both external communication and internal communication reflected the year 2020 as the year of the 30th anniversary of establishment of the company. The campaign was targeted on internal "ambassadors" of the brand – our colleagues and their personal experiences. Selected employees were directly engaged in the communication campaign via the project entitled "My story in Asseco", various competitions supporting corporate engagement, newsletters, and social networks. At the same time, the company presented its unique Chronicles of Asseco Central Europe that had been created as a guide explaining the "success story" of our company. The core part of the publication contains personal memories of employees and founders, breakthrough milestones of the company, interviews, and wishes of both employees and clients of ACE. Due to the pandemic, the regular Annual meeting of company employees and the Xmas Asseco party took place, for the first time, via online stream. The end of the year witnessed completion of the work on the new intranet the launch of which was scheduled for January 2021.

Due to the permanent restrictions on mass assemblies, the December Asseco Solutions Christmas party, like other company activities, was moved into the online through the MS Teams application. The whole event was accompanied by the moderator Dagmar „Didiana" Dianová with the generous help of our general manager, Edita Angyal.



## External communication

The company has been actively looking for various external presentation opportunities. We communicate with media via the company´s website, press releases, and interviews presenting our opinions. In 2020, we continued the communication of important news and novelties via our company´s LinkedIn and Facebook accounts. We contributed also with expert articles about global business strategies in the area of digital solutions, opinions on various issues, authorial texts published in Czech and Slovak periodicals, and we also participated at events organized by those media. We presented our knowledge gained through development of latest IT solutions at expert conferences held in Slovakia, the Czech Republic, and other countries as well. To support the digitization processes in both Slovakia and the Czech Republic, we often act as a partner of expert and social meetings such as ITAPA in Slovakia and ISSS in the Czech Republic. In 2020, the Asseco Central Europe company celebrated an important event – the 30th anniversary of its establishment in Slovakia. Therefore, the year 2020 was marked with communication with media and via social networks, celebrating and presenting the success achieved by the company. The communication campaign was carried out both online and offline while presenting individual divisions, projects, products, and leaders of Asseco.

## Sponsoring and social responsibility

The company´s business model sustainable in a long run envisages also continuous efforts aimed at balancing the interests of shareholders and clients and the requirements associated with the environment in which the company develops its activities. In the last year, we strengthened further the cooperation with our long-standing partners - non-profit organizations and we donated decommissioned IT equipment to the foundation of the Fantázia detí O.Z. (9 notebooks) and supported Klub svobodných matek (Club of Single Mothers) in the Czech Republic by donating 10 notebooks for children. During the pre-Christmas period, we supported children from socially disadvantaged families, asylum homes, and low-threshold centres in the Czech Republic and of course, we remembered about the seniors and clients of Hospic Svaté Alžbety (St. Elizabeth Hospice) in Brno. In Prague and Brno, the presents were delivered to children thanks to the "Krabice od bot" (Shoebox) initiative right before the beginning of the Christmas season. Toys, school accessories, books, clothes, and dried fruit and gingerbread were delivered via collection points to the children in need. It was a nice surprise to see the enthusiasm of colleagues and the company´s management, manifested in a high number of boxes, despite the hard situation caused by the pandemic. In Bratislava, our gifts were enjoyed by clients of the Social Services Centre at Mlynarovičova street. The project had given rise to a wave of solidarity and willingness to help among the colleagues at the ACE office in Bratislava. Employees of Asseco CE participated in the most extensive corporate initiative for volunteers – Naše Mesto (Our City) and joined thus more than 35 000 other volunteers in 14 towns and municipalities who helped 97 non-profit organizations, low-threshold centres, social services centres, and schools and kindergartens. In total, we participated in 136 activities carried out in 14 towns and municipalities all around Slovakia on Friday, September 18. Asseco CE focuses also on development of talents in the areas of education, sports, culture, and information technologies. The company cooperates with Slovak and Czech universities and their faculties focusing on IT and assists in professional preparation of students for practice (via experience exchange events, study stays) and provides universities with financial support to improve the conditions within the Slovak educational system. We have been cooperating with Perry Talents, a start-up accelerator, for the second year already. Within this cooperation, Jozef Klein and David Stoppani, along with other representatives of Asseco CE, ac as mentors of selected start-ups. In addition, we were a partner of Junior Chamber International (JCI), a non-profit organization, in 2020, which organized the competition entitled Slovak University Start-up Cup. The project aims to support the young generation of entrepreneurs bringing innovative ideas. We were also a partner of the Annual Conference of JCI Slovakia and a partner of the competition entitled Student Personality of the Year Award organized by JCI.




Asseco Xmas Online.



Asseco CE internal magazine.

Gifts for clients of the Center for Social Services in Bratislava.


Advertisement - 30th anniversary of the company founding.


InternAll - Asseco Solutions CZ internal magazine.

# Analysis of Financial Results

## Analysis of financial results of Asseco Central Europe

The Company reported the following financial results for the 12 months ended 31 December 2020 and the comparative period of 12 months ended 31 December 2019:

| Thousands of EUR | 2020 | Margin | 2019 | Margin | Change y/y |
|---|---|---|---|---|---|
| Sales revenues | 57,009 | -- | 57,760 | -- | -1% |
| Gross profit on sales | 13,971 | 24.5% | 12,964 | 22.4% | 8% |
| Operating profit | 7,967 | 14.0% | 6,643 | 11.5% | 20% |
| Pre-tax profit | 17,231 | 30.2% | 16,506 | 28.6% | 4% |
| **Net profit for the period reported** | **15,670** | **27.5%** | **15,174** | **26.3%** | **3%** |

Despite the turbulent development caused by the COVID-19 pandemic, the Company was able to maintain a high level of sales which fell by 1.3% compared to the previous year. Sales were also affected by the parliamentary elections held in February 2020. After the elections, projects were suspended by the state and there were no new tenders for their implementation until the year end. The implementation of contracts which had already been signed was also suspended.

These factors resulted in a decrease in revenues from the sale of own software (-EUR 5 mil.), which was mainly due to the government and healthcare sectors (a total decrease of EUR 5.5 mil.). Lower year-on-year sales of proprietary software were partially offset by growth in sales of third-party products (+EUR 4.2 mil.). Overall, the majority of sectors grew, most significantly the other customers sector (+EUR 1.2 mil.), the insurance sector (+EUR 0.7 mil.) and the utilities sector (+EUR 0.2 mil.).

Hardware sales remained at the same level as in the previous year.

The Company successfully managed to reduce internal and external costs, which was reflected in the growth of individual margin levels.

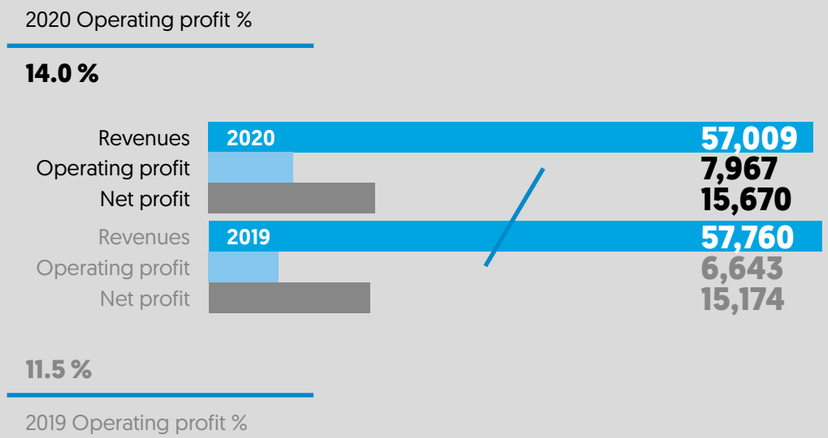
Gross trade margin increase by EUR 1 mil. was due to substitution of subcontractor work with the Company's own capacities (decrease in COGS by 5% compared to 2019).

The decrease in production (-2.7%) and administrative (-6.1%) costs caused a significant increase in operating profit (+19.9%) and operating margin growth from 11.5% to 14.0%.

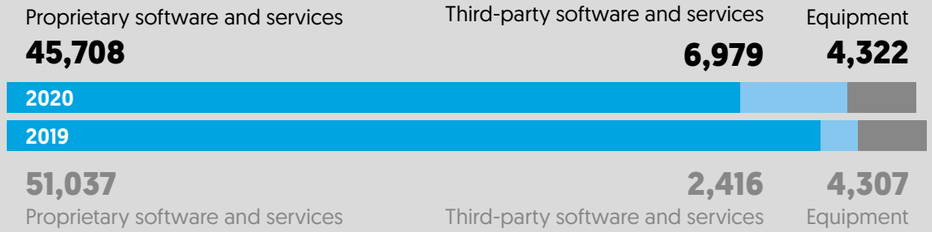
The company recorded a year-on-year increase in net profit by 3.3% (+ EUR 0.5 mil.).



**Financial results** (thousands of EUR)




**Structure of revenues** by type (thousands of EUR)



# Analysis of financial results
## of the Asseco Central Europe Group

In the last two financial years ended 31 December 2020 and 31 December 2019, the Asseco Central Europe Group (the "Group") reported the following consolidated financial results:

| Thousands of EUR | 2020 | Margin | 2019 | Margin | Change y/y |
|---|---|---|---|---|---|
| Sales revenues | 297,760 | -- | 310,176 | -- | -4% |
| Gross profit on sales | 88,221 | 29.6% | 88,886 | 28.7% | -1% |
| Operating profit | 46,096 | 15.5% | 45,953 | 14.8% | 0% |
| Pre-tax profit | 44,596 | 15.0% | 45,318 | 14.6% | -2% |
| **Net profit for the period reported** | **36,922** | **12.4%** | **36,802** | **11.9%** | **0%** |

The Group recorded a 4% decrease in sales, mainly due to the pandemic, especially with sharp decline in the automotive sector (CEIT -6.3 mil. EUR), but also in other sectors of the economy, across the countries in which the Group operates. The fall in the supply of software and services for the public sector also had a negative effect. Nevertheless, some companies were able to record year-on-year sales growth. These are mainly companies from the AES group, which recorded an increase in sales of EUR 1.8 mil.

The parent company Asseco CE (SK + CZ) managed to keep revenues close to the level achieved in 2019 (-0.3%).

Despite the decline in sales, the emphasis on effectivness and costs optimization resulted in an increase in individual margin levels.

Gross profit on sales increased from 28.7% to 29.6%. The growth of the margin was due to rise of almost all companies in the Group, especially the parent company ACE CE (SK + CZ), where the gross margin increased by 2.3%. On the other hand, the lower results of DWC and CEIT caused decreases in this indicator by 0.7% and by 14.8% respectively. Overall, the gross profit on sales rose by almost 1%.

Selling costs decreased by 3.3%. The main driver was decrease in ACE CE (SK+CZ, -EUR 284 ths.), AES group (-EUR 310 ths.) and DWC (-EUR 182 ths.). Administrative expenses developed similarly, falling by 1.6% year-on-year or by 0.4 mil. EUR in absolute values. This type of costs decreased in almost all companies, with the exception of the Hungarian company ACE Magyrország and the Czech part of the parent company, where this increase was affected by the merger with TurboConsult.

Thus, selling costs together with administrative costs decreased by EUR 1 mil. In combination with the impact of the abovementioned factors, this was reflected in a year-on-year increase in the Group's operating profit, both in terms of absolute values (+EUR 143 thousand) and in terms of overall operating profitability, which increased from 14.8% to 15.5%.

When analyzing the development of operating profitability, we can see similar development as in the case of sales - profitability increased in companies that maintained or increased the level of sales, while it decreased in companies that significantly affected the effects of the corona-virus pandemic. Thus, while the operating profitability of the parent company (SK + CZ) increased from 10.9% to 13.1%, the profitability of DWC decreased from 10.8 to 7.7% and the profitability of CEIT fell to 0.3% due to the crisis in the automotive sector.

Although profit before tax was lower by EUR 722 thousand year-on-year, the Group's net profit increased by EUR 120 thousand to a total of EUR 36.9 million.



The majority of revenues were generated from the sale of own software and services, which in 2020 represented more than 80% of the Group's total revenues. It was an increase compared to 2019, when the share of this group of revenues reached less than 79%. The infrastructure part - sales of third party software and services as well as the sale of computer hardware, reduced its share in total revenues from 21% to 20%.

In absolute values, the Group recorded a decrease in sales of its own software and services by EUR 5.6 mil., sales of third party software and services by EUR 0.1 mil., and sale of computer hardware by EUR 6.7 mil.

The Asseco Central Europe Group presents four operating segments.

The Asseco Central Europe segment includes the parent company together with its Czech subsidiary, Asseco Berit operating in Germany and Switzerland, exe and DWC.

The Asseco Solutions segment consists of Asseco Enterprise Solutions Group companies that develop ERP software.

The CEIT Group is a separate operating segment and the "Other" segment includes the Hungarian company ACE Magyarország.

In 2020, the Asseco Central Europe segment recorded a 6.1% decrease in sales (-EUR 9 million) of services to external customers. DWC and exe contributed the most to this decline.

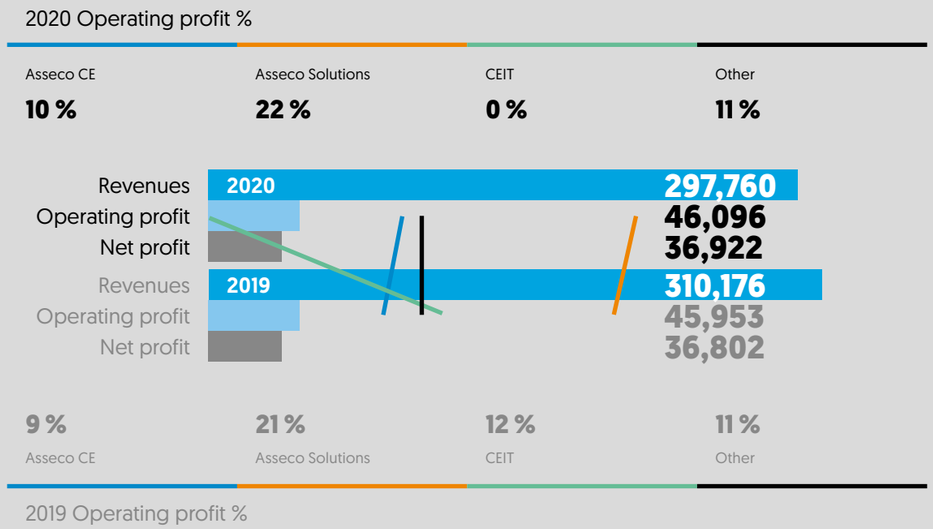
Despite the decrease in sales, the operating profit of the Asseco Central Europe segment increased year-on-year by more than EUR 900 thousand to EUR 14.3 million (+7%). This was due to the emphasis on cost optimization, which led to a year-on-year decrease in selling costs as well as pro-duction costs. Operating profitability thus increased from 9.1% to 10.3%.

In 2020, the Asseco Solutions segment recorded better results at all levels compared to the previous year - sales increased by 1.3% and operating profit by 5.6%, which thus reached the level of EUR 31.1 mil. This segment shows the highest profitability of all segments, and in 2020 its profitability increased from 20.6% to 21.5%.

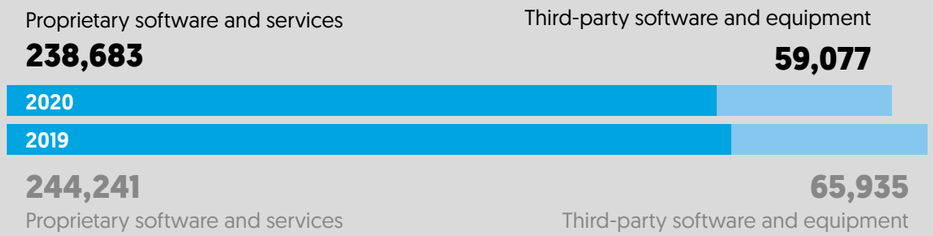
The CEIT segment consists of companies from the CEIT Group, which were severely affected by the consequences of the pandemic in 2020, in particular the downturn in the automotive sector. Therefore, we recorded a sharp decline in sales and operating profit in this segment (-34% and -117%, respectively).

The financial results of the "Other" segment were comparable to the previous year, when it achieved an operating profit of EUR 1 mil. with a slight increase in profitability (from 11% to 11.5%).

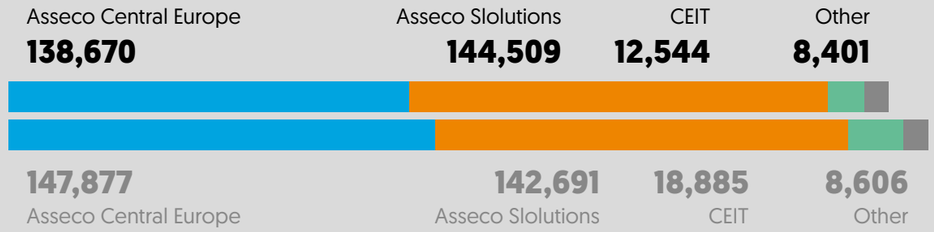
**Financial results** (thousands of EUR)




**Structure of revenues** by type (thousands of EUR)




**Structure of revenues** by segment (thousands of EUR)



# Report on Activities of the Supervisory Board

## and on the Regular Financial Statements and the Regular Consolidated Financial Statements of the Company Asseco Central Europe, a.s. for the Year 2020

In 2020, during the COVID-19 pandemic, the Supervisory Board had worked online using communication equipment. In this way, all meetings were held, namely four times during the year. We have voted per rollam three times.

By voting per rollam, we re-elected Ing. Marek Grác as the Vice Chairman of the Board of Directors and Ing. Branislav Tkáčik to the position of a Member of the Board of Directors of the Company on February 6, 2020.

The first meeting was held on March 20, 2020 and was devoted to profit and loss of the Company, the individual financial statements and regular consolidated financial statements for the year 2019. As an outcome of the meeting, we recommended to the General Meeting to approve the annual and consolidated profit and loss of the Company and due to the pandemic, we revised the proposal for the redistribution of profit of the Company so as to create a sufficient reserve for the proper functioning of the Company. We also took note of the submitted Annual Report of the Company and the Consolidated Annual Report of the Company on its activities for 2019 and recommended that it be submitted to the General Meeting for approval.

We approved the text of the Report of the Supervisory Board on its activities for 2019 which was submitted to the General Meeting.

We took note of the forecast for the implementation of the plan for the first quarter of 2020. We recommended selection of the audit firm Ernst & Young Slovakia, spol. s r. o. to the General Meeting for 2020.

We agreed to pay bonuses to members of the Board of Directors of the Company.

The second meeting of the Supervisory Board took place on June 20, 2020. We took note of the individual and consolidated profit and loss statement of the Company for the 1st quarter of 2020 and the budget implementation forecast for the first half of 2020 and until the end of 2020.

We took note of the information regarding the construction of a new building at Galvani Street and we agreed to support the construction thereof. We agreed to provide a loan guarantee for Asseco Central Europe, a.s., seated in Praha 4 - Michle, to secure the acquisition of the company Turboconsult a.s.

Based on the proposal of the Board of Directors of the Company dated July 20, 2020, we agreed per rollam on July 23, 2020 to appoint Ing. Peter Ondrovič, PhD, Ing. Martin Chripko and Krzysztof Bondyr as procurists.

On September 8, 2020, we voted per rollam upon the proposal of the Board of Directors of the Company to recall Ing. Marek Grác from the position of Vice Chairman of the Board of Directors.

The third meeting of the Supervisory Board took place on September 25, 2020. We took note of the individual and consolidated profit and loss of the Company for the first half of 2020 and the budget implementation forecast for the third quarter of 2020 and until the end of 2020.

We agreed to acquire the real property in Banská Bystrica into the exclusive ownership of the Company in consideration for a purchase price of € 360,000 with repayment of € 6,000 per month over the course of five years.

The fourth meeting of the Supervisory Board took place on December 17, 2020. In the meeting, we took note of the individual and consolidated profit and loss of the Company for the 1st thru 3rd quarters of 2020 and the budget implementation forecast until the end of 2020 presented by the Board of Directors. We approved the draft budget for 2021 in the form submitted by the Board of Directors.

We elected Ing. David Stoppani as the Vice Chairman of the Board of Directors of the Company.

The year 2020 was impacted by the COVID-19 virus throughout the Company and its impact has brought about lifestyle limitations worldwide. This fact affected the entire economy of the state and of individual companies. Due to the timely adjustment of the Company management to the new conditions, we managed to keep sales and profit at approximately the same level as in the previous year. Revenues from sales amounted to 57 009 000 €, decreased by 751 000 €, which is -1.3%. Because of timely measures being adopted, net profit increased by 496 000 € to 15 670 000 € which is an increase by 3.3%.

In the consolidated financial statements, sales revenues reached 297.76 M € which represents a decrease of 4.0%. The achieved net profit after tax is in the amount of 36.922 M €, i.e. about 120 000 € higher than in the previous year, which is an increase by 0.3 %.

Based on the information on the activities of the Company, the review of the regular individual and consolidated financial statements for the financial year 2020 and the auditor's opinion, the Supervisory Board states that:

- the company conducts its business activities in accordance with applicable legislation, the Articles of Association of the Company, the decisions of the General Meeting and of the Supervisory Board;
- the accounting of the Company is properly kept in accordance with reality and in accordance with the generally binding regulations of the Slovak Republic applicable to this area;
- the regular individual financial statements and consolidated financial statements have been audited by Ernst & Young Slovakia, spol. s r. o.;
- the auditor's opinion on the submitted regular individual financial statements and on the consolidated financial statements is unqualified as at December 31, 2020.

In addition to these activities, the Board of Directors of the Company oversaw the construction of a new building of the Company at Galvani Street in Bratislava into which the Company plans to move its offices later this year.

The Supervisory Board recommends to the General Meeting to approve the regular individual financial statements and the consolidated financial statements for the accounting period of 2020 and agrees with the proposal of the Board of Directors of the Company for the distribution of profits for the financial year 2020 and recommends that the General Meeting approve the implementation thereof.

A big thank you goes to the Board of Directors of the Company for the management of the Company and the achieved profit and we agree to the payment of bonuses to the Board of Directors.

Done at Bratislava, March 25, 2021

Adam Góral
Chairman of the Supervisory Board

Andrej Košári
Vice Chairman of the Supervisory Board

Miroslav Kepencay
Member of the Supervisory Board

Marek Panek
Member of the Supervisory Board

Przemyslaw Seczkowski
Member of the Supervisory Board

# Company Information and Contacts

## Company information

Business name: Asseco Central Europe, a. s.

Registered seat: Trenčianska 56/A, 821 09 Bratislava

Business ID: 35 760 419

V.A.T. ID: SK7020000691

Date of incorporation: 12 February 1999

Legal status: Joint-stock company

Share capital: €709,023.84

No of shares: 21,360,000

Type and form of shares: ordinary shares, certified shares

Nominal value of share: €0.033194

Registration: Commercial Register of District Court Bratislava I, Section Sa, insertion 2024/B

Asseco Central Europe's annual report is produced once a year. It is intended for Company shareholders and clients, business partners and investors, analysts, banks and employees. The report is available electronically in PDF format on Asseco Central Europe's website.



## Contacts

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821 09 Bratislava
Phone: +421 2 20 838 400
Fax: +421 2 20 838 444
Web: www.asseco.com/ce
E-mail: sales@asseco-ce.com

### Contact for investors:
investor@asseco-ce.com

### Contact for media:
marketing@asseco-ce.com

Publisher: Asseco Central Europe, a. s.



## Company branches.

Branches in Czech Republic are the branches of Asseco CE in Czech Republic, subsidiary company of Asseco CE in Slovakia.

Banská Bystrica
Asseco Central Europe, a. s.
J. Chalupku 3 a 5
974 01 Banská Bystrica
Slovak Republic

Košice
Asseco Central Europe, a. s.
Werferova 1
040 11 Košice
Slovak Republic

Lučenec
Asseco Central Europe, a. s.
Martina Rázusa 35
984 01 Lučenec
Slovak Republic

Ružomberok
Asseco Central Europe, a. s.
A. Bernoláka 6
034 50 Ružomberok
Slovak Republic

Snina
Asseco Central Europe, a. s.
Strojárska 113
069 01 Snina
Slovak Republic

Trenčín
Asseco Central Europe, a. s.
Dolný Šianec 1
911 48 Trenčín
Slovak Republic

Žilina
Asseco Central Europe, a. s.
Univerzitná 8661/6A
010 08 Žilina
Slovak Republic

**Praha - Headquarter CZ**
Asseco Central Europe, a. s.
Budějovická 778/3a
140 00 Praha 4
Czech Republic

Brno
Asseco Central Europe, a. s.
Šumavská 31
628 00 Brno
Czech Republic

České Budějovice
Asseco Central Europe, a. s.
Žižkova 1b
371 18 České Budějovice
Czech Republic

Havlíčkův Brod
Asseco Central Europe, a. s.
Žižkova 1915/1b
580 01 Havlíčkův Brod
Czech Republic

Hodonín
Asseco Central Europe, a. s.
Za Dráhou 1
695 01 Hodonín
Czech Republic

Liberec
Asseco Central Europe, a. s.
Tovaryšský vrch 1358/3
460 01 Liberec
Czech Republic

Ústí nad Orlicí
Asseco Central Europe, a. s.
Lázeňská 354
562 01 Ústí nad Orlicí
Czech Republic

Velké Meziříčí
Asseco Central Europe, a. s.
Náměstí 7
594 01 Velké Meziříčí
Czech Republic

Žďár nad Sázavou
Asseco Central Europe, a. s.
Havlíčkovo náměstí 2
591 01 Žďár nad Sázavou
Czech Republic

asseco
CENTRAL EUROPE

**Asseco Central Europe, a. s.**

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Slovak Republic

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811 02 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com

# APPENDIX TO THE INDEPENDENT AUDITOR'S REPORT
## to the annual report in accordance with the Act on Statutory Audit No 423/2015 Coll § 27 par. 6 and on amendments to the Act on accounting No 431/2002 Coll as amended by later legislation ("the Act on statutory audit")

To the Shareholders, Supervisory Board and Board of Directors Asseco Central Europe, a. s.:

I. We have audited the consolidated financial statements of Asseco Central Europe, a. s. and its subsidiaries („the Group") as at 31 December 2020, presented in the attached annual report, to which we issued on 15 March 2021 following independent auditor report from audit of consolidated financial statements:

***"Independent Auditor's Report***

*To the Shareholders, Supervisory Board and Board of Directors of Asseco Central Europe, a. s.:*

***Report on the Audit of the Consolidated Financial Statements***

*Opinion*

*We have audited the consolidated financial statements of Asseco Central Europe, a. s. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.*

*In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").*

*Basis for Opinion*

*We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the consolidated financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

*Management responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.*

*In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.*

*Those charged with governance are responsible for overseeing the Group's financial reporting process.*

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

*Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.*

*As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:*

- *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the consolidated financial statements including the presented information as well as whether the consolidated financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.*
- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.*

*We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."*

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II. We have audited the individual financial statements of Asseco Central Europe, a.s. ("the company") as at 31 December 2020, presented in the attached annual report, to which we issued on 15 March 2021 following independent auditor report from audit of individual financial statements:

***"Independent Auditor's Report***

*To the Shareholders, Supervisory Board and Board of Directors of Asseco Central Europe, a. s.:*

***Report on the Audit of the Financial Statements***

*Opinion*

*We have audited the financial statements of Asseco Central Europe, a. s. (the Company), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.*

*In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").*

*Basis for Opinion*

*We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

*Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

*In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.*

*Those charged with governance are responsible for overseeing the Company's financial reporting process.*

*Auditor's Responsibilities for the Audit of the Financial Statements*

*Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.*

*As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:*

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.*

*We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."*

## II. Report on Other Legal and Regulatory Requirements

*Report on Information Disclosed in the Annual Report*

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting. Our opinion on the individual and consolidated financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the consolidated and individual financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited consolidated and individual financial statements or our knowledge obtained in the audit of the consolidated and individual financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of consolidated and individual financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2020 is consistent with the consolidated and individual financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

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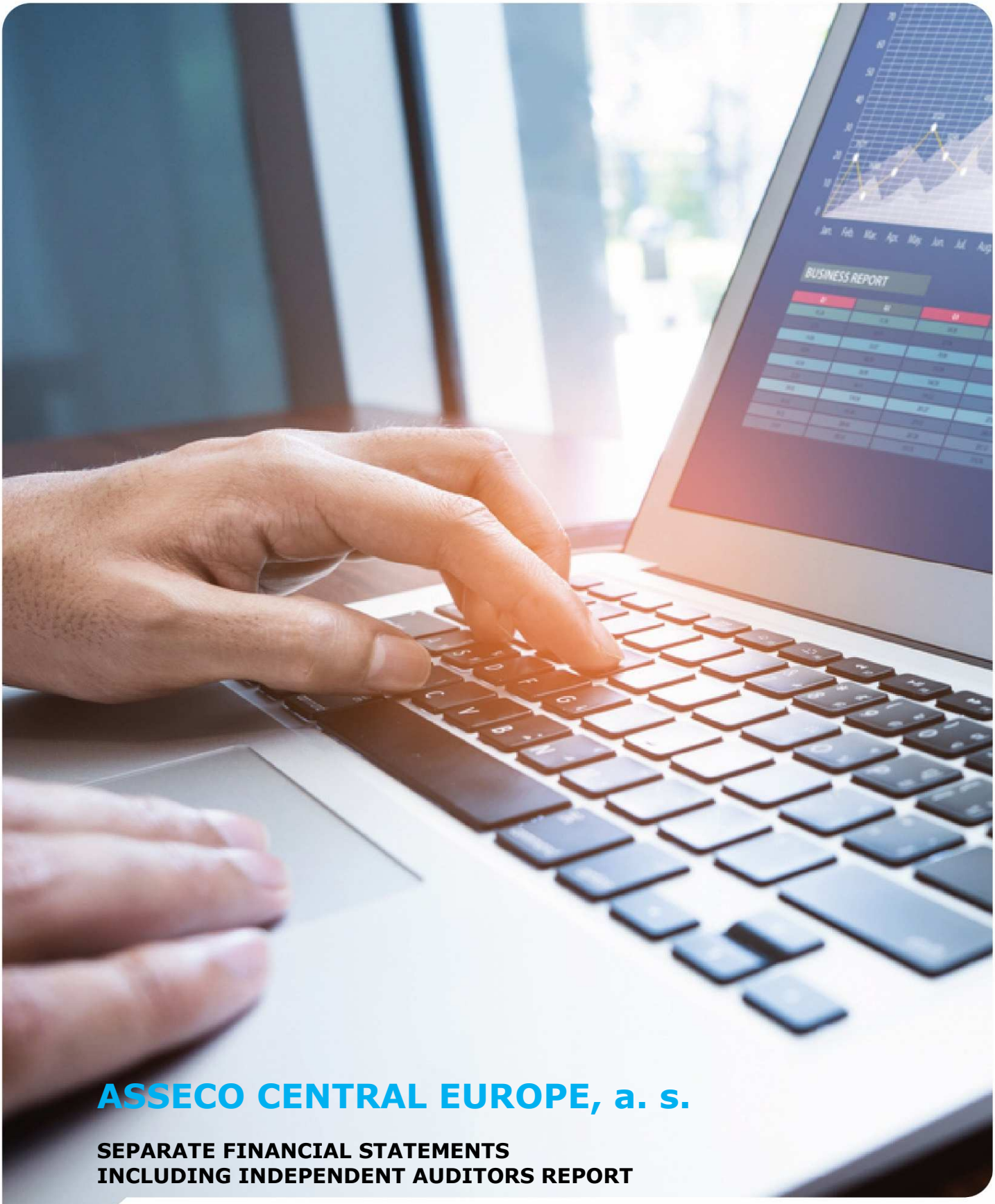
Additionally, based on our understanding of the Company and its situation, obtained in the audit of the consolidated and individual financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

30 March 2021
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Peter Potoček, statutory auditor
UDVA Licence No. 992




# ASSECO CENTRAL EUROPE, a. s.

**SEPARATE FINANCIAL STATEMENTS**
**INCLUDING INDEPENDENT AUDITORS REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**
**as endorsed by the European Union**

**Bratislava, 15 March 2021**

asseco

# FINANCIAL STATEMENTS OF ASSECO CENTRAL EUROPE, a. s. INCLUDING INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

## Contents

# Financial Statements of Asseco Central Europe, a.s. including Independent Auditors´Report for the year ended 31 DECEMBER 2020

These financial statements were prepared on 15 March 2021 and authorized for publication by the Board of Directors of Asseco Central Europe, a. s. on 15 March 2021.

Board of Directors:

| | |
|---|---|
| RNDr. Jozef Klein | Chairman of the Board of Directors |
| Ing. David Stoppani | Member of the Board of Directors |
| Ing. Branislav Tkáčik | Member of the Board of Directors |

Person responsible for maintaining accounting books:

| | |
|---|---|
| Zuzana Oravcová | Chief Accountant |

# Financial Statement of Income and Other Comprehensive Income

## Asseco Central Europe, a. s.

| INCOME STATEMENT | Note | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|---|
| Sales revenues | 4.1 | 57,009 | 57,760 |
| Cost of sales | 4.2 | (43,038) | (44,796) |
| **Gross profit on sales** | | **13,971** | **12,964** |
| Selling costs | 4.2 | (620) | (745) |
| General and administrative expenses | 4.2 | (5,208) | (5,543) |
| **Net profit on sales** | | **8,143** | **6,676** |
| Other operating income | 4.3 | 66 | 45 |
| Other operating expenses | 4.3 | (242) | (78) |
| **Operating profit** | | **7,967** | **6,643** |
| Financial income | 4.4 | 10,302 | 10,209 |
| Financial expenses | 4.4 | (1,038) | (346) |
| **Pre-tax profit** | | **17,231** | **16,506** |
| Corporate income tax *(current and deferred portions)* | 4.5 | (1,561) | (1,332) |
| **Net profit for the period reported** | | **15,670** | **15,174** |
| **Earnings per share attributable to Shareholders of Asseco Central Europe, a. s. (in EUR): Earnings per share form counting operations for the reporting period** | 4.6 | **0,73** | **0,71** |

| OTHER COMPREHENSIVE INCOME | | | |
|---|---|---|---|
| **Net profit for the period** | 4.6 | **15,670** | **15,174** |
| ***Other items of comprehensive income*** | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD attributable to:** | | **15,670** | **15,174** |
| **Shareholders of the Parent Company** | | **14,310** | **13,858** |
| Non-controlling interests | | 1,360 | 1,316 |

# Financial Statement of Financial Position

## Asseco Central Europe, a. s.

| ASSETS | Note | 31 Dec 2020 | 31 Dec. 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 5.1 | 1,614 | 1,427 |
| Intangible assets | 5.2 | 3,042 | 3,328 |
| Right-to-use assets | 5.3 | 425 | 1,533 |
| Investment in subsidiaries | 5.5 | 102,510 | 102,510 |
| Investment in associated companies | 5.7 | 3,935 | 3,659 |
| Non current loans | 5.8 | 2,942 | 2,886 |
| Non current other receivables | 5.11 | 218 | 894 |
| Deferred income tax assets | 4.5 | 1,226 | 892 |
| Non current deferred expenses | 5.9 | 288 | 385 |
| | | **116,200** | **117,514** |
| **Current assets** | | | |
| Inventory | 5.10 | 583 | - |
| Trade accounts receivable | 5.11 | 13,340 | 10,145 |
| Withholding tax | 4.5 | 19 | 614 |
| Other receivables | 4.5 | 1,802 | 5,725 |
| Shares in non-listed companies | 5.11 | 804 | - |
| Loans granted | 5.8 | 1,035 | 1,389 |
| Other financial assets | 5.8 | 218 | 2,781 |
| Cash and short-term deposits | 5.12 | 12,471 | 8,904 |
| Deferred expenses | 5.9 | 732 | 936 |
| | | **31,004** | **30,494** |
| **TOTAL ASSETS** | | **147,204** | **148,008** |

# Financial Statement of Financial Position

## Asseco Central Europe, a. s.

| SHAREHOLDERS' EQUITY AND LIABILITIES | Note | 31 Dec. 2020 | 31 Dec. 2019 |
|---|---|---|---|
| **Shareholders' Equity** *(attributable to shareholders of the Parent Company)* | | | |
| Share capital | 5.13 | 709 | 709 |
| Share premium | | 74,901 | 74,901 |
| Retained earnings (accumulated losses) | | 32,869 | 26,384 |
| **Total shareholders' equity** | | **108,479** | **101,994** |
| **Non-current liabilities** | | | |
| Interest-bearing bank credit, loans and debt securities | 5.14 | 14,244 | 17,873 |
| Financial non-current liabilities | 5.15 | - | - |
| Leased non-current liabilities | 5.16 | - | 684 |
| Other non-current liabilities | 5.17 | 252 | 16 |
| Deferred liability | 5.19 | 276 | 427 |
| | | **14,772** | **19,000** |
| **Current liabilities** | | | |
| Trade liabilities | 5.17 | 9,773 | 8,669 |
| Corporate income tax payable | 5.17 | 673 | 237 |
| Liabilities to state and local budgets | 5.17 | 1,488 | 1,629 |
| Financial liabilities | 5.15 | 16 | 6,089 |
| Lease liabilities | 5.16 | 448 | 907 |
| Other liabilities | 5.17 | 934 | 1,077 |
| Provisions | 5.18 | 126 | 126 |
| Deferred income | 5.19 | 490 | 439 |
| Accrued expenses | 5.19 | 3,692 | 3,068 |
| Interest-bearing bank loans, other loans and debt securities | 5.14 | 6,313 | 4,773 |
| | | **23,953** | **27,014** |
| **TOTAL LIABILITIES** | | **38,725** | **46,014** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **147,204** | **148,008** |

# Financial Statement of Changes in Equity

## Asseco Central Europe, a. s.

| | Note | Share capital | Share premium | Retained earnings | Total shareholders' equity |
|---|---|---|---|---|---|
| **As at 1 January 2020** | | **709** | **74,901** | **26,384** | **101,994** |
| Net profit for the reporting period | | - | - | 15,670 | **15,670** |
| Dividend for 2019 | 4.7 | - | - | (9,185) | **(9,185)** |
| **As at 31 December 2020** | | **709** | **74,901** | **32,869** | **108,479** |

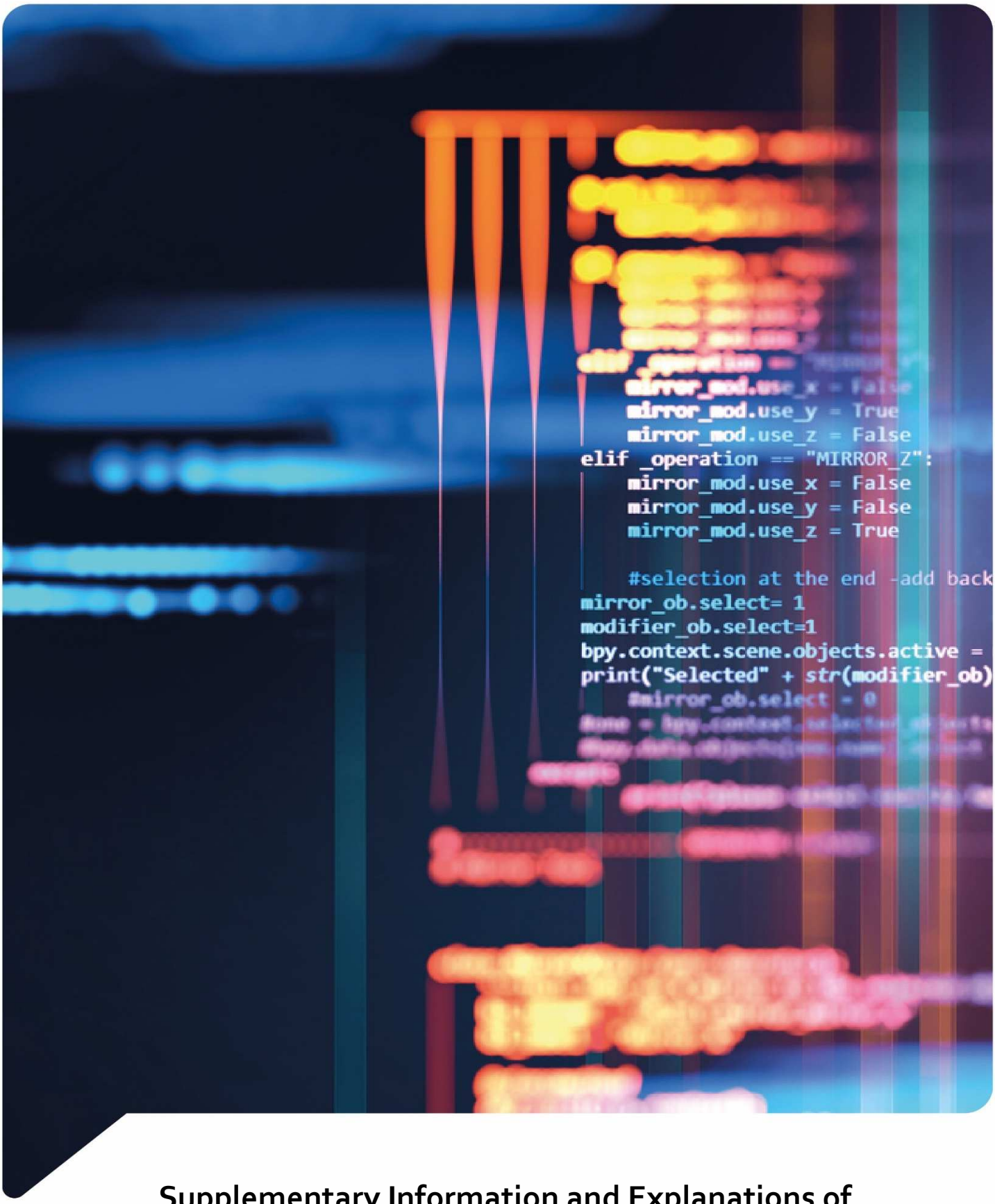
| | Note | Share capital | Share premium | Retained earnings | Total shareholders' equity |
|---|---|---|---|---|---|
| **As at 1 January 2019** | | **709** | **74,901** | **23,436** | **99,046** |
| Net profit for the reporting period | | - | - | 15,174 | **15,174** |
| Dividend for the year 2018 | | - | - | (12,175) | **(12,175)** |
| IFRS 16 implementation impact 2018 | | - | - | (51) | **(51)** |
| **As at 31 December 2019** | | **709** | **74,901** | **26,384** | **101,994** |

# Statement of Cash Flows

## Asseco Central Europe, a. s.

| | Note | 12 months ended 31 Dec. 2020 | 12 months ended 31 Dec. 2019 |
|---|---|---|---|
| **Cash flows – operating activities** | | | |
| Pre-tax profit | | 17,231 | 16,506 |
| **Total adjustments:** | | **(7,978)** | **(4,151)** |
| Depreciation and amortization | 4.2 | 2,764 | 2,664 |
| Changes in working capital | 6.1 | (1,666) | 3,024 |
| Interest income (expenses) | | 175 | 166 |
| Gain (loss) on foreign exchange differences | | 125 | 32 |
| Gain on investment activities (including dividends) | | (10,028) | (9,965) |
| Profit on disposal of intangible assets | | (41) | (30) |
| Income/cost from financial assets | | 362 | (62) |
| Other financial Income/cost | | 172 | 34 |
| Profit/loss on lease contract termination | | (7) | - |
| Other | | 166 | 14 |
| **Net cash provided by operating activities** | | **9,253** | **12,355** |
| Corporate income tax paid | | (1,459) | (1,146) |
| **Net cash provided by (used in) operating activities** | | **7,794** | **11 209** |
| **Cash flows – investment activities** | | | |
| Proceeds from disposal of tangible fixed assets and intangible assets | | 46 | 30 |
| Cash inflows from investments in debt instruments at amortized cost | 6.2 | 2,718 | 718 |
| Cash inflows from sales/realization of financial assets at fair value through P&L | | 30 | - |
| Proceeds from sale of investment in subsidiaries | 6.2 | 576 | 267 |
| Acquisition of tangible fixed assets and intangible assets | 6.2 | (611) | (945) |
| Expenditures related to research and development projects | 6.2 | (171) | (192) |
| Purchase of financial assets | 6.2 | (464) | |
| Purchases of investments in debt instruments at amortized cost | 6.2 | (418) | (2,718) |
| Purchases/realization of financial assets at fair value through P&L | | - | (38) |
| Acquisition of subsidiaries | 6.2 | (614) | (585) |
| Acquisition of associated companies | 6.2 | (638) | (1,598) |
| Loans collected (inflow) | 6.2 | - | 62 |
| Loans granted (outflow) | 6.2 | - | (1,030) |
| Interest received | | 90 | 43 |
| Dividends received | 6.2 | 13,144 | 6,479 |
| **Net cash provided by (used in) investment activities** | | **13,688** | **493** |
| **Cash flows – financing activities** | | | |
| Interest paid | | (139) | (184) |
| Repayments of bank and other loans | 6.3 | (2,210) | (3,780) |
| Leases paid | | (907) | (886) |
| Dividends paid to shareholders of the parent entity | 6.3 | (13,862) | (5,827) |
| Dividend paid to non-controlling interests | 6.3 | (797) | (875) |
| **Net cash provided by (used in) financing activities** | | **(17,915)** | **(11,552)** |
| **Net increase (decrease) in cash and cash equivalents** | | **3,567** | **150** |
| Net cash and cash equivalents as at 1 January | | 8,904 | 8,754 |
| **Net cash and cash equivalents as at 31 December** | **5.12** | **12,471** | **8,904** |

All figures in thousands of EUR, unless stated otherwise




# Supplementary Information and Explanations of the Financial Statements

# Supplementary Information and Explanations of the Financial Statements

## I. General information

Asseco Central Europe, a. s. ("the Company", "the Parent Company", "the Issuer") is a joint-stock company with its registered seat at ul. Trencianska 56/A, 821 09 Bratislava, Slovakia. Company identification number (IČO) of the Company is 35760419 and its tax identification number (DIČ) of the Company is 2020254159.

The Company was established on 16 December 1999 under its original name of the Company ASSET Soft, a. s. which was changed to Asseco Slovakia, a. s. in September 2005 and the the new name entered in the Commercial Register on 21 September 2005. On 28 April 2010, the Company again changed its name to Asseco Central Europe, a. s. which was entered in the Commercial Register of the District Court Bratislava I of the Slovak Republic on the same day.

The Company's shares were listed on the main market of the Warsaw Stock Exchange from 10 October 2006.

On 11 April 2017 the Polish Financial Supervision Authority published the decision taken to change the Company's shares from book-entry to paper form and delist them from the Warsaw Stock Exchange. This decision became effective on 22 May 2017.

The direct parent of Asseco Central Europe, a. s. is Asseco International, a.s., which in turn is a wholly-owned subsidiary of the ultimate parent of the Asseco Group i.e., Asseco Poland S.A. As at 31 December 2020, Asseco International, a.s. held a 91.33% stake in Asseco Central Europe, a.s.

Asseco Central Europe, a. s. is the parent company of the Asseco Central Europe Group ("the Asseco CE Group"). The business profile of Asseco Central Europe, a. s. includes software and computer hardware consultancy, production and supply of software and hardware and related business activities.

In addition to comprehensive IT services, the Company also sells goods including mainly computer hardware. The sale of goods is to a large extent connected with the provision of software implementation services.

These financial statements provide a description of the Company's core business broken down by relevant segment.

These financial statements cover the period of 12 months ended 31 December 2020 and contain comparative data for the period of 12 months ended 31 December 2019. They contain the Statement of profit and loss, Statement of comprehensive income, Statement of Financial position, Statement of changes in equity and Statement of Cash Flows.

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRS) endorsed by the EU for the current and comparative period. Asseco Central Europe, a. s. began to apply IFRS in 2006.

The Company prepared consolidated financial statements of the Asseco Central Europe Group in accordance with IFRS endorsed by the EU for the 12-month period ended 31 December 2020 and comparative period ended 31 December 2019, which were published on 16 March 2020. The consolidated financial statements of the Asseco Central Europe Group are available at the registered seat of the Parent Company.

Asseco Poland S.A. with its registered seat at ul. Olchowa 14, 35-322 Rzeszów, Poland prepares consolidated financial statements of the Asseco Group to which the Asseco Central Europe Group belongs.

Asseco Central Europe, a. s. is not an unlimited liability partner in any company.

Members of the Board of Directors (hereinafter "BoD") and Supervisory Board (hereinafter "SB") of Asseco Central Europe, a. s. as at 31 December 2020 and 15 March 2021 (date of publication) were as follows:

| Board of Directors | Period | Supervisory Board | Period |
|---|---|---|---|
| Jozef Klein | 01.01.2020-31.12.2020 | Adam Góral | 01.01.2020-31.12.2020 |
| Marek Grác | 01.01.2020-08.09.2020 | Andrej Košári | 01.01.2020-31.12.2020 |
| David Stoppani | 01.01.2020-31.12.2020 | Marek Panek | 01.01.2020-31.12.2020 |
| Branislav Tkáčik | 01.01.2020-31.12.2020 | Przemysław Sęczkowski | 01.01.2020-31.12.2020 |
| | | Miroslav Kepencay | 01.01.2020-31.12.2020 |

# II. Accounting principles applied when preparing financial statements

## 2.1. Basis for preparation of financial statements

The financial statements were prepared in accordance with the historical cost principle, except for derivative financial instruments which were measured at their fair value.

The presentation currency of these financial statements is euro (EUR), and all figures are presented in thousands of euro (EUR ´000), unless stated otherwise.

These financial statements were prepared on a going-concern basis, assuming the Company will continue its business activities in the foreseeable future.

Up to the date of approval of these financial statements, no circumstances indicating a threat to the Company's ability to continue as a going concern have been identified.

## 2.2. Impact of COVID-19 pandemic on the Companie business operations

As at the date of publication of these financial statements, based on the current analysis of risks and in particular those arising from the COVID-19 pandemic prevailing in Slovakia and worldwide, the Management Board concluded that the Group's ability to continue as a going concern over a period not shorter than 12 months from 30 December 2020 is not threatened.

The company is continuously monitoring how the situation caused by the COVID-19 pandemic affects the Company. Within its core business during year 2020, the Company has not recorded a material direct impact of the coronavirus on its overall financial position and economic results. However, the epidemiological situation affected the organizational aspect of the Companys operations. As a consequence of actions undertaken by Slovak authorities, for the sake of the Companys employees and customers, the Company has made efforts to enable most of our employees to work remotely in order to ensure business continuity and continued provision of IT services to our customers. At the time of publication of this report, the Company operate on an ongoing basis and fulfill their contractual obligations within the deadlines specified in relevant contracts.

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

After a due analysis, the Company currently sees no significant risk of impairment of assets, including goodwill. We have also observed no significant changes in the collection of receivables, which is why the methodology for calculation of expected credit losses remained almost unchanged. The Company has sufficient financial resources to continue its business operations, including the settlement of current liabilities. The Company has not experienced a negative impact of the epidemic on its financial liquidity and fulfils its obligations under loan agreements and bonds on a timely basis. The Company used available public aid, which mostly consisted in deferring the payment deadlines for tax and legal liabilities and deferring loan repayments.

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

## 2.3. Compliance statement

These financial statements have been prepared in accordance with IFRS endorsed by the EU. As at the date of authorization of these financial statements, in light of the current process of IFRS endorsement in the EU and the nature of the Company's activities, there is no difference between IFRS and IFRS endorsed by the EU. IFRS include standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

## 2.4. Functional currency and currency presentation

The Company's functional currency as well as the presentation currency of these financial statements is the euro (EUR) and all figures are presented in thousands unless otherwise stated.

Foreign currency transactions are initially recognized in the functional currency at the exchange rate at the transaction date. Assets and liabilities denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Non-cash items denominated in foreign currencies are stated at historical prices and are translated using the exchange rate at the date of the transaction. Non-cash items denominated in a foreign currency at fair value are translated at the date at which the fair value is determined.

The following table shows the rates that were used for valuation in the balance sheet:

| Currency | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| EUR | 1.00000 | 1.00000 |
| USD | 1.22710 | 1.12340 |
| CZK | 26.24200 | 25.40800 |
| GBP | 0.89903 | 0.85080 |
| HUF | 363.89000 | 330.53000 |
| PLN | 4.55970 | 4.25680 |

### 2.5. Significant accounting judgments, estimates and assumptions

Preparing financial statements in accordance with IFRS requires judgements, estimates and assumptions which affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although the estimates and assumptions have been adopted on the basis of the Company management's best knowledge of the current activities and occurrences, the actual results may differ from those anticipated.

Details of the main areas subject to management's professional judgment and accounting estimates which, if changed, could significantly affect the Company's future results, are given below.

### 2.6. Changes in accounting policies

The accounting principles (policy) adopted in the preparation of these financial statements are consistent with those applied in preparing the Company's annual financial statements for the year ended 31 December 2020.

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

- Amendments to IFRS 3 'Definition of a Business''
- Amendments to IFRS 7, IFRS 9, IFRS 7 and IAS 39: 'Interest Rate Benchmark Reform – Phase 1';
- Amendments to IAS 1 and IAS 9 'Definition of Material;
- Conceptual Framework for Financial Reporting issued on 29 March 2018;

These new standards and amendments have no significant impact on the financial statements Company´s. The Company did not decide on early adoption of any standard, interpretation or amendment which has been published but has not yet become effective.

### 2.7. New standards and interpretations published but not yet in force according to group principles

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

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture' (issued on 11 September 2014) – work for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by the IASB;
- Amendments to IAS 1 'Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current' and 'Classification of Liabilities as Current or Non-current – Deferral of Effective Date' (issued on 23 January 2020 and 15 July 2020, respectively) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;

- Amendments to IFRS 3 'Reference to the Conceptual Framework' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020 (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IFRS 4 'Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9' (issued on 25 June 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: 'Interest Rate Benchmark Reform – Phase 2' (issued on 27 August 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2021.

The Board of Directors of the Parent Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company is currently conducting an analysis of how the amendments could impact its financial statements.

### 2.8. Correction of significant errors from prior periods

There were no events in the reporting period requiring corrections of any significant errors of prior periods.

## III. Information on segments

The Company operates in the sector of information technology and telecommunications. Because the main business activities have a similar character, there is no reason to adopt the standard relating to segmental information. The organizational structure is homogeneous, without any independent part that would operate in different activities. On the basis of the above, the Company declares itself as one business segment.

The Company operates in more other regions, but almost 85 % of revenues come from the Slovak Republic. The rest come from the Czech Republic, where Asseco Central Europe has an international branch and from other countries are included in the financial statements submitted.

Geographical sectors are distinguished by the Company's geographical operations where economic activities are being conducted.

The figures in the tables below are after inter-company eliminations, and dividends are seen directly in the net profit of the reportable segment.

| For 12 months ended 31 December 2020 and as at 31 December 2020 | Slovak market | Czech/other market | Total |
|---|---|---|---|
| **Sales revenues** | | | |
| Sales to external customers | 47,819 | 9,190 | 57,009 |
| **Operating profit (loss) of reportable segment** | **6,683** | **1,284** | **7,967** |
| Interest income | 212 | | 212 |
| Interest expense | (261) | - | (261) |
| **Corporate income tax** | **(1,349)** | **(258)** | **(1,607)** |
| *Non-cash items:* | | | |
| Depreciation and amortization | (2,764) | - | (2,764) |
| Impairment write-downs on segment assets | 392 | - | 392 |
| **Net profit (loss) of reportable segment** | **14,960** | **1,026** | **15,986** |
| Segment assets | 145,431 | 2,135 | 147,566 |
| **Segment capital expenditures** | **(611)** | | **(611)** |

The impairment write-downs on segment assets of EUR 392 thousand include allowances for receivables.

| For 12 months ended 31 December 2019 and as at 31 December 2019 | Slovak market | Czech/other market | Total |
|---|---|---|---|
| **Sales revenues** | | | |
| Sales to external customers | 48,777 | 8,983 | 57,760 |
| **Operating profit of reportable segment** | **5,905** | **1,088** | **6,993** |
| Interest income | 142 | - | 142 |
| Interest expense | (308) | - | (308) |
| **Corporate income tax** | **(1,186)** | **(219)** | **(1,405)** |
| *Non-cash items:* | | | |
| Depreciation and amortization | (2,664) | - | (2,664) |
| Impairment write-downs on segment assets | 208 | - | 208 |
| **Net profit (loss) of reportable segment** | **14,582** | **869** | **15,451** |
| Segment assets | 143,127 | 5,187 | 148,314 |
| **Segment capital expenditures** | **(945)** | **-** | **(945)** |

The impairment write-downs on segment assets of EUR 208 thousand include allowances for receivables.

# IV. Notes to the Profit and loss statement

## 4.1. Operating revenues

**Significant accounting policies**

IFRS 15 came into force on 1st January 2018. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and applies to all contracts with customers, except for those which are within the scope of other standards, in particular IFRS 16.

The new standard provides the so-called Five-Step Model for recognition of revenues from contracts with customers. According to IFRS 15, revenues ae recognized in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to customers.

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

- Revenues from the sale of own licenses and services
- Revenues from the sale of third-party licenses and services
- Revenues from the sale of hardware

***a) Sale of own licenses and services***

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

*Comprehensive IT projects*

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

Revenues from a performance obligation to provide a functional IT system are recognized over time, during the period of its development. This is because, in accordance with IFRS 15, revenues may be recognized during transferal of control of the supplied goods/services, as long as the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date throughout the duration of the contract. In the Management's opinion, in the case of execution of comprehensive IT projects the provider cannot generate an asset with an alternative use because such systems together with the accompanying implementation services are "tailor-made". Concurrently, the analysis carried out so far showed that essentially all contracts concluded by the Company meet the criterion of ensuring an enforceable right to payment for performance completed throughout the duration of the contract. This means that revenues from comprehensive IT projects, which include the sale of own licenses and own services, shall be recognized according to the percentage of completion method (based on the costs incurred so far) over time of transferring control of the sold goods/services to the customer. Relatively small IT projects are a specific case where revenues may be recognized in the amount the entity is entitled to invoice, in accordance with a practical expedient permitted under IFRS 15.

*Sale of own licenses without significant related services*

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

- a right to access the entity's intellectual property in the form in which it exists throughout the licensing period; or

- a right to use the entity's intellectual property in the form in which it exists at the time of granting the license.

The vast majority of licenses sold separately by the Company (thus representing a separate performance obligation) are intended to provide the customer with a right to use the intellectual property, which means revenues from the sale of such licenses are recognized at the point in time at which control of the licence is transferred to the customer. This is tantamount to stating that in the case of own licenses sold without significant related services, regardless of the licensing period, the arising revenues are recognized on a one-off basis at the point in time of transferring control of the licence. We have also identified instances of selling licenses the nature of which is to provide a right to access the intellectual property. Those licenses are, as a rule, sold for a definite period. Up until 31 December 2017, in line with our accounting policy for licenses granted for a definite period, the arising revenues were recognized over time (throughout the licensing period). In accordance with IFRS 15, the Company now recognizes such revenues based on the determination whether the license provides the customer with a right to access or a right to use.

*Maintenance services and warranties*

The category of 'Own licenses and services' also presents revenues from own maintenance services, including revenues from warranties. Our accounting policy regarding the recognition of revenues from maintenance services remained unchanged after the adoption of IFRS 15, because in the Management's opinion such services, in principle, constitute a separate performance obligation where the customer consumes the benefits of goods/services as they are delivered by the provider, as a consequence of which revenues are recognized over time during the service performance period.

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

***b) Sale of third-party licenses and services***

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

***c) Sale of hardware***

The category of the 'Sale of hardware' includes revenues from contracts with customers for the supply of infrastructure. In this category, revenues are recognized basically at the point in time at which control of the equipment is transferred. This does not apply only to situations where hardware is not delivered separately from

services provided alongside, in which case the sale of hardware is part of a performance obligation involving the supply of a comprehensive infrastructure system. However, such comprehensive projects are a rare practice in the Company as the sale of hardware is predominantly performed on a distribution basis.

***d) Variable consideration***

In accordance with IFRS 15, if a contract consideration encompasses any amount that is variable, the Company estimates the consideration to which it will be entitled in exchange for transferring promised goods or services to the customer, and includes a portion or the whole amount of variable consideration in the transaction price, but only to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Company is party to a number of contracts which provide for penalties for non-performance or improper performance of contractual obligations. Any contractual penalties may therefore affect the consideration, which has been stated as a fixed amount in the contract, and make it subject to change due to such expected penalties. Therefore, stating from 1 January 2018, as part of estimating the amount of consideration receivable under a contract, the Company has estimated the expected amount of consideration while taking into account the probability of paying such contractual penalties as well as other factors that might potentially affect the consideration. This causes a reduction in revenues, and not an increase in the amount of provisions and relevant costs as was previously the case. Excepting contractual penalties, there are no other significant factors that may affect the amount of consideration (such as rebates or discounts), but in the event they were identified, they would also affect the amount of revenues recognized by the Company.

***e) Significant financing component***

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

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

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

***f) Costs of contracts with customers***

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

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

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

***g) Other practical expedients applied by the Company***

When appropriate, the Company also applies a practical expedient permitted under IFRS 15 whereby if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company’s performance completed to date (for example, a service contract in which an

entity bills a fixed amount for each hour of service provided), the Company may recognize revenue in the amount it is entitled to invoice.

In line with the chosen approach for the implementation of IFRS 15, the Company also decided to use a practical expedient not to restate contracts in respect of all modifications that were approved before the beginning of the earliest period presented.

In 2020 and the corresponding comparative period, operating revenues were as follows:

| Sales revenues by type of business | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Own software and services | 45,401 | 50,710 |
| Third-party software and services | 6,979 | 2,416 |
| Computer hardware and infrastructure | 4,322 | 4,307 |
| Other sales | 307 | 327 |
| | **57,009** | **57,760** |

The category Own software and services includes revenues from contracts with customers under which the Company delivers its own software and provides related services. These services can be performed by employees (internal resources) of the Company as well as by subcontractors (external resources). The involvement of subcontractors in this revenue category has no effect on the extent of liability or the relationship between the Company and the customer to whom the service was provided. The decision as to whether services for a particular type of project are to be performed by subcontractors or by its own staff is entirely within the competence of the Company. In addition, revenues from the provision of own services for third-party software and infrastructure are included in this category.
The category Third Party Software and Services includes revenue from the sale of third party licenses as well as from the provision of services that, due to technological or other legal reasons, must be performed by subcontractors (the definition refers to hardware and software maintenance services as well as outsourcing software services provided by manufacturers).

| Sales revenues by sectors | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Banking and finance | 16,817 | 17,169 |
| Enterprises | 18,577 | 20,931 |
| Public institutions | 21,615 | 19,660 |
| | **57,009** | **57,760** |

| Sales revenues by territorial structure | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Slovakia | 47,819 | 48,777 |
| Czech Republic | 8,011 | 8,081 |
| Other European countries | 982 | 224 |
| Other non-European countries | 197 | 678 |
| | **57,009** | **57,760** |

## 4.2. Operating costs

The Company recognizes expenses in terms of both the purpose and the type breakdown. The cost of products sold consists of costs directly linked to the sale of goods or the creation of services sold. Cost of sales includes the cost of distribution activities. Administrative expenses include the Company's management and administration costs.

| | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Materials and energy used (-) | (211) | (228) |
| Cost of goods, materials and third-party services sold | (10,076) | (6,033) |
| Third party work (-) | (15,940) | (21,737) |
| Employee benefits (-) | (19,357) | (18,896) |
| Depreciation and amortization, which (-) | (2,764) | (2,664) |
| *Depreciation base on IFRS 16* | (879) | *(879)* |
| Taxes and charges (-) | (14) | (19) |
| Business trips (-) | (88) | (230) |
| Creation and reversal of provisions for warranty repairs and provisions for trade receivables (+)/(-) | 392 | (142) |
| Other (-) | (808) | (1,135) |
| **Total** | **(48,866)** | **(51,084)** |
| **Cost of sales:** | **(43,038)** | **(44,796)** |
| *production cost (-)* | *(20,324)* | *(20,879)* |
| *cost of merchandise, materials and third party work sold (COGS) (-)* | *(22,714)* | *(23,917)* |
| **Selling expenses (-)** | **(620)** | **(745)** |
| **General administrative expenses (-)** | **(5,208)** | **(5,543)** |

### i. Employee benefits costs

| | For 2020 | For 2019 |
|---|---|---|
| Salaries | (14,257) | (13,810) |
| Social security costs | (2,529) | (2,489) |
| Retirement benefit costs | (2,119) | (2,113) |
| Other costs for employee benefits | (452) | (484) |
| **Employee benefits total** | **(19,357)** | **(18,896)** |

The Company provides short-term employee benefits (mainly comprising payroll expenses, costs of medical, health and social security and costs of creating a social fund). Over the course of the year, the Company makes contributions to social and health insurance from gross wages paid, and contributes to the unemployment fund as per the statutory rates. The costs of the contributions are posted in the profit and loss account in the same period as the relevant payroll expenses.
In respect of employees who have opted to participate in the program of supplementary pension insurance, the Company contributes up to 2.5% of the total monthly tariff wage for these purposes.
No Company pension scheme is currently in operation.
The table below shows remuneration of the entity authorized to audit financial statements, paid or payable for the year ended 31 December 2020 and 31 December 2019, by type of services:

| | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Statutory audit of annual financial statements | 65 | 53 |
| **Total** | **65** | **53** |

## 4.3. Other operating income and expenses

In other operating activities, the Company recognizes revenues and expenses that are not related to its operating activities in the IT area.

| Other operating income | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Gain on disposal of tangible fixed assets | 46 | 31 |
| Income from rental services | 4 | 5 |
| Profit on lease contract termination | 7 | - |
| Other | 9 | 9 |
| **Total** | **66** | **45** |

| Other operating expenses | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Residual value of tangible fixed assets sold | (5) | (1) |
| Charitable contributions (-) | (218) | (50) |
| Other (-) | (19) | (27) |
| **Total** | **(242)** | **(78)** |

## 4.4. Financial income and expenses

***Interest income***

Interest income is recognized on a time-proportion basis (taking into account the effective yield - the interest rate which accurately discounts future cash flows during the estimated period of use of a financial instrument to the net book value of such a financial asset).

Interest income is recognised in profit and loss statement as accrued during the reporting period. Interest income includes interests from investments in debt instruments and deposits measured at amortised cost, interests from finance lease and trade receivables.

Interest income comprises interest on loans granted, investments in securities held to maturity, bank deposits and other items, and the discounts of costs (liabilities) according to the method of the effective interest rate.

| Financial income | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Interest income on loans granted, debt securities and bank deposits | 212 | 142 |
| Gain on revaluation of financial derivatives | - | 4 |
| Gain on exercise of currency derivatives - forward contracts | 62 | - |
| Gain on foreign exchange differences | - | 36 |
| Dividends received | 10,028 | 9,965 |
| Other | - | 62 |
| **Total financial income** | **10,302** | **10,209** |

| Financial expenses | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Interest expense on financial leases (-) | (261) | (308) |
| Loss on change in fair value of currency derivatives - forward contracts | (2) | - |
| Loss from realization of derivative | (32) | (38) |
| Loss on foreign exchange differences | (181) | - |
| Write-off of investment associate | (362) | - |
| Impairment write-off of financial asset | (200) | - |
| **Total financial expenses** | **(1 038)** | **(346)** |

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

### 4.5. Corporate income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

For the purposes of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred income tax provisions are established in relation to all positive temporary differences. This applies except when a deferred tax provision arises from an initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than a combination of companies which, at the time of its conclusion, has no influence on pre-tax profit, taxable income or tax loss, in relation to positive temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures. An exception to this situation is when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unused deferred tax assets or unused tax losses carried forward to subsequent years, in such an amount that it is probable that future taxable income will be sufficient to allow the above temporary differences, assets or losses to be utilized. This does not apply to situations when deferred tax assets related to negative temporary differences arising from the initial recognition of an asset or liability on a transaction other than a combination of companies which, at the time of its conclusion, has no influence on pre-tax profit, taxable income or tax loss. Furthermore, in the event of negative temporary differences arising from investments in a subsidiary or associated companies or from participation in joint ventures, deferred tax assets are recognized in the statement of financial position in such amounts only that it is probable that the above temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The book value of an individual deferred tax asset is verified on every balance sheet date and is duly decreased or increased to reflect any changes in the estimates of achieving taxable profit sufficient to utilize the deferred tax asset partially or entirely.

Deferred tax assets and deferred tax provisions are valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax provision is reversed, the basis for which are the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset in accordance with IFRS.

Income tax related to items directly recognized in equity is recognized under equity and not in the profit and loss account. Revenues, expenses and assets are recognized in the amounts excluding value added tax (VAT) unless:

- value added tax paid at the purchase of merchandise or services is not recoverable from the tax authorities; in such an event the value added tax paid is recognized as a part of the purchase price of an asset or as an expense; and
- receivables and liabilities are presented including value added tax.

The net amount of value added tax which is recoverable from or payable to the tax authorities is included in the statement of financial position as a part of receivables or liabilities to the state budget.

The main charges on the pre-tax profit are due to corporate income tax (CIT) (current and deferred portions):

| | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Corporate income tax | (1,895) | (1,517) |
| Deferred tax | 334 | 185 |
| *Related to temporary differences* | 334 | *185* |
| **Income tax expense as disclosed in the profit and loss account:** | **(1,561)** | **(1,332)** |

Regulations applicable to VAT, CIT, personal income tax or social security contributions are subject to frequent amendments, thereby often depriving taxpayers of the possibility of referring to well-established regulations or legal precedents. The current regulations in force include ambiguities which may give rise to different opinions and legal interpretations of the taxation regulations, either between companies and public administration or between the public administration bodies themselves. Taxation and other settlements (for instance customs duty or currency payments) may be controlled by administrative bodies that are entitled to impose considerable fines, and the amounts of the liabilities determined must be paid with high interest. In effect, the amounts disclosed in the financial statements may later be changed, after the taxes payable are finally determined by the taxation authorities.

Reconciliation of CIT payable on pre-tax profit is according to the statutory tax rates with the CIT computed at the Company's effective tax rate.

| | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| **Pre-tax profit** | **17,231** | **16,506** |
| Statutory corporate income tax rate | 21% | 21% |
| **Corporate income tax computed at the statutory tax rate** | **3,619** | **3,466** |
| Non-taxable financial income - dividends | (2,106) | (2,093) |
| Other non-taxable income and non-deductible expenses | 146 | 53 |
| Deduction base on R&D taxable expenses | (98) | (94) |
| Adjustments of the prior years' income tax | - | - |
| **Corporate income tax computed at the effective tax rate of 9,06% in 2020 and 8,89% in 2019** | **1,561** | **1,332** |

The Company estimated future taxable income and concluded it will make feasible the recovery of deferred income tax assets (net of provisions) in the full amount as at 31 December 2020 and 31 December 2019.

The CIT rate was 21% in 2020 and 2019.

| | 31 Dec 20120 | 31 Dec 2019 |
|---|---|---|
| Corporate income tax - assets | 1,242 | 1,898 |
| Corporate income tax - liabilities | (1,895) | (1,517) |
| **Current corporate income tax – assets (+)/Current corporate income tax – liabilities (-), net** | **(672)** | **(237)** |
| **Withholding tax - receivable** | **19** | **614** |

| | 31 Dec 20120 | 31 Dec 2019 |
|---|---|---|
| Tax rate used for calculation deferred income tax | 21% | 21% |
| Deferred income tax assets | 1,318 | 1,216 |
| Deferred income tax liability | (92) | (324) |
| **Deferred income tax assets (+)/Deferred income tax provision (-), net** | **1,226** | **892** |

The following table provides information on deferred tax assets and liabilities:

| | Statement on financial position | | Statementy of profit and loss | |
|---|---|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 | 12 months to 31 Dec 2020 | 12 months to 31 Dec 2019 |
| **Deferred income tax liability** | | | | |
| Valuation of tangible assets at fair value and difference between tax depreciation and accounting depreciation | (3) | (3) | - | - |
| Leased property | (89) | (321) | 232 | 185 |
| Other | | - | | |
| **Deferred income tax liability, gross** | **(92)** | **(324)** | | |
| **Deferred income tax assets** | | | | |
| Difference between tax and accounting depreciation | 26 | 28 | (2) | 9 |
| Accrued expenses, provisions and other liabilities | 1,154 | 760 | 394 | 213 |
| Writte-offs to financial asset | 42 | - | 42 | - |
| Inventories allowances | - | - | - | (5) |
| Receivables allowances | 2 | 51 | (49) | (6) |
| Leased liabilities | 94 | 334 | (240) | (186) |
| Other | - | 43 | (43) | (25) |
| **Deferred income tax assets, gross** | **1,318** | **1,216** | | |
| **Deferred income tax assets, net** | **1,226** | **892** | | |
| Change in deferred income tax in the period reported, of which *deffered income tax change recognized in profit or loss* | | | **334** | **185** |
| **Deffered income tax, net** | | | 334 | 185 |

For calculation of deferred income tax as at 31 December 2020, a rate of 21% was used.

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### 4.6. Earnings per share

Basic earnings per share are computed by dividing the net profit for the period reported, attributable to shareholders of the Company, by the average weighted number of ordinary shares outstanding during that financial period.

Diluted earnings per share are computed by dividing net profit for the financial period, attributable to shareholders of the Company, by the adjusted (due to the diluting impact of potential shares) average weighted number of ordinary shares outstanding during that financial period, adjusted by the factor of conversion of bonds convertible to ordinary shares.

The table below present net profit and number of shares used for calculation of basic and diluted earnings per share:

| | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| **Net profit attributable to shareholders of the Parent Company** | **15,986** | **15,451** |
| Average weighted number of ordinary shares outstanding, used for calculation of basic earnings per share | 21,360,000 | 21,360,000 |
| Dilution factors | - | - |
| **Adjusted average weighted number of ordinary shares, used for calculation of diluted earnings per share** | **21,360,000** | **21,360,000** |

Both in the current and corresponding prior reporting periods, no events took place that would cause dilution of earnings per share.

### 4.7. Information on dividends paied

***Dividends***

Dividends are recognized when the shareholders right to receive payment is vested.

By decision of the Ordinary General Meeting of Shareholders of Asseco Central Europe, a. s. amount of 9 184 800 EUR from the profit for 2019 was distributed as a dividend (i.e., EUR 0,43 per share) and the amount of 5 989 046,81 EUR was kept as retained earnings. The Dividend was paid from 21 May 2020 to 31 December 2020. During the year 2020, rest of unpaid dividend from the previous year was paid.

The remaining part of EUR 1 ths. consist of the unpaid dividend to the other shareholders that did not take over as of 31 Decemer 2020. As of the balance sheet date, the balance of outstanding dividends has not changed.

As in previous years, the Company intends to pay out dividends in 2021 from net profit achieved for the accounting period ending 31 December 2020.

# V. Notes to the Statement of Financial Position

## 5.1. Plant, property and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs. Any costs incurred after a tangible asset has been commissioned into use, such as costs of repairs, technical inspections or operating fees, are expensed in the reporting period in which they were incurred. At the time of purchase, tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

| Type | Period of useful life |
|---|---|
| Buildings and structures | 12-40 |
| Machinery and technical equipment | 4-12 |
| Transport vehicles | 3-6 |
| Computer hardware | 4-12 |

The appropriateness of the periods of useful life and residual values applied is subject to annual review which results in relevant adjustments to the depreciation charges to be made in subsequent years.

A tangible asset may be derecognized from the statement of financial position after it is disposed of or when no economic benefits are expected from its further use. Gain/loss on disposal of a tangible fixed asset is assessed by comparing the proceeds from such a disposal against the present book value of such an asset, and it is accounted for as an operating income/expense. Any gains or losses resulting from derecognition of a given item of property, plant and equipment from the statement of financial position (calculated as the difference between the net cash obtained from sales and the book value of this item) are recognized in the profit and loss account in the period in which the derecognition from the accounting books was made.

Investments in progress relating to tangible assets under construction are recognized at purchase price or production cost, decreased by any eventual impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned into use.

| For 12 months ended 31 December 2020 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Tangible assets under construction | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2020, less depreciation and impairment allowance** | **364** | **515** | **498** | **9** | **41** | **1,427** |
| Additions, of which: | 364 | 279 | 93 | - | (25) | **711** |
| Purchases | - | - | - | - | 711 | **711** |
| Other changes | 364 | 279 | 93 | - | *(736)* | **-** |
| Reductions, of which: | (11) | (269) | (243) | (1) | - | **(524)** |
| Depreciation charge for the reporting period (-) | (11) | (264) | (243) | (1) | - | **(519)** |
| Sale and disposal (-) | - | (82) | (39) | - | - | **(121)** |
| Depreciation of disposals and liquidations | - | 77 | 39 | - | - | **116** |
| **As at 31 December 2020, less depreciation** | **717** | **525** | **348** | **8** | **16** | **1,614** |
| As at 1 January 2020 | | | | | | |
| Gross value | 375 | 2,451 | 1,569 | 20 | 41 | **4,456** |
| Depreciation and impairment write-downs (-) | (11) | (1,936) | (1,071) | (11) | - | **(3,029)** |
| **Net book value as at 1 January 2020** | **364** | **515** | **498** | **9** | **41** | **1,427** |
| As at 31 December 2020 | | | | | | |
| Gross value | 739 | 2,648 | 1,623 | 20 | 16 | **5,046** |
| Depreciation and impairment allowance (-) | (22) | (2,123) | (1,275) | (12) | - | **(3,432)** |
| **Net book value as at 31 December 2020** | **717** | **525** | **348** | **8** | **16** | **1,614** |

As at 31 December 2020, no tangible fixed assets served as security for bank credit.

| For 12 months ended 31 December 2019 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Tangible assets under construction | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2019, less depreciation and impairment allowance** | **315** | **529** | **572** | **10** | **13** | **1,439** |
| Additions, of which: | 58 | 250 | 182 | - | 28 | **518** |
| Purchases | - | - | - | - | *518* | ***518*** |
| Other changes | *58* | *250* | *182* | - | *(490)* | **-** |
| Reductions, of which: | (9) | (264) | (256) | (1) | - | **(530)** |
| Depreciation charge for the reporting period (-) | *(9)* | *(264)* | *(256)* | *(1)* | - | ***(530)*** |
| Sale and disposal (-) | - | *(75)* | *(150)* | - | - | ***(225)*** |
| Depreciation of disposals and liquidations | - | *75* | *150* | - | - | ***225*** |
| **As at 31 December 2019, less depreciation** | **364** | **515** | **498** | **9** | **41** | **1,427** |
| As at 1 January 2019 | | | | | | |
| Gross value | 317 | 2,276 | 1,537 | 20 | 13 | **4,163** |
| Depreciation and impairment write-downs (-) | (2) | (1,747) | (965) | (10) | - | **(2,724)** |
| **Net book value as at 1 January 2019** | **315** | **529** | **572** | **10** | **13** | **1,439** |
| As at 31 December 2019 | | | | | | |
| Gross value | 375 | 2,451 | 1,569 | 20 | 41 | **4,456** |
| Depreciation and impairment allowance (-) | (11) | (1,936) | (1,071) | (11) | - | **(3,029)** |
| **Net book value as at 31 December 2019** | **364** | **515** | **498** | **9** | **41** | **1,427** |

As at 31 December 2019, no tangible fixed assets served as security for bank credit.

## 5.2. Intangible assets

Purchased separately or acquired as a result of merger of companies.

Intangible assets purchased in a separate transaction are measured at initial recognition as cost. Intangible assets acquired as a result of a merger are measured at their fair value as at the date of merger.

The period of useful life of an intangible asset is assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over their expected useful life, and amortization charges are expensed appropriately in the profit and loss account. The periods of useful life, being the basis for determination of amortization rates, are subject to annual verification and, if required, they are adjusted starting from the following financial year. Intangible assets are depreciated using the straight-line method. Below are the periods of useful life adopted for intangible assets:

| Type | Period of useful life |
|---|---|
| Cost of development work | 2-5 |
| Computer software | 2-8 |
| Patents and licenses | 2-8 |
| Customer relations | 2-7 |
| Other | 2-5 |

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The remaining intangible assets are tested for impairment if there are indications of a possible impairment in value. If the book value exceeds the estimated recoverable value (whichever is the higher of the net sales price or value in use), the value of these assets is reduced to the recoverable value.

Except for development work, intangible assets produced by the Company on its own are not capitalized, but the expenditures on their production are expensed in the profit and loss account for the period in which they were incurred.

*Research and development costs*

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to reliably measure the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Any gain or loss resulting from derecognition of an intangible asset from the statement of financial position (calculated as the difference between the net cash obtained from sales and the book value of an item) is disclosed in the profit and loss account for the period in which such derecognition disposal occured.

| For 12 months ended 31 December 2020 | Cost of development work | Costs of unfinished research and development projects | Computer software | Goodwill on merger | Other | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2020, less amortization and impairment allowance** | **-** | **530** | **1,715** | **1,083** | **-** | **3,328** |
| Additions, of which: | 338 | 171 | 1,075 | - | - | **1,584** |
| Purchases | - | - | *1,075* | - | - | ***1,075*** |
| Capitalization of development project costs | - | *171* | - | - | - | ***171*** |
| Other changes | *338* | - | - | | | ***338*** |
| Reductions, of which: | (193) | (484) | (1,193) | - | - | **(1,870)** |
| Amortization charge for the reporting period (-) | *(193)* | - | *(1,173)* | - | - | ***(1,366)*** |
| Disposal and liquidation (-) | - | *(146)* | *(20)* | - | - | ***(166)*** |
| Other changes | - | *(338)* | - | - | - | ***(338)*** |
| **Impairment, write-downs** | **-** | **-** | **-** | **-** | **-** | **-** |
| **As at 31 December 2020, less amortization and provisions** | **145** | **217** | **1,597** | **1,083** | **-** | **3,042** |
| As at 1 January 2020 | | | | | | |
| Gross value | 530 | 530 | 14,090 | 1,083 | 2,407 | **18,640** |
| Amortization and impairment allowance (-) | (530) | - | (12,375) | - | (2,407) | **(15,312)** |
| **Net book value as at 1 January 2019** | **0** | **530** | **1,715** | **1,083** | **-** | **3,328** |
| As at 31 December 2020 | | | | | | |
| Gross value | 868 | 217 | 15,145 | 1,083 | 2,407 | **19,720** |
| Amortization and impairment allowance (-) | (723) | - | (13,548) | - | (2,407) | **(16,678)** |
| **Net book value as at 31 December 2020** | **145** | **217** | **1,597** | **1,083** | **-** | **3,042** |

As at 31 December 2020, no intangible assets served as security for bank credits.

| For 12 months ended 31 December 2019 | Cost of development work | Computer software | Goodwill on merger | Other | Total |
|---|---|---|---|---|---|
| **As at 1 January 2019, less amortization and impairment allowance** | **338** | **2,516** | **1,083** | **-** | **3,937** |
| Additions, of which: | 192 | 454 | - | - | **646** |
| Purchases | - | *454* | - | - | ***454*** |
| Capitalization of development project costs | *192* | - | - | - | ***192*** |
| Reductions, of which: | . | (1,255) | - | - | **(1,255)** |
| Amortization charge for the reporting period (-) | - | *(1,255)* | - | - | ***(1,255)*** |
| Disposal and liquidation (-) | - | - | - | - | **-** |
| Write-off decrease | - | - | - | - | **-** |
| **Impairment, write-downs** | **-** | **-** | **-** | **-** | **-** |
| **As at 31 December 2019, less amortization and provisions** | **530** | **1,715** | **1,083** | **-** | **3,328** |
| As at 1 January 2019 | | | | | |
| Gross value | 868 | 13,636 | 1,083 | 2,407 | **17,994** |
| Amortization and impairment allowance (-) | (530) | (11,120) | - | (2,407) | **(14,057)** |
| **Net book value as at 1 January 2019** | **338** | **2,516** | **1,083** | **-** | **3,937** |
| As at 31 December 2019 | | | | | |
| Gross value | 1,060 | 14,090 | 1,083 | 2,407 | **18,640** |
| Amortization and impairment allowance (-) | (530) | (12,375) | - | (2,407) | **(15,312)** |
| **Net book value as at 31 December 2019** | **530** | **1,715** | **1,083** | **-** | **3,328** |

As at 31 December 2019, no intangible assets served as security for bank credits.

### 5.3. Right-to-use assets

In accordance with IFRS 16, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use is transferred under a contract if the lessee has both of the following:

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

Therefore all the rights arising from agreements for rental, hire or use (including usufruct of land) that meet the above-mentioned definition have been measured and recognized by the Company in its consolidated statement of financial position, in a separate line called right-of-use assets (representing underlying assets).

The above-described principles for the identification of leases have been applied by the Company since the date of adopting the standard; however, the Company has used a practical expedient permitted by IFRS 16 to reassess whether a contract is a lease or contains a lease as at the date of initial application in respect of contracts that were entered into prior to the date of initial application of the new standard.

**Initial recognition and measurement of right-of-use assets**

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

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

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

**Subsequent measurement of right-of-use assets**

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

Right-of-use assets are depreciated by the Company basically using the straight-line method. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company shall depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired

Leasing agreements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, are treated as operating leasing. Lease payments under operating leasing are recognized as expenses in the profit and loss account on a straight-line basis over the leasing period.

| For 12 months ended 31 December 2020 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Total |
|---|---|---|---|---|---|
| **As at 1 January 2020, less depreciation and impairment allowance** | **1,533** | **-** | **-** | **-** | **1,533** |
| Additions, of which: | - | - | - | - | - |
| Purchases | - | - | - | - | - |
| Other changes | - | - | - | - | - |
| Reductions, of which: | (1,108) | - | - | - | (1,108) |
| Depreciation charge for the reporting period (-) | *(879)* | - | - | - | *(879)* |
| Disposal and liquidation (-) | (291) | - | - | - | (291) |
| Depreciation of disposals and liquidations | 62 | - | - | - | 62 |
| **As at 31 December 2020 less depreciation** | **425** | **-** | **-** | **-** | **425** |
| As at 1 January 2020 | | | | | |
| Gross value | 2,412 | - | - | - | 2,412 |
| Depreciation and impairment write-downs (-) | (879) | - | - | - | (879) |
| **Net book value as at 1 January 2020** | **1,533** | **-** | **-** | **-** | **1,533** |
| As at 31 December 2020 | | | | | |
| Gross value | 2,121 | - | - | - | 2,121 |
| Depreciation and impairment allowance (-) | (1,696) | - | - | - | (1,696) |
| **Net book value as at 31 December 2020** | **425** | **-** | **-** | **-** | **425** |

| For 12 months ended 31 December 2019 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Total |
|---|---|---|---|---|---|
| **As at 1 January 2019, less depreciation and impairment allowance** | **2,412** | | | | **2,412** |
| Additions, of which: | - | | | | - |
| Purchases | - | | | | - |
| Other changes | - | | | | - |
| Reductions, of which: | (879) | | | | (879) |
| Depreciation charge for the reporting period (-) | *(879)* | | | | *(879)* |
| Disposal and liquidation (-) | - | | | | - |
| Depreciation of disposals and liquidations | - | | | | - |
| **As at 31 December 2019 less depreciation** | **1,533** | | | | **1,533** |
| As at 1 January 2019 | | | | | |
| Gross value | 2,412 | | | | 2,412 |
| Depreciation and impairment write-downs (-) | - | | | | - |
| **Net book value as at 1 January 2019** | **2,412** | | | | **2,412** |
| As at 31 December 2019 | | | | | |
| Gross value | 2,412 | | | | 2,412 |
| Depreciation and impairment allowance (-) | (879) | | | | (879) |
| **Net book value as at 31 December 2019** | **1,533** | | | | **1,533** |

## 5.4. Goodwill

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| ISZP | 533 | 533 |
| MPI | 550 | 550 |
| **Total** | **1,083** | **1,083** |

The Company performs an impairment test of goodwill annually (as at 31 December) and whenever indicators of impairment exist. For the purpose of goodwill impairment tests, goodwill was allocated to a cash generating unit or a group of cash generating units (CGU) which benefit from the acquisitions.

Goodwill related to the acquisitions of ISZP and MPI Consulting was tested at the CGU level represented by the Healthcare Business Unit of Asseco Central Europe and the CGU represented by the Banking Division, respectively.

Each impairment test requires estimates of the recoverable value of a cash-generating unit or a group of cash-generating units to which goodwill is allocated. Impairment testing involves determination of their value in use by applying the model of discounted free cash flow to firm (FCFF). No impairment was recognized with respect to goodwill as at 31 December 2020 and 31 December 2019.

The Company carried out a sensitivity analysis of impairment tests conducted as at 31 December 2020, in order to determine how much the selected parameters applied in the model could be changed so that the estimated value in use of cash-generating units equaled their carrying amounts. Such sensitivity analysis examined the impact of changes in factors with influence on the recoverable value of a cash-generating unit, assuming other factors remain unchanged, as follows:

- nominal discount rate applied for the residual period, i.e. cash flows generated after 2025;
- compound annual growth rate of free cash flow changes over the forecast period, i.e. in the years 2020-2025;

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

Reasonable changes in the assumptions will not lead to impairment.

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

| | | Discount rate | | Compound annual growth rate of cash flows | |
|---|---|---|---|---|---|
| | Carrying amount of CGU<br>EUR thousand | applied in the model for marginal period<br>% | marginal<br>% | applied in the model for forecast period<br>% | marginal<br>% |
| MPI | 42,458 | 6.88% | ∞ | 5.23% | -86.93% |
| ISZP | 5,668 | *6.88%* | ∞ | -3.52% | -115.63% |

*∞ - means that the terminal discount rate for the marginal period is greater than 100%.*

## 5.5. Investment in subsidiaries

Securities and shares in subsidiaries which are not classified as held-for-sale are recognized at the carrying value representing acquisition cost less potential accumulated losses of impairment.

Securities and shares in subsidiaries classified as held-for-sale are recognized at whichever is the lower of carrying value or fair value less disposal costs.

| | % of ownership | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| Asseco Central Europe, a. s., Czech Republic | 100% | *26,643* | *26,643* |
| Asseco Central Europe Magyarország Zrt. | 100% | *16,808* | *16,808* |
| exe, a. s. | 100% | *2,413* | *2,413* |
| Asseco Enterprise Solutions, a.s. | 49.99% | *31,370* | *31,370* |
| IPI s.r.o. (CEIT) | 51% | *10,347* | *10,347* |
| DWC, a.s. | 66% | *5,138* | *5,138* |
| Invention s.r.o. | 100% | *9,791* | *9,791* |
| **Total** | | **102,510** | **102,510** |

As at 31 December 2020, the carrying amount of financial investments was EUR 102 510 thousand.

## 5.6. Sensitivity analyses

The Company regularly undergoes assessment of the presence of impairment indicators in relation to its financial investments in subsidiaries. As at 31 December 2020 the Company performed impairment testing with no impairment identified. The sensitivity analysis revealed that no impairment would be charged for any financial investment as at 31 December 2020.

The Company carried out a sensitivity analysis in relation to investments impairment tests conducted as at 31 December 2020, in order to determine how much the selected parameters applied in the model could be changed. Such sensitivity analysis examined the impact of changes in the applied:

- nominal discount rate applied for the residual period, i.e. cash flows generated after 2025;
- compound annual growth rate of free cash flow changes over the forecast period, i.e. during 2021 to 2025;

No impairment was recognized with respect to any of investments in subsidiaries as at 31 December 2020 and 31 December 2019.

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

| | | Discount rate | | Compound annual growth rate of cash flows | |
|---|---|---|---|---|---|
| | Carrying amount of CGU | applied in the model for marginal period % | marginal % | applied in the model for forecast period % | marginal % |
| Asseco Central Europe (Czech Republic) | 26,657 | 8.83% | 30.40% | 8.06% | -11.60% |
| Asseco Solutions (Slovakia, Czech Republic, Germany) | 31,387 | 7.29% | ∞ | -2.27% | -58.98% |
| Asseco Central Europe Magyarország (Hungary) | 16,808 | 11.63% | 12.60% | -9.80% | -18.15% |
| exe | 2,413 | 8.98% | ∞ | 5.42% | -37.00% |
| CEIT | 20,117 | 7.29% | 8.70% | 41.14% | 41.80% |
| DWC | 5,138 | 8.98% | 25.20% | 4.50% | -12.90% |

Reasonable change in the assumptions will not lead to impairment of investment.

## 5.7. Investment in associated and joint venture companies

Securities and shares in associated companies and joint ventures which are not classified as held-for-sale are recognized at the carrying value representing acquisition cost less potential accumulated losses of impairment. The Company used cost method for accounting of its shares in associated companies as at 31 December 2020 and 31 December 2019.

Securities and shares in subsidiaries, associated companies and joint ventures classified as held-for-sale are recognized at whichever is the lower of carrying value or fair value less disposal costs.

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| eDocu a.s. | 98 | 460 |
| LittleLane, a.s. | 258 | 258 |
| Galvaniho 5, s.r.o. | 2,020 | 1,382 |
| EdgeCom, a.s. | 915 | 915 |
| PROSOFT Košice, a.s. | 644 | 644 |
| **Total** | **4,297** | **3,659** |

**Galvaniho 5, s.r.o.**

In October 2019 Galvániho 5, s.r.o. decided to increase its capital fund from contributions of partners. The Company has assumed an obligation to repay a capital contribution to Galvániho 5, s.r.o The capital contributions were paid in instalments, based on a Notice from Galvániho 5, s.r.o. During the year 2020 EUR 638 thousand was paid and capital contribution was fully paid.

**LittleLane a.s.**

During the year 2020 the Company purchased a part of share of the company Littlelane a.s which represents an increase of the total share in this company by 17%.

## 5.8. Other financial assets

Financial instruments are divided into the following categories:

- Financial assets held to maturity;
- Financial instruments valued at fair value through profit or loss;

- Loans granted and receivables;
- Financial assets available for sale;
- Financial liabilities valued at fair value,
- Other financial liabilities.

All financial assets are initially recognized at the purchase price equal to fair value of the effective payment, including costs related to the purchase of a financial asset, except for financial instruments valued at fair value through profit or loss.

Financial assets held to maturity are investments with identified or identifiable payments and with a fixed maturity date which the Company intends, and is able, to hold to maturity. Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

Financial instruments acquired in order to generate profits from short-term price fluctuations are classified as financial instruments valued at fair value through profit or loss. Financial instruments valued at fair value through profit or loss are measured at fair value taking into account their market value as at the balance sheet date. Changes in these financial instruments are recognized as financial income or expenses. Financial assets valued at fair value through profit or loss are classified as current assets, provided the Board of Directors intends to dispose of them within 12 months of the balance sheet date.

Loans granted and receivables are carried at amortized cost. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as non-current assets.

Any other financial assets constitute financial assets available for sale. These are carried at fair value, without deducting the transaction-related costs, taking into consideration their market value as at the balance sheet date. If the financial instruments are not quoted on an active market and it is impossible to determine their fair value reliably with alternative methods, financial assets available for sale are valued at the purchase price adjusted by impairment charges. Provided that financial instruments have a market price determined in a regulated active market, or it is possible to determine their fair value in another reliable way, the positive and negative differences between the fair value and the purchase price of such assets available for sale (after deducting any deferred tax liabilities) is recognized in the asset revaluation reserve. A decrease in the value of assets available for sale, resulting from their impairment, is recognized as a financial expense in the profit and loss account.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. At initial recognition they are valued at purchase price, which is fair value plus the transaction-related costs.

Financial liabilities other than financial instruments valued at fair value through profit or loss are measured at amortized cost using the effective interest rate.

A financial instrument is derecognized from the statement of financial position if the Company no longer controls the contractual rights arising from such an instrument. This usually takes place when the instrument is sold or when all the cash flows to be generated by this instrument are transferred to an independent third party.

At each balance sheet date, the Company determines if there are any objective indications of impairment of a financial asset or group of financial assets.

*Financial assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans or receivables valued at amortized cost has been incurred, the amount of the impairment write-down is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding impairment write-down on loans that have not yet been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of such assets is reduced either directly or by establishing an impairment write-down. The amount of the loss is recognized in the profit and loss account.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them collectively for impairment. Assets that are individually assessed for

impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of a group of assets for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss can be reversed. This reversal of the impairment write-down is recognized in profit or loss to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the date the impairment is reversed.

*Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset involved and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

*Financial assets available for sale*

When there is objective evidence that a financial asset available for sale is impaired, then the difference between the purchase cost of the asset (net of any principal repayments and amortization) and its current value, decreased by any impairment charges on that financial asset, if it was previously recognized in profit or loss, is derecognized from equity and recognized in the profit and loss account. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the amount of such an impairment loss is reversed in the profit and loss account.

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Financial assets measured at fair value through profit or loss, of which:** | | | | |
| Currency forward contracts | - | - | - | 2 |
| Stocks/shares in non-listed companies | - | 804 | - | - |
| Other equity instruments | - | - | - | - |
| **Total** | **-** | **804** | **-** | **2** |
| **Financial assets measured at amortized cost, of which:** | | | | |
| Bills of exchange | - | 218 | - | 2,779 |
| Loans granted, of which: | | | | |
| *granted to related parties* | 2,942 | 1,035 | 2,886 | 1,056 |
| *granted to employees* | - | - | - | - |
| *granted to other entities* | - | - | - | 333 |
| Deposits between 3 and 12 months | - | - | - | - |
| **Total** | **2,942** | **1,253** | **2,866** | **4,168** |
| **Total financial assets** | **2,942** | **2,057** | **2,866** | **4,170** |

### i. Shares in non-listed companies

On February 2020 the Company purchased share of the company Riocath FNDB, a.s of EUR 804 thousand.

### ii. Loans granted non-current

Loans granted of EUR 2,942 thousand, presented as at 31 December 2020, are represented by a loan due from Galvániho 5, s.r.o. (principal EUR 2,761 thousand, plus interest of EUR 181 thousand, interest rate 2% p.a., maturity not before 1 January 2025).

### iii. Loans granted current

Loans granted of EUR 1,035 thousand presented as at 31 December 2020 include

- A loan due from Asseco Central Europe Magyárországh Zrt. (previously GlobeNet Zrt.) which was in 2014 converted to loan denominated in currency Hungarian Forint (principal EUR 378 thousand plus interests EUR 65 thousand, interest rate 1M BUBOR plus 1.5% p.a., maturity on 31 December 2021),
- A loan due from eDocu a.s. (principal EUR 264 thousand + interests EUR 27 thousand, interest rate 2.5% p.a., maturity on 31 December 2021),
- A loans due from LittleLane, s.r.o. (principal EUR 22 thousand plus interests EUR 1 thousand, interest rate 1% p.a., maturity on 31 December 2021, principal EUR 13 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 December 2021, principal EUR 17 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 December 2021),
- loan due from PROSOFT Košice, a.s. (principal EUR 280 thousand plus interests EUR 7 thousand, interest rate 1.5% p.a., maturity on 31 December 2021),

Loans granted of EUR xxx thousand presented as at 31 December 2020 include

- A loan due from Asseco Central Europe Magyárországh Zrt. (previously GlobeNet Zrt.) which was in 2014 converted to loan denominated in currency Hungarian Forint (principal EUR 389 thousand plus interests EUR 57 thousand, interest rate 1M BUBOR plus 1.5% p.a., maturity on 31 December 2020),
- A loan due from eDocu a.s. (principal EUR 264 thousand + interests EUR 21 thousand, interest rate 2.5% p.a., maturity on 31 December 2020),
- A loans due from LittleLane, s.r.o. (principal EUR 22 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 30 Jun 2020, principal EUR 13 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 March 2020, principal EUR 17 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 December 2020),
- loan due from ILC FACTORY a.s. in currency CZK (principal EUR 311 thousand plus interests EUR 18 thousand, interest rate 5% p.a., maturity on 31 May 2020)
- loan due from PROSOFT Košice, a.s. (principal EUR 280 thousand plus interests EUR 3 thousand, interest rate 1.5% p.a., maturity on 31 December 2020),

In 2017 the Company created an allowance for a loan due from DanubePay, a.s. of EUR 1,890 thousand. During 2018 part of this allowance was reversed because the loan was partially paid. DanubePay, a.s. fully paid off the loan during 2019 and the remainder of the allowance, amounting to EUR 62 thousand, was reversed.

### iv. Other financial assets

As at 31 December 2020, the Company owned bill of exchange totaling EUR 418 thousand, with maturity on 31 January 2021 (EUR 418 thousand, interest rate 6%). The company created writte-off to this bill of EUR 200 thousand, because there are doubts that it will be repaid. From this reason the interest was not calculated.

As at 31 December 2019, the Company owned bills of exchange totaling EUR 2,718 thousand, with maturity on 10 January 2020 (EUR 418 thousand, interest rate 6%), 5 February 2020 (EUR 2,000 thousand, interest rate 6%) and 27 April 2020 (EUR 300 thousand, interest rate 6%).

## 5.9. Deferred expenses

Deferred expenses comprise expenses incurred before the balance sheet date that relate to future periods.

In particular, deferred expenses may include the following items:

- rent paid in advance;
- insurances;
- subscriptions;
- prepaid third-party services to be provided in future periods;
- other expenses incurred that relate to future periods.

| Current | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Maintenance services | 610 | 794 |
| Pre-paid insurance | 44 | 49 |
| Pre-paid other services | 74 | 32 |
| Other | 4 | 61 |
| **Total** | **732** | **936** |

| Non-current | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Maintenance services | 287 | 380 |
| Pre-paid insurance | 0 | 1 |
| Pre-paid other services | 1 | 4 |
| Other | - | - |
| **Total** | **288** | **385** |

## 5.10. Inventories

Inventories are valued at whichever is the lower of purchase price/production cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Company measures the cost of inventories consumed by using the specific identification method. Revaluation write-downs of inventories are recognized in operating expenses.

The Company as at 31 December 2020 and in the comparative period register Inventory as it is presented in the table below:

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Raw materials, spare parts and other components used in implementation or maintenance of IT systems | - | - |
| Computer hardware, third party licenses and other goods for resale | 583 | - |
| Write-down of inventories | - | - |
| **Total** | **583** | **-** |

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

| Write-down of inventories | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Write-down of inventories as at 1 January** | **-** | **-** |
| Recognized during the reporting period | - | - |
| Utilized during the reporting period | - | - |
| Acquisition of subsidiaries | - | - |
| Change of presentation | - | - |
| **Write-down of inventories as at 31 December** | **-** | **-** |

## 5.11. Trade receivables, contract assets and other receivables

Trade receivables, payment terms of which usually range from 14 to 30 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for uncollectable receivables. Receivables with remote payment terms are recognized at the present value of expected payments less any allowances.

*Loss allowance of trade receivables*

To determine the value of loss allowance for trade receivables the Company uses a simplified approach and does not track the changes in credit risk of receivables. Loss allowance is recognized at the amount of lifetime expected credit losses. For this purpose the Company uses a provision matrix based on historical credit loss experience, adjusted by information on the future. The Company analyzes its receivables based on statistical provision matrices, including the risk resulting from diversity of its customer base and type of business. When necessary The Company groups its customers into homogeneous segments.

Loss allowance is updated at each reporting date.

For trade receivables overdue by more than 180 days, in addition to the statistical method based on a provision matrix, the Company uses an individual approach. For each trade receivable overdue by more than 180 days and of significant value, the Company recognizes a loss allowance at a level determined by Management, using their professional judgment, based on analysis of customers' financial status and general economic circumstances.

The update of the carrying amount of trade receivables includes not only events that occurred up to the reporting date but also those disclosed subsequently, but prior to publication of these consolidated financial statements. Each year the Company analyzes whether the rules determining the value of loss allowances reflect the actual impairment loss of receivables.

Loss allowances of trade receivables are recognized as part of operating costs. Loss allowances for other receivables are recognized in other operating costs or in financial expenses if the related receivable was recognized as a result of a sale of investment transaction or other operation for which expenses and income relate to financial activity. Allowances of receivable accounts related to interest accrued are recognized in financial expenses.

If the reason for recognition of an allowance is no longer valid, the allowance is reversed, either in total or in an appropriate proportion, being recognized as an increase in the value of a relevant asset or as an adjustment to respective cost items.

At each reporting date the Company estimates the percentage of completed implementation contracts compared to invoices issued.

The Company estimates allowances for trade receivables and contract assets according to IFRS 9 Financial instruments. The simplified approach requires a statistical analysis, which is usually accompanied by the application of assumptions and professional judgment.

| Trade receivable | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Trade accounts receivable including: | **13,340** | **10,145** |
| Receivables from related companies, of which: | 894 | 1,424 |
| *from subsidiaries* | 723 | *927* |
| Receivables from other companies | 9,275 | 8,259 |
| Revaluation write-down on doubtful accounts receivable | (161) | (553) |
| Contracts assets | 3,332 | 1,015 |

| Allowance for trade receivables | |
|---|---|
| **As at 1 January 2020** | **(553)** |
| Created during the reporting period (-) | 42 |
| Utilized during the reporting period (+) | - |
| Reversed during the reporting period (+) | 434 |
| **As at 31 December 2020** | (161) |

Trade accounts receivable are not interest-bearing.

The Company has a policy of selling its products to reliable clients only. Consequently, in Management's opinion, credit sales risk does not exceed the level covered by allowances for doubtful accounts as established by the Company.

As at 31 December 2020 and 31 December 2019, no receivables served as security for bank credits.

**IT Implementation contracts**

If the progress of costs incurred, reduced by expected losses and increased by profits included in the profit and loss account, exceeds the progress of invoiced sales, the amount of non-invoiced sales constituting this difference is presented as trade receivables.

On the other hand, if the progress of invoiced sales exceeds the proportion of costs incurred, decreased by expected losses and increased by profits included in the profit and loss account, future-related (unearned) revenues resulting from such differences are disclosed as trade liabilities.

In 2020 and 2019, the Company executed a number of IT implementation contracts. In line with IFRS 15, sales generated from such contracts are recognized according to their degree of completion. In 2020 and 2019 the Company measured this using the “cost” method (by determining the relation of costs incurred to overall project costs)

The following table includes basic data about for ongoing IT implementation contracts.

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Costs incurred due to execution of IT contracts (-) | (11,045) | (8,008) |
| **Profit (loss) on execution of IT contracts** | **8,330** | **5,765** |
| Total revenues related to IT contracts | 19,375 | 13,773 |
| *of which:* | | |
| Progress billing | 17,614 | 13,956 |
| Receivables relating to valuation of IT contracts (Note 5.11) | 3,332 | 1,015 |
| Liabilities relating to valuation of IT contracts (-) (Note 5.17) | (1,571) | (1,198) |

Transactions with related companies are presented in notes 5.20 to these financial statements.

| | as at 31 Dec 2020 | | as at 31 Dec 2019 | |
|---|---|---|---|---|
| **Aging of trade accounts receivable** | **amount** | **percentage** | **amount** | **percentage** |
| Receivables not yet due | 11,414 | 85% | 9,192 | 91% |
| Receivables past-due up to 3 months | 1,017 | 8% | 511 | 5% |
| Receivables past-due over 3 months | 909 | 7% | 442 | 4% |
| **Total** | **13,340** | **100%** | **10,145** | **100%** |

| **Other receivables** | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Receivables from prepayments paid | 65 | 24 |
| Receivables from dividends | 716 | 4,629 |
| Other receivables | 1,021 | 1,072 |
| **Total** | **1,802** | **5,725** |

| **Other non-current receivables** | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Other receivables | 218 | 894 |
| **Total** | **218** | **894** |

Other non-current receivables amounted to EUR 218 thousand for 2020 and EUR 894 thousand for 2019 including the non-current part of the receivable from sale of InterWay, a.s.

## 5.12. Cash and cash equivalents

Cash and cash equivalents presented in the Statement of Financial Position consist of cash kept in banks and in hand by the Company, current cash deposits with a maturity not exceeding three months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the Financial Statement of Cash Flows consists of the cash and cash equivalents as defined above. For the purposes of the Statement of Cash Flows, the Company decided not to present current account credits (used as an element of financing).

| | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Cash in bank | 12,452 | 8,886 |
| Cash in hand | 9 | 9 |
| Short-term deposits | 0 | 0 |
| Cash equivalents | 10 | 9 |
| **Total** | **12,471** | **8,904** |

The interest on cash in bank is calculated with variable interest rates which depend on the bank overnight deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Current deposits did not serve as security for any bank guarantees (of due performance of contracts and tender deposits) either at 31 December 2020 or at 31 December 2019.

### 5.13. Share capital and capital reserves

Shareholders' equity is presented at nominal value. Shareholders' equity comprises the following items:

- share capital, presented in the amount of capital contributions made and paid up;
- share premium from the sale of shares over their par value;
- other comprehensive income;
- retained earnings, including the net profit for the reporting period.

The Company has capital stock amounting to EUR 709,023.84 which consists of 21,360,000 shares.

**Par value on shares**

All issued shares have a par value of EUR 0.033194 per share and have been fully paid up. In 2020 and 2019 there were no changes in the Company's share capital and share premium account.

### 5.14. Bank loans, other loans and debt securities

Since 1 January 2018 a new standard regarding financial instruments (IFRS 9) has been in force. Classification of financial liabilities substantially has not changed in comparison to classification under provisions of previous standard - IAS 39.

The Company classifies its financial liabilities to the following categories:

- To be measured at amortized cost,
- To be measured at fair value through profit or loss.

Company classifies all bank loans, other loans and debt securities to be measured at amortised cost. All of the remaining financial liabilities are measured at fair value through profit and loss, besides liabilities arising from acquisition of non-controlling interests in subsidiaries (put options) that are measured in accordance with IFRS 3.

Initially all of bank loans, other loans and debt securities are recognised at purchase price (cost) that constitute fair value of cash received less the costs related directly to obtaining a loan, or issuing a debt security.

Subsequently bank loans, other loans and debt securities are measured at amortised cost using the effective interest rate method. Determination of the amortised cost takes into account the costs related to obtaining a loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.

Loans collected of EUR 20,557 thousand presented as at 31 December 2020 include

- A loan due from Asseco Solutions AG, Germany (principal EUR 3,200 thousand, plus interest of EUR 98 thousand, interest rate 1M EURIBOR + 1.2% p.a., maturity on 24 March 2022)
- A loan due from Asseco Enterprise Solutions, Slovak Republic (principal EUR 8,000 thousand, plus interest of EUR 195 thousand, interest rate 3M Euribor + 1.2% p.a., maturity on 16 April 2028)
- A loan due from Slovenská sporiteľňa, a.s. (principal EUR 19,063 thousand, interest rate 1% p.a., maturity on 30 June 2022)

Loans collected of EUR 22,646 thousand presented as at 31 December 2019 include

- A loan due from Asseco Solutions AG, Germany (principal EUR 3,200 thousand, plus interest of EUR 74 thousand, interest rate 1M EURIBOR + 1.2% p.a., maturity on 24 March 2021)
- A loan due from Asseco Enterprise Solutions, Slovak Republic (principal EUR 8,000 thousand, plus interest of EUR 99 thousand, interest rate 3M Euribor + 1.2% p.a., maturity on 16 December 2027)
- A loan due from Komerčná banka, a.s. (principal EUR 23 thousand, plus interest of EUR 2 thousand for the whole period of the loan contract, maturity on 19 September 2020)
- A loan due from Slovenská sporiteľňa, a.s. (principal EUR 11,250 thousand, interest rate 1% p.a., maturity on 30 June 2022)

## 5.15. Other financial liabilities

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Deferred payment for shares in acquired subsidiaries | - | - |
| Other financial liabilities | - | - |
| Contingent consideration recognized as part of business combination | - | - |
| **Financial liabilities (non-current)** | **-** | **-** |
| | | |
| Company shareholders dividends | 1 | 5,475 |
| Deferred payment for shares in acquired subsidiaries | - | 614 |
| Other financial liabilities | 15 | - |
| Contingent consideration recognized as part of business combination | - | - |
| **Financial liabilities (current)** | **16** | **6,089** |

The contingent consideration recognized as part of the business combination balance as at 31 December 2019 was EUR 614 thousand for Invention s.r.o. (CEIT).

## 5.16. Lease liabilities

In accordance with IFRS 16, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use is transferred under a contract if the lessee has both of the following:

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

**Lease liabilities – initial recognition**

At the lease commencement date, the Company measures the lease liability at the present value of lease payments outstanding at that date. The lease payments are discounted by the Company using the incremental borrowing rate.

The lease payments comprise: fixed payments (including in-substance fixed lease payments), less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable under residual value guarantees; the exercise price of a purchase option (if the Company is reasonably certain to exercise that option); and payments of penalties for terminating the lease (if the Company is reasonably certain to exercise that option).

Variable lease payments that do not depend on an index or a rate are immediately recognized as expenses in the period in which the event or condition that triggers those payments occurs.

**Lease liabilities – subsequent measurement**

In subsequent periods, the amount of the lease liability is reduced by the lease payments made and increased by interest accrued on that liability. Such interest is calculated by the Company using the incremental borrowing rate of the lessee, which constitutes the sum of the risk-free interest rate (being determined by the Company based on the quotations of relevant IRS derivatives or interest rates on government bonds for relevant currencies) and the credit risk premium for the Company (being quantified on the basis of margins offered to the Company on investment loans adequately secured with assets of the Company).

If a lease contract is subject to modification involving a change in the lease term, a revised amount of in-substance fixed lease payments, or a change in the assessment of an option to purchase the underlying asset, then the lease liability shall be remeasured to reflect such changes. Remeasurement of the lease liability requires making a corresponding adjustment to the right-of-use asset.

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

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

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

In both the above-mentioned exceptions, the lease payments are recognized as expenses basically on a straight-line basis, in the period to which they are related. In such case, the Company does not recognize any right-of-use assets or corresponding financial liabilities.

**Exemptions from applying IFRS 16**

The Company does not apply the provisions of IFRS 16 to rental contracts and other contracts of similar nature for which the underlying assets are recognized as intangible assets. Moreover, IFRS 16 does not apply to intellectual property licensing agreements which are within the scope of IFRS 15**.**

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

- office buildings

The table below presents the amounts of lease liabilities as at 31 December 2020 as well as at 31 December 2019.

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| **Lease liabilities** | **Long-term** | **Short-term** | **Long-term** | **Short-term** |
| Leases of real estate | - | 451 | 710 | 936 |
| Leases of transportation vehicles | - | - | - | - |
| Leases of IT hardware | - | - | - | - |
| **Total** | **-** | **451** | **710** | **936** |

Minimum future cash outflows and liabilities under the lease agreements are as follows:

| **Lease of office space** | | |
|---|---|---|
| | **31 Dec 2020** | **31 Dec 2019** |
| up to 1 year | 451 | 936 |
| over 1 year but less than 5 years | - | 625 |
| over 5 years | - | 85 |
| **Future minimum lease payments** | **451** | **1,646** |
| **Future interest costs** | **(3)** | (55) |
| **Present value of lease liability** | | |
| up to 1 year | 448 | 907 |
| over 1 year but less than 5 years | - | 635 |
| over 5 years | - | 49 |
| **Lease liability** | 448 | **1,591** |

Incremental interest rate used 2.5%.

## 5.17. Trade payable and other liabilities

Trade payables relating to operating activities are recognized and disclosed at the amounts stated on the invoices as received, and are recognized in the reporting periods to which they relate. Other liabilities relate to operating activities, although unlike trade payables related to operating activities, they have not been invoiced.

| Current trade payable | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Trade payable to related companies | 379 | 1,285 |
| Trade payable to other companies | 5,719 | 5,257 |
| Liabilities relating to valuation of IT contracts | 1,571 | 1,198 |
| Liabilities due to non-invoiced deliveries | 2,104 | 929 |
| **Total** | **9,773** | **8,669** |

| Non-current trade payable | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Trade payable to other companies | - | 16 |
| **Total** | **-** | **16** |

Trade payables are not interest-bearing. Transactions with related companies are presented in note 5.20 to these financial statements. The standard payment period for trade accounts payable is 30 days.

| Liabilities due to taxes, import tariffs, social security and other regulatory benefits payable | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Value added tax | 811 | 912 |
| Corporate income tax (CIT) | 673 | 237 |
| Personal income tax (PIT) | 159 | 168 |
| Social Insurance Institution | 518 | 549 |
| **Total** | **2,161** | **1,866** |

The amount resulting from the difference between VAT payable and VAT receivable is paid to the relevant tax authorities on a monthly basis.

| Other current liabilities | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Liabilities to employees relating to salaries and wages | 732 | 762 |
| Liabilities from purchase of property, plant, equipment and intangible assets to parent company and subsidiaries | 77 | 27 |
| Liabilities from purchase of property, plant, equipment and intangible assets to entities related through the company's key management personnel | 97 | - |
| Other liabilities to related parties | - | 157 |
| Other liabilities to unrelated parties | 28 | 131 |
| **Total** | **934** | **1,077** |

| Other non-current liabilities | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Liabilities from purchase of property, plant, equipment and intangible assets to parent company | 252 | - |
| **Total** | **252** | **-** |

Social fund liability is included under “Other liabilities”, according to Social Fund Act (Nr. 152/1994 Z.z.). The balance of social fund liability is EUR 9 thousand as at 31 December 2020.

## 5.18. Non-current and current provisions for liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g., under an insurance contract, this reimbursement is recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such a provision is presented in the profit and loss account, net of the amount of any reimbursements.

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

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

*Warranty provisions*

Provisions for warranty-related costs are recognized when the product is sold or the service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. The average warranty period is six months.

The provision for the costs of warranty repairs is created in relation to the implementation of own software with no maintenance contract under which any potential issues or claims from the customer could be settled. Based on the experience from previous years, the warranty provision is released over the period of six months.

| | Provision for warranty repairs | Provision for contractual penalties | Total |
|---|---|---|---|
| **As at 1 January 2020** | **64** | **62** | **126** |
| Provisions established during financial year (+) | - | - | - |
| Provisions reversed (-) | - | - | - |
| Provisions utilized (-) | - | - | - |
| **As at 31 December 2020** | **64** | **62** | **126** |
| Short-term as at 31 December 2020 | 64 | 62 | 126 |
| Long-term as at 31 December 2020 | - | - | - |
| **As at 31 December 2019** | **64** | **62** | **126** |
| Short-term as at 31 December 2019 | 64 | 62 | 126 |
| Long-term as at 31 December 2019 | - | - | - |

*Provisions for contractual penalties*

Provisions for contractual penalties includes provisions for penalties and compensations created for contractual penalties, mostly related to delayed projects.

## 5.19. Accrued expenses and deferred income

Accrued expenses are recognized in profit and loss in the amount of the probable obligations related to the current reporting period, in particular resulting from the supplies delivered / services rendered to the entity by its contractors, when the obligation's amount can be reliably valued.

Utilization of accruals may fall according to the time or volumes of supplies / services. Time and manner of amortization is justified with the nature of the costs amortized, with respect to the prudence principle.

Deferred income (unearned revenues) relates mainly to prepayments received for the provision of maintenance services in future periods. The Company applies deferred expenses or deferred income accounts if such income or expenses relate to future reporting periods. By contrast, accrued expenses are disclosed in the amount of probable liabilities relating to the present reporting period.

Accrued expenses and deferred income are presented in the statement of financial position as non-current and current liabilities.

| Current accrued expenses | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Accrual for unutilized vacation | 653 | 657 |
| Accrual for employee bonuses | 3,039 | 2,411 |
| **Total** | **3,692** | **3,068** |

Accrued expenses mainly consist of the accrual for unused vacation, accruals for salaries and wages of the current period to be paid out in future periods, which result from the bonus schemes applied by the Company as well as other employee-related accruals.

Quarterly (for the 4th quarter) and annual bonuses are included in accruals for employee bonuses as at 31 December 2020

| Current deferred income | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Maintenance services | 284 | 381 |
| Licence fees | 72 | 57 |
| Implementation | 131 | - |
| Other | 3 | 1 |
| **Total** | **490** | **439** |

| Non - current deferred income | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Maintenance services | 173 | 273 |
| Licence fees | 103 | 152 |
| Other | 0 | 2 |
| **Total** | **276** | **427** |

The balance of deferred income mainly relates to prepayments for the provision of services such as maintenance and IT support and license fees.

## 5.20. Transactions with related companies

| | Asseco Central Europe sales to related companies in the period of | | Asseco Central Europe purchases from related companies in the period of | | Asseco Central Europe receivables as at | | Asseco Central Europe liabilities as at | |
|---|---|---|---|---|---|---|---|---|
| | 12 months ended 31.12.2020 | 12 months ended 31.12.2019 | 12 months ended 31.12.2020 | 12 months ended 31.12.2019 | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| **Transactions with parent company** | **170** | **200** | **89** | **119** | **43** | **75** | **26** | **5,516** |
| Asseco Poland S.A. | - | - | 89 | 88 | - | - | 26 | 11 |
| Asseco International | 170 | 200 | - | 31 | 43 | 75 | - | 5,505 |
| **Transactions with subsidiaries** | **944** | **695** | **2,498** | **3,628** | **1,229** | **5,075** | **8,243** | **9,056** |
| Asseco Central Europe a.s. CZ | 864 | 642 | 1,552 | 1,807 | 68 | 2,177 | 24 | 4 |
| exe, a. s. | - | - | 121 | 55 | 186 | 1 | - | 100 |
| Asseco Central Europe Magyarorszag Zrt. | 46 | 45 | - | 2 | 883 | 909 | - | - |
| DWC | 34 | 8 | 825 | 1,764 | 31 | 3 | 24 | 853 |
| IPI s.r.o. | - | - | - | - | 61 | 1,045 | - | - |
| INVENTION, s.r.o. | - | - | - | - | - | 940 | - | - |
| Asseco Enterprise Solutions, a.s. | - | - | - | - | - | - | 8,195 | 8,099 |
| **Transactions with sister companies** | **264** | **406** | **389** | **852** | **570** | **837** | **3,602** | **3,789** |
| Payten LLC Croatia | - | - | - | 1 | | - | - | - |
| Asseco Software Nigeria Ltd. | 94 | 383 | - | - | 347 | 829 | 22 | 20 |
| Dahliamatic Sp. z o.o. | - | - | 28 | 26 | | - | 199 | - |
| Berit | 30 | 2 | | - | 3 | 2 | - | - |
| Asseco Solutions a.s. SR | 11 | 19 | 287 | 799 | 5 | 5 | 80 | 338 |
| Asseco Solutions a.s. ČR | 3 | 2 | 43 | 26 | 1 | 1 | 2 | 0 |
| Asseco Solutions AG, Nemecko | - | - | - | - | | - | 3,299 | 3,431 |
| CEIT Slovakia, a.s. | 94 | | 31 | | 200 | | - | |
| Asseco Central Asia | 32 | | - | | 14 | | - | |
| **Transactions with associates** | **685** | **687** | **1,234** | **94** | **3,744** | **3,948** | **100** | **-** |
| eDocu, a.s. | 308 | 27 | 779 | 44 | 329 | 743 | - | - |
| Galvaniho 5, s.r.o. | 55 | - | - | - | 2,942 | 2,886 | - | - |
| LittleLane, s.r.o. | - | | 60 | | 53 | | 20 | |
| PROSOFT Košice, a.s. | 322 | 660 | 395 | 50 | 420 | 319 | 80 | - |
| **Transactions with entities (individuals and/or legal entities) related through Group's key management personnel** | **8** | **8** | **429** | **82** | **1** | **-** | **350** | **-** |
| ABK Design & Consulting, s.r.o. | - | - | 18 | 18 | - | - | - | - |
| Asset a.s. | 8 | 7 | 411 | 64 | 1 | - | 350 | - |
| KIUK spol s r.o. | - | 1 | - | - | - | - | - | - |
| **Total** | **3,444** | **1,996** | **7,613** | **4,775** | **5,587** | **9,935** | **12,321** | **18,361** |

### 5.21. Information on transactions with other related entities

As at 31 December 2020 and as at 31 December 2019, according to information available to Asseco Central Europe, a. s., there were no significant liabilities due to transactions conducted with companies related through Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel themselves.

As at 31 December 2020 and as at 31 December 2019, according to information available to Asseco Central Europe, a. s., there were no significant outstanding receivables due to transactions conducted with companies related through the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel.

In the 12-month periods ending 31 December 2020 and 31 December 2019, according to the accounting books and best knowledge of the management of Asseco Central Europe, a. s. there were no significant transactions conducted with companies related through the Key Management Personnel or with the Key Management Personnel.

# VI. Notes to the Statements of Cash Flows

## 6.1. Cash flows from operating activities

The table below presents items representing changes in working capital as disclosed in the Statement of Cash Flows:

| Changes in working capital | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Change in inventories | (583) | - |
| Change in receivables | (3,367) | 2,992 |
| Change in liabilities | 1,459 | (355) |
| Change in deferred and accrued expenses | 825 | 387 |
| Change in provisions | - | - |
| **TOTAL** | **(1,666)** | **3,024** |

## 6.2. Cash flows from investment activities

For the period of 12 months ended 31 December 2020, the balance of cash flows from investment activities resulted mainly from the following income and expenditures:

- Acquisitions of tangible and intangible assets, including purchases of buildings and property, plant and equipment for EUR 357 thousand and purchases of intangible assets for EUR 254 thousand
- Expenditures related to a research and development project for EUR 171 thousand
- Dividend received for EUR 13,144 thousand
- Acquisition of subsidiaries and associates related predominantly to INVENTION, a.s. (CEIT) (EUR 586 thousand), PROSOFT Košice s.r.o. (EUR 28 thousand) and capital increase in associated Galvaniho 5, s.r.o (EUR 638 thousand)
- Sale of investment in subsidiaries related to repayment of the liability from sale of InterWay, a.s. (EUR 576 thousand)
- Purchase of investment in debt instruments represented by purchase of bills (EUR 418 thousand)
- Cash inflows from investment in debt instruments represented by bills payable during 2020 (EUR 2,718 thousand)
- Purchase of financial assets for EUR 464 thousand represents purchase of share of the company Rioacath FNDB, a.s.

## 6.3. Cash flows from financing activities

In the 12 months ending 31 December 2020, the balance of cash flows from financing activities resulted mainly from the following income and expenditures:

- Repayment of bank and other loans represented by repayment of the loans provided by Slovenská Sporiteľňa, a.s. (EUR 2,187 thousand) and Komerčná banka, a.s. (EUR 23 thousand)
- Dividends paid to shareholders of the Parent Company of EUR 13,862 thousand
- Dividends paid to non-controlling interests of EUR 797 thousand.

# VII. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of risks arising from the macroeconomic situation of the countries in which it operates. The main external factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign currency exchange rates against the euro, and (ii) changes in market interest rates. Financial results are also indirectly affected by the pace of GDP growth, the value of public orders for IT solutions, the level of capital expenditures made by enterprises and the inflation rate. In addition, the internal factors with potential negative bearing on the Company's performance include: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of project costs when entering into contracts and (iii) risk of concluding a contract with a dishonest customer.

**Foreign currency exposure risk**

The Company's presentation currency is the euro; however, some contracts are denominated in foreign currencies. With regard to the above, the Company is exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus the euro in the period between concluding a contract and invoicing.

*Identification:* According to the Company's procedures for entering into commercial contracts, each agreement concluded or denominated in a foreign currency, different from the Company's functional currency, is subject to detailed registration. Based on this solution, any currency risk involved is detected automatically.

*Measurement:* The foreign currency risk exposure is measured by the amount of an embedded financial instrument on one hand, and on the other by the amount of currency derivative instruments concluded in the financial market. The procedures applicable to the execution of IT projects require systematic updates of the project implementation schedules and the cash flows generated under such projects.

*Objective:* The purpose of countering the risk of fluctuations in foreign currency exchange rates is to mitigate their negative impact on the contract margins.

*Measures:* In order to hedge contracts settled in foreign currencies, the Company concludes simple currency derivatives such as forward contracts and, in the case of embedded instruments under foreign currency-denominated contracts, non-deliverable forward contracts. In addition, forward contracts with delivery of cash are applied for foreign currency contracts.

*Matching:* Hedging against foreign currency risk requires selection of 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). Nevertheless, because project implementation schedules and cash flows generated are characterized by a high degree of changeability, the Company is subject 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 of ensuring the most effective matching. It has to be taken into account that the valuation of embedded instruments changes with reference to the parameters as at the contract signing date (spot rate and swap points), while transfer or conclusion of new instruments in the financial market may only be effected on the basis of the current rates available. 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 foreign currency risk.

The overall impact of foreign currency risk on the financial statements, from changes in exchange rates, was insignificant as of 31 December 2020.

In order to hedge against the risk of changes in foreign currency exchange rates and in interest rates, the Company utilizes currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets or liabilities depending on whether their value is positive or negative.

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

Gains and losses on changes in fair value of derivatives are recognized directly in profit or loss for the current financial reporting period, due to the fact that the Company does not use financial instruments which are qualified for hedge accounting.

**Interest rate risk**

Changes in market interest rates may have a negative influence on the financial results of the Company. The Company is exposed to the risk of interest rate changes primarily in two areas of its business activities: (i) credit facilities granted by external financial institutions, which are based on a variable interest rate, and (ii) changes in valuation of concluded and embedded derivative instruments, which are based on the forward interest rate curve. More information on factor (ii) may be found in the description of currency risk management.

*Identification:* The interest rate risk arises and is recognized at the time of concluding a transaction or a financial instrument based on a variable interest rate. All such agreements are subject to analysis by the appropriate departments within the Company; hence the knowledge of that issue is complete and acquired directly.

*Measurement:* The Company measures exposure to interest rate risk by preparing statements of the total amount resulting from all the financial instruments based on a variable interest rate.

*Objective:* The purpose of reducing such a risk is to eliminate occurrence of higher expenses due to the concluded financial instruments based on a variable interest rate.

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

*Matching:* The Company gathers and analyzes the current market information concerning its present exposure to interest rate risk. Currently, the Company does not hedge against changes in interest rates due to the high degree of unpredictability of their credit repayment schedules.

The Company bears no loans and credits, hence is not exposed to this risk.

**Credit risk**

The Company is exposed to the risk of defaulting contractors. This risk is connected firstly with the financial credibility and goodwill of the contractors to whom the Company provides IT solutions, and secondly with the financial credibility of the contractors with whom supply agreements are concluded. The maximum exposure does not exceed the carrying amount of financial assets.

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

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

*Objective:* The Company strives to minimize this risk in order to avoid financial losses resulting from the commencement and partial implementation of IT solutions, and to sustain the margins adopted for executed projects.

*Measures:* As the Company operates primarily in the banking and financial sectors, its customers are concerned about maintaining their good reputation. Here the engagement risk control is usually limited solely to monitoring the timely execution of bank transfers and, if required, sending reminders of outstanding payments. However, in the case of smaller clients, it is quite helpful to monitor their industry press and analyze the Company's previous experiences and those of its competitors. The Company concludes financial transactions with reputable brokerage houses and banks.

**Financial liquidity risk**

The Company monitors the risk of funds shortage using the tool for periodic planning of liquidity. This solution takes into account the maturity deadlines of investments and financial assets (e.g., accounts receivable, other financial assets) and cash flows anticipated from operating activities.

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

The following table shows the Company's trade accounts payable and other liabilities as at 31 December 2020 and 31 December 2019, by maturity period based on contractual undiscounted payments.

| | as at 31 Dec 2020 | | as at 31 Dec 2019 | |
|---|---|---|---|---|
| **Aging structure of trade trade payable and other liabilities** | **amount** | **structure** | **amount** | **structure** |
| Liabilities already due | 1,889 | 6% | 597 | 1% |
| Liabilities due within 3 months | 10,475 | 33% | 15,559 | 39% |
| Liabilities due within 3 to 12 months | 5,375 | 17% | 5,375 | 13% |
| Liabilities due after 1 year | 14,244 | 44% | 18,557 | 46% |
| **Total** | **31,983** | **100%** | **40,088** | **100%** |

Financial guarantees provided are described in Note 8.1.

**Foreign currency risk**

The Company tries to conclude contracts with clients in its functional currency to avoid exposure to the risk arising from fluctuations in foreign currency exchange rates.

The analysis of sensitivity of trade accounts payable and receivable to fluctuations in the exchange rates of the CZK and other currencies against the functional currencies of the company indicates that exposure to foreign currency risk is not significant.

| | | Impact on financial results of the Company | |
|---|---|---|---|
| **Trade accounts receivable and payable as at 31 December 2020** | **Amount exposed to risk** | **-10%** | **10%** |
| **CZK :** | | | |
| Trade accounts receivable | 247 | (25) | 25 |
| Trade accounts payable | 140 | 14 | (14) |
| **USD :** | | | |
| Trade accounts receivable | 362 | (36) | 36 |
| Trade accounts payable | 16 | 2 | (2) |
| **PLN:** | | | |
| Trade accounts receivable | - | - | - |
| Trade accounts payable | 11 | (1) | 1 |
| **Balance** | **776** | **(46)** | **46** |

| Trade accounts receivable and payable as at 31 December 2019 | Amount exposed to risk | Impact on financial results of the Company -10% | 10% |
|---|---|---|---|
| **CZK :** | | | |
| Trade accounts receivable | 333 | (33) | 33 |
| Trade accounts payable | 142 | 14 | (14) |
| **USD :** | | | |
| Trade accounts receivable | 878 | (88) | 88 |
| Trade accounts payable | - | - | - |
| **PLN:** | | | |
| Trade accounts receivable | - | - | - |
| Trade accounts payable | 11 | (1) | 1 |
| **Balance** | **1,364** | **(108)** | **108** |

### Effects of reducing interest rate risk

The analysis of sensitivity related to fluctuations in interest rates of loans granted indicates the following net impact on financial results:

| Loans granted based on variable interest rates as at 31 December 2020 | Amount exposed to risk | Impact on financial results -15% | 15% |
|---|---|---|---|
| Loans granted based on BUBOR | 403 | - | - |

| Loans granted based on variable interest rates as at 31 December 2019 | Amount exposed to risk | Impact on financial results -15% | 15% |
|---|---|---|---|
| Loans granted based on BUBOR | 434 | - | - |

| Loans collected based on variable interest rates as at 31 December 2020 | Amount exposed to risk | Impact on financial results -15% | 15% |
|---|---|---|---|
| Loans collected based on EURIBOR | 11,494 | (5) | 5 |

| Loans collected based on variable interest rates as at 31 December 2018 | Amount exposed to risk | Impact on financial results -15% | 15% |
|---|---|---|---|
| Loans collected based on EURIBOR | 11,373 | (5) | 5 |

Other financial assets (bills of exchange) and loans (eDocu, Galvaniho 5, LittleLane, PROSOFT Košice, a.s) are based on fixed interest rates and are not included in the sensitivity analysis.

**Methods adopted for conducting sensitivity analysis**

The analysis of sensitivity to fluctuations in foreign exchange rates and interest rates, with potential impact on our financial results, was conducted using the percentage deviations of +/-10% and +/-15%, by which the reference exchange rates and interest rates, effective as at the balance sheet date, were increased or decreased.

**Fair value**

The Company considers three levels of hierarchy to nominate the fair value of financial instruments. First level: the fair value of financial instruments which are actively traded on organized financial markets is nominated based on quoted market prices. Second level: the fair value of financial instruments for which no quoted market price is available is nominated based on the actual market price of another instrument which is identical. Third level: fair value is determined based on discounted cash flows from the net assets underlying the financial instrument.

In practice the Company determines the fair value of its financial instruments using the second or third level, the actual market price of identical derivative financial instruments. There was no outstanding position of financial instruments at fair value as of 31 December 2020 except of share of the company Rioacath FNDB value of CZK 20 000 thousand (EUR 804 thousand).

# VIII. Other explanatory notes to the Individual Financial Statements

## 8.1. Contingent liabilities concerning related companies

As at 31 December 2020, guarantees and sureties issued for Asseco Central Europe a. s. were as follows:

- Asseco Central Europe a. s. uses bank guarantees issued by Komerční banka a. s. of EUR 467 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to the end of the year 2021).

As at 31 December 2019, guarantees and sureties issued for Asseco Central Europe a. s. were as follows:

- Asseco Central Europe a. s. uses bank guarantees issued by Komerční banka a. s. of EUR 4,340 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to the end of April 2021).

As at 31 December 2020, guarantees and sureties issued by Asseco Central Europe a. s. were as follows:

- PROSOFT Košice, a.s. (subsidiary) was granted a guarantee of EUR 1,500 thousand to back up its liabilities towards Tatra banka, a.s. under a framework credit agreement.
- Asseco Central Europe, a. s. (Czech republic) (subsidiary) was granted a guarantee of CZK 100 000 thousand (EUR 3 811 thousand) to back up its liabilities towards Česká spořitelna, a.s. under a framework credit agreement.

As at 31 December 2019, guarantees and sureties issued by Asseco Central Europe a. s. were as follows:

- PROSOFT Košice, a.s. (subsidiary) was granted a guarantee of EUR 1,500 thousand to back up its liabilities towards Tatra banka, a.s. under a framework credit agreement.

## 8.2. Contingent liabilities in favor of other companies

Additionally, as at 31 December 2020 and 31 December 2019, the Company was a party to a number of leasing and tenancy contracts or other similar contracts, resulting in the following future liabilities:

| Liabilities under lease of space | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| In a period up to 1 year | 144 | 180 |
| **Total** | **144** | **180** |

## 8.3. Employment

| Average Company workforce in the reporting period | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Management Board | 3 | 4 |
| Production departments | 344 | 347 |
| Direct sales departments | 5 | 7 |
| Indirect sales departments | 4 | 4 |
| Back-office departments | 51 | 48 |
| **Total** | **406** | **410** |

| Company workforce as at | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Management Board | 3 | 4 |
| Production departments | 367 | 370 |
| Direct sales departments | 3 | 8 |
| Indirect sales departments | 4 | 4 |
| Back-office departments | 61 | 60 |
| **Total** | **438** | **446** |

## 8.4. Remuneration due to certified auditors or the entity authorized to audit financial statements

The table below discloses the total amounts due to the entity authorized to audit financial statements, Ernst & Young Slovakia, spol. s r. o., paid or payable for the years ended 31 December 2020 and 31 December 2019, broken down by type of service:

| Type of service | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Obligatory audit of annual financial statements | 65 | 53 |
| **Total** | **69** | **53** |

## 8.5. Remuneration of Members of the Board of Directors and Supervisory Board of the Company

The table below presents in euros remuneration payable to Members of the Board of Directors and the Supervisory Board of the Company for performance of their functions during 2020 and 2019.

| Remuneration for the period of | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|
| Board of Directors | 952 | 870 |
| Supervisory Board | 60 | 75 |

In addditon, there were paid bonuses for results achieved in 2020 in the amount of EUR 453 thousand in the reporting period (in 2019 it was EUR 415 thousand).

## 8.6. Equity management

The main objective of the Company's equity management is to maintain a favorable credit rating and safe level of equity ratios to support the Company's operating activities and increase value for our shareholders.

The Company manages its equity structure in response to changing economic conditions. In order to maintain or adjust its equity structure, the Company may change its dividend payment policy, return some capital to its shareholders or issue new shares. In 2020 and the year ended 31 December 2019, the Company did not introduce any changes to its objectives, principles and processes adopted in this area.

The Company consistently monitors the balance of its capital using a leverage ratio, which is calculated by comparing net liabilities to total equity increased by net liabilities. It is the Company’s principle to maintain this ratio below 35%. Net liabilities include interest-bearing credits and loans, trade accounts payable and other liabilities, decreased by cash and cash equivalents. Equity comprises own equity attributable to the Company’s shareholders, decreased by reserve capitals from unrealized net profits.

| Equity management | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Bank loans and other loans | 20,557 | 22,646 |
| Trade accounts payable and other liabilities | 448 | 1,591 |
| Lease liabilities | 13,120 | 21,777 |
| Cash and cash equivalents (-) | (12,471) | (8,904) |
| **Net (assets) and liabilities** | 21,654 | 37,110 |
| | | |
| Shareholders' equity | 108,479 | 101,994 |
| Total equity | 108,479 | 101,994 |
| **Equity plus net liabilities** | **130,133** | **139,104** |
| **Leverage ratio** | **16.64%** | **26.68%** |

Trade accounts payable and other liabilities in actual accounting period do not include provisions, deffered income, accrued expenses and financial liabilities as in previous accounting period.

## 8.7. Seasonal and cyclical nature of business

The Company's activities are subject to seasonality in terms of uneven distribution of turnover in individual quarters of the year. Because the bulk of sales revenues are generated from IT service contracts executed for large companies and public institutions, fourth quarter turnovers tend to be higher than in the remainder of the year. This phenomenon occurs because the above-mentioned entities close their annual budgets for implementation of IT projects and usually carry out investment purchases of hardware and licenses in the last quarter.

## 8.8. Significant events after the balance sheet date

Up until the date of preparing these individual financial statements, 15 March 2021, no other significant events occurred that might have an impact on these individual financial statement.

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# Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Asseco Central Europe, a. s.:

## *Report on the Audit of the Financial Statements*

### *Opinion*

We have audited the financial statements of Asseco Central Europe, a. s. (the Company), which comprise the Financial Statement of Financial Position as at 31 December 2020, Financial Statement of Income and Other Comprehensive Income, Financial Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on Other Legal and Regulatory Requirements***

*Report on Information Disclosed in the Annual Report*

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

The annual report was not available to us as at the date of issue of the auditor's report on the audit of the financial statements.

When we obtain the annual report, we will consider whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting and based on procedures performed during the audit of financial statements, we will express our opinion considering whether:

- Information disclosed in the annual report, prepared for 2020, is consistent with the financial statements for the relevant year,

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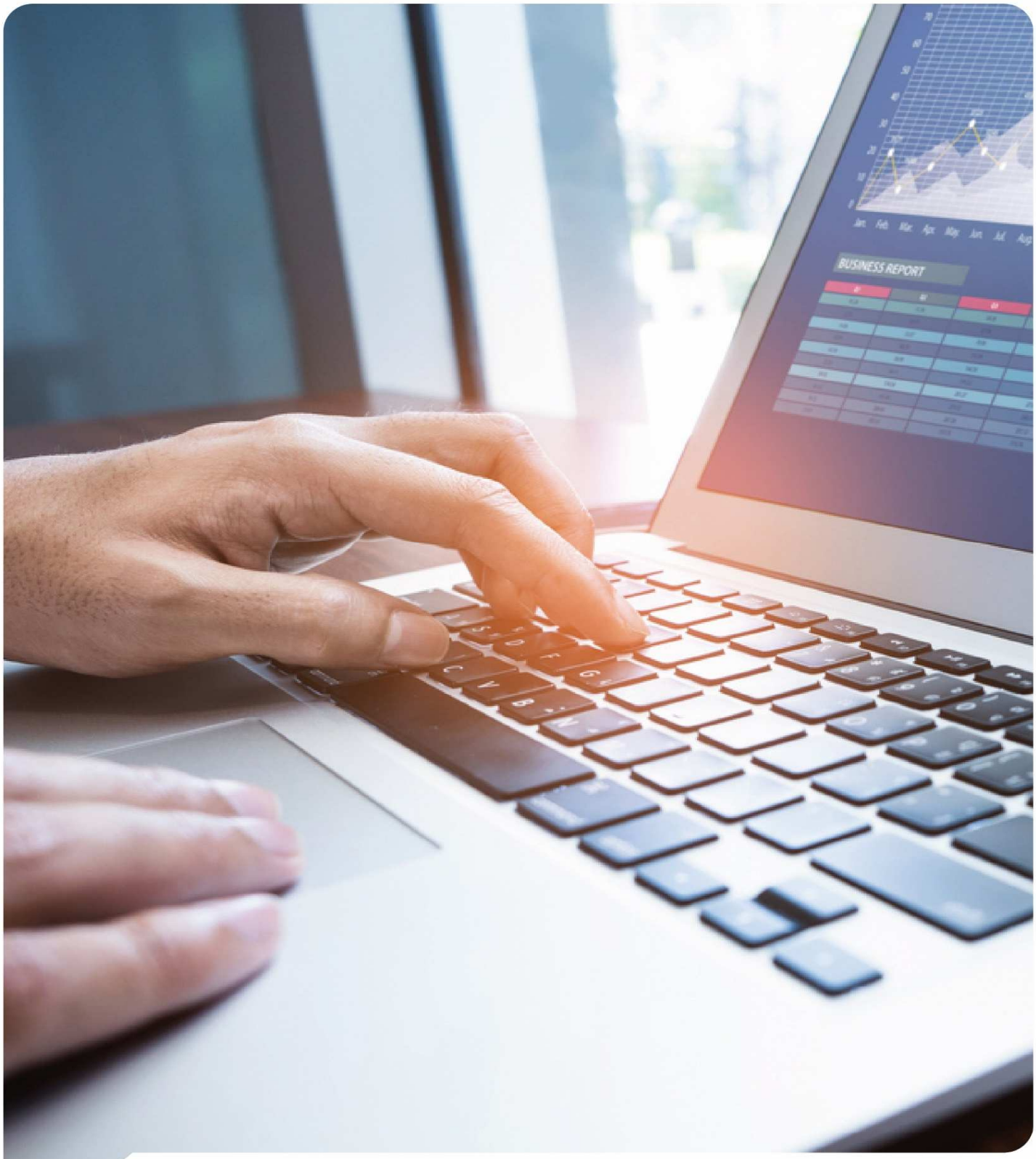
- The annual report contains information based on the Act on Accounting.

Additionally, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its situation, obtained in the audit of the financial statements.

15 March 2021
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Peter Potoček, statutory auditor
UDVA Licence No. 992




# ASSECO CENTRAL EUROPE GROUP

**CONSOLIDATED FINANCIAL STATEMENTS**
**INCLUDING INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION**

**BRATISLAVA, 15 MARCH 2021**

asseco

# Consolidated financial statements of Asseco Central Europe Group for the year ended 31 December 2020

## Contents

These consolidated financial statements for the year ended 31 December 2020 were prepared on 15 March 2021 and approved by the Board of Directors of Asseco Central Europe, a.s. on the same date.

Board of Directors:

| | |
|---|---|
| RNDr. Jozef Klein | Chairman of the Board of Directors |
| Ing. David Stoppani | Member of the Board of Directors |
| Ing. Branislav Tkáčik | Member of the Board of Directors |

**Bratislava, 15 March 2021**

# Consolidated statement of profit and loss and other comprehensive income

## Asseco Central Europe Group

| PROFIT AND LOSS ACCOUNT | Note | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|---|
| Sales revenues | 5.1 | 297,760 | 310,176 |
| Cost of sales | 5.2 | (209,539) | (221,290) |
| **Gross profit on sales** | | **88,221** | **88,886** |
| Selling expenses | 5.2 | (17,945) | (18,550) |
| General administrative expenses | 5.2 | (24,380) | (24,788) |
| **Net profit on sales** | | **45,896** | **45,548** |
| Other operating income | 5.3 | 935 | 670 |
| Other operating expenses | 5.3 | (735) | (265) |
| **Operating profit** | | **46,096** | **45,953** |
| Financial income | 5.4 | 703 | 691 |
| Financial expenses | 5.4 | (2,203) | (1,326) |
| **Profit before tax and share in profits of associated companies** | | **44,596** | **45,318** |
| Corporate income tax (current and deferred portions) | 5.5 | (8,210) | (8,839) |
| Share in profits of associates | 6.6 | 536 | 323 |
| **Net profit for the period** | | **36,922** | **36,802** |
| *Attributable to:* | | | |
| **Shareholders of the Parent Company** | | **19,631** | **19,850** |
| Non-controlling interest | | 17,291 | 16,952 |
| Basic / diluted consolidated earnings per share attributable to Shareholders of Asseco Central Europe, a.s. (in EUR): | 5.6 | 0.92 | 0.93 |

| OTHER COMPREHENSIVE INCOME | | |
|---|---|---|
| **Net profit for the period** | **36,922** | **36,802** |
| ***Other comprehensive income to be reclassified to profit or loss in subsequent periods:*** | | |
| Exchange differences on translation of foreign operations | (7,458) | 1,037 |
| ***Other comprehensive income not to be reclassified to profit or loss in subsequent periods:*** | | |
| Actuarial gain/ losses | (111) | (105) |
| Income tax on items taken directly to equity | 21 | 21 |
| **Total other comprehensive income, attributable to:** | **(7,548)** | **953** |
| **Shareholders of the Parent Company** | **(3,359)** | **297** |
| Non-controlling interests | (4,189) | 656 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD attributable to:** | **29,374** | **37,755** |
| **Shareholders of the Parent Company** | **16,272** | **20,147** |
| Non-controlling interests | 13,102 | 17,608 |

# Consolidated statement of financial position
## Asseco Central Europe Group

| ASSETS | Note | 31 December 2020 | 31 December 2019 Restated |
|---|---|---|---|
| **Non-current assets** | | **198,227** | **201,109** |
| Property, plant and equipment | 6.1 | 16,471 | 14,571 |
| Intangible assets | 6.2 | 17,481 | 18,598 |
| Right-to-use assets | 6.3 | 25,353 | 24,513 |
| Goodwill | 6.4 | 122,782 | 128,140 |
| Investments in associates | 6.6 | 4,932 | 4,144 |
| Trade and other receivables | 6.11 | 1,581 | 1,547 |
| Deferred income tax assets | 5.5 | 5,610 | 4,694 |
| Other non-financial assets | | 2 | 155 |
| Other financial assets | 6.8 | 2,966 | 2,916 |
| Prepayments | 6.9 | 1,049 | 1,831 |
| | | | |
| **Current assets** | | **126,960** | **120,133** |
| Inventories | 6.10 | 2,332 | 2,442 |
| Prepayments | 6.9 | 5,100 | 5,623 |
| Trade receivables | 6.11 | 46,146 | 48,351 |
| Contract assets | 6.11 | 22,807 | 15,841 |
| Tax receivable | 6.11 | 844 | 56 |
| Receivables from state and local budget | 6.11 | 718 | 1,843 |
| Other receivables | 6.11 | 1,570 | 1,670 |
| Other non-financial assets | | 534 | 314 |
| Other financial assets | 6.8 | 10,450 | 7,110 |
| Cash and short-term deposits | 6.12 | 36,459 | 36,883 |
| | | | |
| **TOTAL ASSETS** | | **325,187** | **321,242** |

# Consolidated statement of financial position
## Asseco Central Europe Group

| SHAREHOLDERS' EQUITY AND LIABILITIES | Note | 31 December 2020 | 31 December 2019 Restated |
|---|---|---|---|
| **Shareholders' equity (attributable to Shareholders of the Parent Company)** | | **110,359** | **103,292** |
| Share capital | 6.13 | 709 | 709 |
| Share premium | | 74,901 | 74,901 |
| Non-controlling interest transactions | | (15,274) | (15,254) |
| Exchange differences on translation of foreign operations | | (7,867) | (4,530) |
| Retained earnings | | 57,890 | 47,466 |
| **Non-controlling interest** | | **84,271** | **84,533** |
| **Total shareholders' equity** | | **194,630** | **187,825** |
| | | | |
| **Non-current liabilities** | | **40,547** | **36,394** |
| Bank loans, other loans and debt securities | 6.14 | 10,472 | 7,729 |
| Lease liabilities | 6.16 | 20,160 | 19,043 |
| Other financial liabilities | 6.15 | 1,533 | 1,827 |
| Deferred tax liability | 5.5 | 3,518 | 3,395 |
| Provisions | 6.19 | 885 | 759 |
| Deferred income | 6.20 | 2,667 | 1,697 |
| Contract liabilities | 6.18 | 1,036 | 1,881 |
| Other liabilities | 6.17 | 276 | 63 |
| | | | |
| **Current liabilities** | | **90,010** | **97,023** |
| Bank loans, other loans and debt securities | 6.14 | 10,510 | 8,360 |
| Lease liabilities | 6.16 | 6,519 | 6,417 |
| Other financial liabilities | 6.15 | 618 | 7,988 |
| Trade payables | 6.17 | 23,042 | 27,460 |
| Contract liabilities | 6.18 | 14,024 | 14,733 |
| Tax payable | 6.17 | 4,128 | 2,598 |
| Liabilities to state and local budget | 6.17 | 10,908 | 10,177 |
| Other liabilities | 6.17 | 4,792 | 4,350 |
| Provisions | 6.19 | 2,504 | 2,458 |
| Deferred income | 6.20 | 179 | 867 |
| Accrued expenses | 6.20 | 12,786 | 11,615 |
| | | | |
| **Total Liabilities** | | **130,557** | **133,417** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **325,187** | **321,242** |

# Consolidated statement of changes in equity
## Asseco Central Europe Group

| | Note | Share capital | Share premium | Exchange differences on translation of foreign operations | Retained earnings | Shareholders' equity of the Parent Company | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2020 (restated)** | | **709** | **74,901** | **(4,530)** | **32,212** | **103,292** | **84,533** | **187,825** |
| Net profit for the period | | - | - | - | 19,631 | **19,631** | 17,291 | **36,922** |
| Other comprehensive income | | - | - | (3,337) | (22) | **(3,359)** | (4,189) | **(7,548)** |
| **Total comprehensive income** | | **-** | **-** | **(3,337)** | **19,609** | **16,272** | **13,102** | **29,374** |
| Dividend for the year 2019 | 5.7 | - | - | - | (9,185) | **(9,185)** | (13,384) | **(22,569)** |
| Settlement of put options over non-controlling interest | | - | - | - | (20) | **(20)** | 20 | **-** |
| Increase in parent ownership | | - | - | - | - | **-** | - | **-** |
| Loss of control | | - | - | - | - | **-** | - | **-** |
| **As at 31 December 2020** | | **709** | **74,901** | **(7,867)** | **42,616** | **110,359** | **84,271** | **194,630** |

| | Note | Share capital | Share premium | Exchange differences on translation of foreign operations | Retained earnings | Shareholders' equity of the Parent Company | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2019 (including IFRS 16 implementation impact)** | | **709** | **74,901** | **(4,843)** | **24,613** | **95,380** | **78,707** | **174,087** |
| Net profit for the period | | - | - | - | 19,850 | **19,850** | 16,952 | **36,802** |
| Other comprehensive income | | - | - | 313 | (16) | **297** | 656 | **953** |
| **Total comprehensive income** | | **-** | **-** | **313** | **19,834** | **20,147** | **17,608** | **37,755** |
| Dividend for the year 2018 | 5.7 | - | - | - | (12,175) | **(12,175)** | (11,632) | **(23,807)** |
| Settlement of put options over non-controlling interest | | - | - | - | 52 | **52** | (52) | **-** |
| Increase in parent ownership | | - | - | - | (112) | **(112)** | 112 | **-** |
| Loss of control | | - | - | - | - | **-** | (210) | **(210)** |
| **As at 31 December 2019** | | **709** | **74,901** | **(4,530)** | **32,312** | **103,292** | **84,533** | **187,825** |

# Consolidated statement of cash flows
## Asseco Central Europe Group

| | Note | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|---|
| **Cash flows - operating activities** | | | |
| Profit before tax and share in profits of associates | | **44,596** | **45,318** |
| **Total adjustments:** | | **9,367** | **13,517** |
| Depreciation and amortization | | 16,144 | 15,370 |
| Changes in working capital | 7.1 | (8,479) | (2,217) |
| Interest income and expense | | 916 | 800 |
| (Gain) / loss on foreign exchange differences | | 654 | (68) |
| Gain (loss) on financial assets (valuation, disposal, etc.) | | 118 | (179) |
| Other financial income (expenses) | | 172 | 74 |
| Gain (loss) on disposal of property, plant and equipment and intangible assets | | (238) | (195) |
| Gain (loss) on liquidation of tangible and intangible assets | | 5 | (3) |
| Other adjustments to pre-tax profit | | 75 | (65) |
| **Net cash generated from operating activities** | | **53,963** | **58,835** |
| Corporate income tax paid | | (8,247) | (7,416) |
| **Net cash provided by (used in) operating activities** | | **45,716** | **51,419** |
| **Cash flows - investing activities** | | | |
| ***Inflows*** | | **9,655** | **2,513** |
| Disposal of tangible fixed assets and intangible assets | | 458 | 919 |
| Cash and cash equivalents in acquired subsidiaries | | - | 223 |
| Disposal of shares in subsidiaries | | 576 | 267 |
| Disposal/settlement of financial assets measured at fair value through profit or loss | | 30 | - |
| Disposal of investments in other debt instruments measured at amortized cost | | 2,718 | 718 |
| Loans collected | | 5,385 | 71 |
| Interest received | | 136 | 43 |
| Dividend received | | 352 | 272 |
| ***Outflows*** | | **(22,405)** | **(19,791)** |
| Acquisition of tangible fixed assets and intangible assets | 7.2 | (4,695) | (4,794) |
| Expenditures related to research and development projects | | (4,234) | (3,893) |
| Acquisition of subsidiaries and associates | 7.2 | (1,252) | (3,764) |
| Cash and cash equivalents in disposed subsidiaries | | - | (182) |
| Acquisition of financial assets measured at fair value through through profit or loss | | (56) | (38) |
| Acquisition of financial assets measured at fair value through other comprehensive income | | (464) | - |
| Acquisition of investments in other debt instruments measured at amortized cost | | (418) | (2,718) |
| Loans granted and term-deposits opened | 7.2 | (11,209) | (4,402) |
| Other cash flows from investing activities | | (77) | |
| **Net cash (used in) provided by investing activities** | | **(12,750)** | **(17,278)** |

# Consolidated statement of cash flows
## Asseco Central Europe Group (continued)

| | Note | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|---|
| **Cash flows - financing activities** | | | |
| ***Inflows*** | | **8,925** | **5,258** |
| Proceeds from bank and other loans | 7.3 | 8,925 | 5,258 |
| ***Outflows*** | | **(40,382)** | **(38,425)** |
| Repayments of bank and other loans | 7.3 | - | - |
| Repayment of finance lease liabilities | 7.3 | (3,020) | (12,271) |
| Interest paid | 7.3 | (8,152) | (6,489) |
| Dividends paid out to the shareholders of the Parent Company | 7.3 | (1,021) | (989) |
| Dividends paid out to non-controlling shareholders | 7.3 | (13,862) | (5,827) |
| **Net cash (used in) provided by financing activities** | | **(14,327)** | **(12,849)** |
| Increase (decrease) in cash and cash equivalents | | **1,509** | **974** |
| Net foreign exchange differences | | (885) | 151 |
| Cash and cash equivalents as at 1 January | 6.12 | 32,725 | 31,600 |
| **Cash and cash equivalents as at 31 December** | 6.12 | **33,349** | **32,725** |

# Supplementary information and explanations of the consolidated financial statements

## 1. GENERAL INFORMATION

The Parent Company of the Asseco Central Europe Group ("the Group") is Asseco Central Europe, a. s. ("the Parent Company", "Company", "Asseco Central Europe (SK)") with its registered seat at Trencianska street 56/A, 821 09 Bratislava, Slovakia.

The Parent Company identification number (IČO) is 35760419 and its tax identification number (DIČ) is 2020254159.

The Company was established on 16 December 1998. The original name of the company ASSET Soft, a.s. was changed to Asseco Slovakia, a.s. in September 2005. On 28 April 2010, the Company again changed its name from Asseco Slovakia, a. s. to Asseco Central Europe, a.s. which was entered in the Commercial Register of the District Court Bratislava I in the Slovak Republic on the same day.

The Company's shares were listed on the main market of the Warsaw Stock Exchange from 10 October 2006. However, on 28 November 2016 the Extraordinary General Meeting of Shareholders of the Parent Company adopted resolutions to discontinue trading of the shares on the Warsaw Stock Exchange and to change them from bearer shares to paper registered shares (re-materialization of shares). As a consequence of these resolutions, it ceased to be a public joint stock company and became a private joint stock company under Slovak law. On 27 December 2016 the Parent Company filed the application to the Polish Financial Supervision Authority for consent to change the form of shares and the decision came into force on 22 May 2017.

The business profile of Asseco Central Europe, a. s. (SK) includes software and computer hardware consultancy, production of software and supply of software and hardware. Other companies of the Group conduct similar operations.

In addition to comprehensive IT services, the Group also sells goods including computer hardware. The sale of goods is largely connected with the provision of software implementation services.

The direct parent of Asseco Central Europe, a. s. (SK) is Asseco International, a.s. which in turn is a wholly-owned subsidiary of the ultimate parent of the Asseco Group i.e. Asseco Poland S.A. As at 31 December 2020, Asseco International, a.s. held a 91.33% stake in Asseco Central Europe, a.s. Asseco Poland S.A. with its registered seat at ul. Olchowa 14, 35-322 Rzeszów, Poland prepares consolidated financial statements of the Asseco Group which include Asseco Central Europe Group.

Asseco Central Europe, a.s. is not an unlimited liability partner in any company.

# 2. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

## 2.1. Basis for preparation

The consolidated financial statements of the Asseco Central Europe Group ("Group") have been prepared on a historical cost basis, except for financial assets valued at fair value through profit and loss account, financial assets valued at amortized cost, financial liablities valued at fair value through profit and loss account and financial liabilities valued at amortized cost.

The presentation currency of these consolidated financial statements is the euro (EUR), and all figures are presented in thousands of euros (EUR '000), unless stated otherwise.

Consolidated financial statements have been prepared based on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorization of these consolidated financial statements, the Parent Company's Board of Directors is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group entities.

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

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

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

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

After a due analysis, the Group currently sees no significant risk of impairment of assets, including goodwill. We have also observed no significant changes in the collection of receivables, which is why the methodology for calculation of expected credit losses remained almost unchanged. The Group has sufficient financial resources to continue its business operations, including the settlement of current liabilities. The Group has not experienced a negative impact of the epidemic on its financial liquidity and fulfils its obligations under loan agreements and bonds on a timely basis. Some companies from our Group used public aid programs available in the countries where the Group operates, which mostly consisted in deferring the payment deadlines for tax and legal liabilities, receiving subsidies, deferring loan repayments or using bank loans guaranteed by the state.

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

## 2.3. Compliance statement

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

As at the date of approval of these financial statements for publication, given the ongoing process of implementation of IFRS standards in the EU and the nature of the Group's operations, within the scope of accounting policies applied by the Group, there are no differences between IFRS and EU IFRS.

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

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

### 2.4. Functional currency and presentation currency

The presentation currency of these consolidated financial statements is euro (EUR), and all figures are presented in thousands of euros (EUR '000), unless stated otherwise.

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

### 2.5. Professional judgments and estimates

Preparing consolidated financial statements in accordance with IFRS requires judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities accompanying disclosures, and the disclosure of contingent liabilities. Although the estimates and assumptions have been made based on the Group's management best knowledge of the current activities, the actual results may differ from those anticipated.

The explanatory notes present the main areas which were subject to accounting estimates and the management's professional judgments in applying accounting policies, and which, if changed, could significantly affect the Group's future results.

### 2.6. Changes in accounting principles applied and new standards and interpretations effective in the current period

The accounting principles (policy) adopted in the preparation of these consolidated financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2019.

#### *i. Amendments to the International Financial Reporting Standards effective from 1 January 2020:*

- Amendments to IFRS 3 'Definition of a Business''
- Amendments to IFRS 7, IFRS 9 and IAS 39: 'Interest Rate Benchmark Reform – Phase 1';
- Amendments to IAS 1 and IAS 8 'Definition of Material;
- Conceptual Framework for Financial Reporting issued on 29 March 2018.

These new standards and amendments have no significant impact on the consolidated financial statements of the Group. The Group did not decide on early adoption of any standard, interpretation or amendment which has been published but has not yet become effective.

## 2.7. New standards and interpretations published but not yet in force

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

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture' (issued on 11 September 2014) – work for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by
- Amendments to IAS 1 'Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current' and 'Classification of Liabilities as Current or Non-current – Deferral of Effective Date' (issued on 23 January 2020 and 15 July 2020, respectively) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 3 'Reference to the Conceptual Framework' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020 (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IFRS 4 'Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9' (issued on 25 June 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: 'Interest Rate Benchmark Reform – Phase 2' (issued on 27 August 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2021.

The specified effective dates have been set forth in the standards published by the International Accounting Standards Board. The actual dates of adopting these standards in the European Union may differ from those set forth in the standards and they shall be announced once they are approved for application by the European Union.

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

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

## 2.8. Corrections of material errors

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

## 2.9. Changes in the applied principles of presentation and changes in the comparative data

### *i. Changes resulting from completion of purchase price allocation process*

During 2020 the Group completed the purchase price allocation process for TurboConsult s.r.o. This process resulted in changes in the value of some assets and liabilities disclosed as at 31 December 2019, which necessitated a restatement of comparable data. The detailed information of the acquired assets and liabilities had been presented in the explanatory notes to this consolidated financial statement.

The impact of changes in comparable data is presented in the table below.

| Restatement of comparable data for the consolidated statement of financial position | 31 December 2019 Published | Completion of purchase price allocation for TurboConsult | 31 December 2019 Restated |
|---|---|---|---|
| **Non-current assets** | **201,043** | **66** | **201,109** |
| Property, plant and equipment | 14,571 | - | 14,571 |
| Intangible assets | 18,253 | 345 | 18,598 |
| Right-of-use assets | 24,513 | - | 24,513 |
| Goodwill | 128,419 | (279) | 128,140 |
| Investments in associates | 4,144 | - | 4,144 |
| Trade and other receivables | 1,547 | - | 1,547 |
| Deferred income tax assets | 4,694 | - | 4,694 |
| Other non-financial assets | 155 | - | 155 |
| Other financial assets | 2,916 | - | 2,916 |
| Prepayments | 1,831 | - | 1,831 |
| **Current assets** | **120,133** | **-** | **120,133** |
| **TOTAL ASSETS** | **321,176** | **66** | **321,242** |
| | | | |
| **Shareholders' equity (attributable to Shareholders of the Parent Company)** | **103,292** | **-** | **103,292** |
| Share capital | 709 | - | 709 |
| Share premium | 74,901 | - | 74,901 |
| Non-controlling interests transactions | (15,254) | - | (15,254) |
| Exchange differences on translation of foreign operations | (4,530) | - | (4,530) |
| Retained earnings | 47,466 | - | 47,466 |
| **Non-controlling interest** | **84,533** | **-** | **84,533** |
| **Total shareholders' equity** | **187,825** | **-** | **187,825** |
| | | | |
| **Non-current liabilities** | **36,328** | **66** | **36,394** |
| Interest-bearing bank credits, loans and debt securities | 7,729 | - | 7,729 |
| Lease liabilities | 19,043 | - | 19,043 |
| Non-current financial liabilities | 1,827 | - | 1,827 |
| Deferred tax liability | 3,329 | 66 | 3,395 |
| Non-current provisions | 759 | - | 759 |
| Non-current deferred income | 1,697 | - | 1,697 |
| Non-current contract liabilities | 1,881 | - | 1,881 |
| Other non-current liabilities | 63 | - | 63 |
| **Current liabilities** | **97,023** | **-** | **97,023** |
| **Total liabilities** | **133,351** | **66** | **133,417** |
| **TOTAL EQUITY AND LIABILITIES** | **321,176** | **66** | **321,242** |

## 3. ORGANIZATION AND CHANGES IN STRUCTURE OF ASSECO CENTRAL EUROPE GROUP, INCLUDING INDICATION OF ENTITIES SUBJECT TO CONSOLIDATION

*Significant accounting policies*

***Consolidation rules***

*The consolidated financial statements comprise the financial statements of the Parent Company as well as financial statements of its subsidiaries. Subsidiaries are all entities over which the Group has control. The control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.*

*Specifically, the Group controls an investee if, and only if, the Group has: (i)power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure or rights to variable returns from its involvement with the investee; (iii) the ability to use its power over the investee to affect its returns.*

*Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.*

*Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.*

*The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.*

*A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.*

*If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.*

*Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.*

*If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.*

***Business combination under common control***

*A business combination under common control is a business combination in which all of the entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and that control is not transitory. In particular, this will include transactions such as the transfer of subsidiaries or businesses between entities within the Group.*

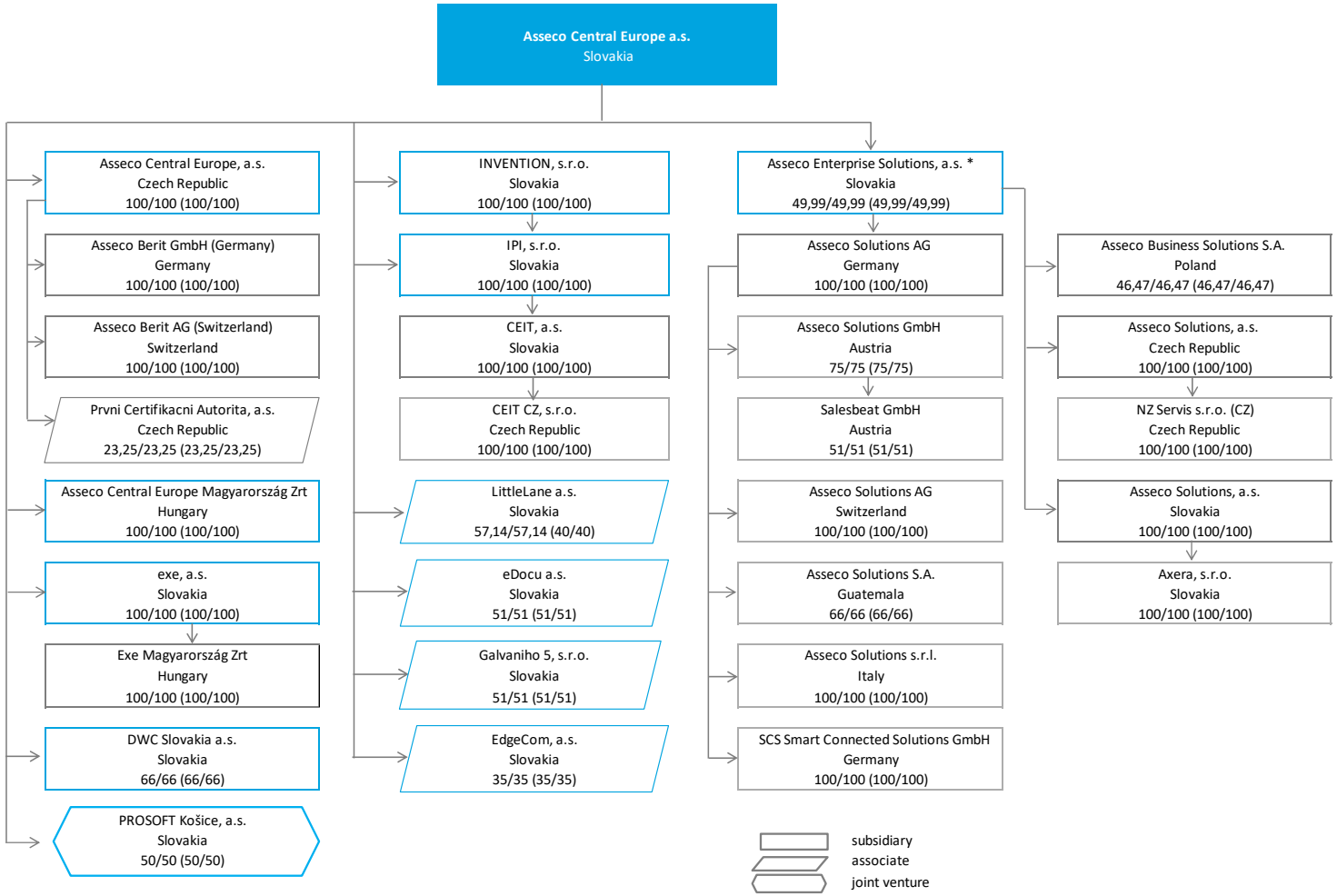
*In the case of a business combination under common control, entities within the Group should apply the pooling of interest method with application of financial data from consolidated financial statements of the Parent entity.*

*The pooling of interest method is considered to involve the following:*

*(i) the assets and liabilities of the combining entities are reflected at their carrying amounts – i.e. no adjustments are made to reflect fair values or to recognize any new assets or liabilities, which would otherwise be done under the acquisition method; the only adjustments that are made are to harmonize accounting policies and eliminate inter-company balances;*

*(ii) no "new" goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within equity. Comparative data is not adjusted.*

The table below presents the Group's structure along with its equity interests and voting interests held at the general meetings of shareholders/partners as at 31 December 2020 and in the comparative period:




100/100 percentage of voting rights / percentage of equity interest as at 31.12.2020
(100/100) percentage of voting rights / percentage of equity interest as at 31.12.2019

* Asseco Central Europe a.s. holds 49.99% of shares in Asseco Enterprise Solutions, a.s., while the remaining 50.01% stake is held by Asseco International, a.s.
Asseco Central Europe, a.s. maintains direct control over Asseco Enterprise Solutions, a.s

In 2020 the following changes in the Group structure were observed:

- ***Merger of Turboconsult***

On 1 August 2020 TurboConsult s.r.o. was mergerd with Asseco Central Europe, a.s. (Czech). The transaction had not impact on the Group's equity.

- ***Change in interest held***

On 8 Juna 2020 Asseco Central Europe a.s. increased its equity interest in LittleLane a.s. from 40% to 57,14%, without obtaining control over the entity. LittleLane remains an associate in the Group.

## 4. INFORMATION ON OPERATING SEGMENTS

According to IFRS 8, an operating segment is a separable component of the Group's business for which separate financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

The Group identifies the following three operating segments:

**Asseco Central Europe segment** includes two major companies: Asseco Central Europe, a. s. (SK) and Asseco Central Europe, a. s. (CZ) and their local distribution branches in Germany and Switzerland: Asseco Berit GmbH (DE) and Asseco Berit AG (CH), as well as CEIT Group (SK and CZ), Turboconsult (CZ), s.r.o. (since August 2020 merged with ACE CZ) and exe, a.s. Despite being different legal entities, both main companies have the identical Board of Directors and form one homogenous organisational and business structure with shared back-office departments. Performance of the segment is analyzed on a regular basis by its Board of Directors. These companies offer comprehensive IT, outsourcing and processing services intended for a broad range of clients operating in the sectors of financial institutions, general business and public administration.

**Asseco Solutions segment** includes ERP companies: Asseco Business Soutions S.A. (PL), Asseco Solutions, a. s. (SK), Asseco Solutions, a. s. (CZ), Asseco Solutions AG (DE), Asseco Solutions GmbH. (AT), Asseco Solutions AG (CH), Asseco Solutions S.A. (GT), Asseco Solutions s.r.l. (IT) and Axera s.r.o. Performance of this segment is analyzed on a regular basis by its Board of Directors. These companies offer ERP products and related services to a wide variety of clients operating in the sectors of financial institutions, general business and public administration.

**CEIT segment** includes companies: CEIT a.s., CEIT CZ s.r.o and CEIT IPI s.r.o. Performance of this segment is analyzed on a regular basis by its Board of Directors. These companies provide mainly products and services related to automatic guided vehicles (AGV) to customers from an automovite industry.

**Other** – this segment includes a Hungarian company Asseco Central Europe Magyarország Zrt. Performance of the company is periodically assessed by the Board of Directors of Asseco Central Europe, a. s. (SK). The company offers comprehensive IT services intended for a broad range of clients operating in the sectors of financial institutions, enterprises and public administration.

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

| 12 months ended 31 December 2020 | Segment Asseco Central Europe | Segment Asseco Solutions | Segment CEIT | Segment Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| **Operating revenues:** | **138,670** | **144,509** | **12,544** | **8,401** | **(6,364)** | **297,760** |
| Operating revenues from external customers | 132,699 | 144,164 | 12,496 | 8,401 | - | 297,760 |
| Inter/intra segment operating revenues | *5,971* | *345* | *48* | - | *(6,364)* | - |
| **Operating profit (loss) of reporting segment** | **14,334** | **31,107** | **(395)** | **965** | **85** | **46,096** |
| Interest income [1)] | 212 | 167 | - | 5 | (128) | **256** |
| Interest expenses [2)] | (389) | (723) | (85) | (53) | 128 | **(1,122)** |
| **Corporate income tax** | **(2,877)** | **(5,417)** | **394** | **(310)** | **-** | **(8,210)** |
| **Non-cash items:** | | | | | | |
| Depreciation and amortization (as disclosed in the cash flow statement) | (5,138) | (9,917) | (688) | (539) | 138 | **(16,144)** |
| *of which amortization of intangible assets recognized in purchase price allocation (PPA)* | (16) | (164) | - | - | - | ***(180)*** |
| Impairment losses on segment assets | 469 | 23 | (100) | (29) | - | **363** |
| Share of profits of associates and joint ventures | 536 | - | - | - | - | **536** |
| **Net profit (loss) of operating segment** | **18,128** | **19,146** | **(1,137)** | **700** | **85** | **36,922** |
| **Goodwill** | **24,707** | **87,005** | **5,441** | **5,629** | **-** | **122,782** |

*[1)] Interest income on loans granted, debt securities, leases, trade receivables, and bank deposits*
*[2)] Interest expense on bank loans, borrowings, debt securities, leases, and trade payables*

| 12 months ended 31 December 2019 | Segment Asseco Central Europe | Segment Asseco Solutions | Segment CEIT | Segment Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| **Sales revenues:** | **147,877** | **142,691** | **18,885** | **8,606** | **(7,883)** | **310,176** |
| Operating revenues from external customers | 140,941 | 141,747 | 18,885 | 8,603 | - | 310,176 |
| Inter/intra segment operating revenues | *6,936* | *944* | - | *3* | *(7,883)* | - |
| **Operating profit (loss) of reporting segment** | **13,401** | **29,451** | **2,343** | **944** | **(186)** | **45,953** |
| Interest income [1)] | 142 | 181 | 22 | - | (130) | **215** |
| Interest expenses [2)] | (413) | (685) | (60) | (51) | 130 | **(1,079)** |
| **Corporate income tax** | **(2,711)** | **(5,455)** | **(466)** | **(207)** | **-** | **(8,839)** |
| **Non-cash items:** | | | | | | |
| Depreciation and amortization (as disclosed in the cash flow statement) | (4,768) | (9,424) | (716) | (603) | 141 | **(15,370)** |
| *of which amortization of intangible assets recognized in purchase price allocation (PPA)* | (233) | (168) | (326) | - | - | ***(727)*** |
| Impairment losses on segment assets | (379) | (225) | (73) | (89) | - | **(766)** |
| Share of profits of associates and joint ventures | 323 | - | - | - | - | **323** |
| **Net profit (loss) of operating segment** | **10,689** | **23,723** | **1,840** | **699** | **(149)** | **36,802** |
| **Goodwill (restated)** | **25,303** | **91,198** | **5,441** | **6,198** | **-** | **128,140** |

*[1)] Interest income on loans granted, debt securities, finance leases, trade receivables, and bank deposits*
*[2)] Interest expense on bank loans, borrowings, debt securities, finance leases, and trade payables*

# 5. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

## 5.1. Operating revenues

*Significant accounting policies*

*IFRS 15 came into force on 1st January 2018. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and applies to all contracts with customers, except for those which are within the scope of other standards, in particular IFRS 16.*

*Significant accounting policies that were applied in a Group until 31st December 2017 are presented in point III of Supplementary Information and Explanation to the Consolidated Financial Statements for the year ended on 31st December 2017 that was published on 12 March 2018.*

*The new standard provides the so-called 'Five-Step Model' for recognition of revenues from contracts with customers. According to IFRS 15, revenues shall be recognized in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to customers.*

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

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

***a) Sale of own licenses and services***

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

- ***Comprehensive IT projects***

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

*Revenues from a performance obligation to provide a functional IT system are recognized over time, during the period of its development. This is because, in accordance with IFRS 15, revenues may be recognized over time of transferring control of the supplied goods/services, as long as the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date throughout the duration of the contract. In the Management's opinion, in the case of execution of comprehensive IT projects the provider cannot generate an asset with an alternative use because such systems together with the accompanying implementation services are "tailor-made". Concurrently, the analysis carried out so far showed that essentially all contracts concluded by the Group meet the criterion of ensuring an enforceable right to payment for performance completed throughout the duration of the contract. This means that revenues from comprehensive IT projects, which include the sale of own licenses and own services, shall be recognized according to the percentage of completion method (based on the costs incurred so far) over time of transferring control of the sold goods/services to the customer. Relatively small IT projects are a specific case where revenues may be recognized in the amount the entity is entitled to invoice, in accordance with a practical expedient permitted under IFRS 15.*

- ***Sale of own licenses without significant related services***

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

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

*The vast majority of licenses sold separately by the Group (thus representing a separate performance obligation) are intended to provide the customer with a right to use the intellectual property, which means revenues from the sale of such licenses are recognized at the point in time at which control of the licence is transferred to the customer. This is tantamount to stating that in the case of own licenses sold without significant related services, regardless of the licensing period, the arising revenues are recognized on a one-off basis at the point in time of transferring control of the licence. We have also identified instances of selling licenses the nature of which is to provide a right to access the intellectual*

*property. Those licenses are, as a rule, sold for a definite period. Up until 31 December 2017, in line with our accounting policy for licenses granted for a definite period, the arising revenues were recognized over time (throughout the licensing period). In accordance with IFRS 15, the Group now recognizes such revenues based on the determination whether the license provides the customer with a right to access or a right to use.*

- ***Maintenance services and warranties***

*The category of 'Own licenses and services' also presents revenues from own maintenance services, including revenues from warranties. Our accounting policy regarding the recognition of revenues from maintenance services remained unchanged after the adoption of IFRS 15, because in the Management's opinion such services, in principle, constitute a separate performance obligation where the customer consumes the benefits of goods/services as they are delivered by the provider, as a consequence of which revenues are recognized over time during the service performance period.*

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

***b) Sale of third-party licenses and services***

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

***c) Sale of hardware***

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

***d) Variable consideration***

*In accordance with IFRS 15, if a contract consideration encompasses any amount that is variable, the Group shall estimate the amount of consideration to which it will be entitled in exchange for transferring promised goods or services to the customer, and shall include a portion or the whole amount of variable consideration in the transaction price but only to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.*

*The Group is party to a number of contracts which provide for penalties for non-performance or improper performance of contractual obligations. Any contractual penalties may therefore affect the consideration, which has been stated as a fixed amount in the contract, and make it subject to change due to such expected penalties. Therefore, stating from 1 January 2018, as part of estimating the amount of consideration receivable under a contract, the Group has estimated the expected amount of consideration while taking into account the probability of paying such contractual penalties as well as other factors that might potentially affect the consideration. This causes a reduction in revenues, and not an increase in the amount of provisions and relevant costs as it was until now. Apart from contractual penalties, there are no other significant factors that may affect the amount of consideration (such as rebates or discounts), but in the event they were identified, they would also affect the amount of revenues recognized by the Group.*

***e) Significant financing component***

*In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides*

*the customer or the Group's company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract is deemed to contain a significant financing component.*
*The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at the contract inception, that the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.*
*A contract with a customer does not contain a significant financing component if, among other factors, the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to the customer, and the difference between those amounts is proportional to the reason for the difference. This usually occurs when the contractual payment terms provide protection from the other party failing to adequately complete some or all of its obligations under the contract.*

***f) Costs of contracts with customers***

*The costs of obtaining a contract are those additional (incremental) costs incurred by the Group in order to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognizes such costs as an asset if it expects to recover those costs. Such capitalized costs of obtaining a contract shall be amortized over a period when the Group satisfies the performance obligations arising from the contract.*
*As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group would have otherwise recognized is one year or less.*
*Costs to fulfil a contract are the costs incurred in fulfilling a contract with a customer. The Group recognizes such costs as an asset if they are not within the scope of another standard (for example, IAS 2 'Inventories', IAS 16 'Property, Plant and Equipment' or IAS 38 'Intangible Assets') and if those costs meet all of the following criteria: (i) the costs relate directly to a contract or to an anticipated contract with a customer, (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and (iii) the costs are expected to be recovered.*

***g) Other practical expedients applied by the Group***

*When appropriate, the Group also applies a practical expedient permitted under IFRS 15 whereby if the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the Group may recognize revenue in the amount it is entitled to invoice.*
*In line with the chosen approach for the implementation of IFRS 15, the Group also decided to use a practical expedient not to restate contracts in respect of all modifications that were approved before the beginning of the earliest period presented.*

*Professional judgements and estimates*

*As it is disclosed in point 2.5 (i) Group satisfies performance obligations of which most relates to providing to customers functional IT systems that are measured basing on percentage of completion method. This method requires to estimate future operating cash flows to assess stage of completion of specific project at each balance sheet date.*
*Percentage of completion is determined by comparing already incurred costs to total costs planned for the specific project or by comparing man-days worked to total man-days planned for the project. This measurement and related revenue recognition requires professional judgement and estimates.*

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

| | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| *Sales revenues by type of products* | | |
| Own software and services | 238,683 | 244,239 |
| Third-party software and services | 46,947 | 47,060 |
| Computer hardware and infrastructure | 12,130 | 18,877 |
| **Total** | **297,760** | **310,176** |
| *Sales revenues by sectors* | | |
| *Banking and Finance* | 28,426 | 31,148 |
| *General Business* | 174,753 | 172,486 |
| *Public Administration* | 94,581 | 106,542 |
| **Total** | **297,760** | **310,176** |

The category of 'Own licenses/software and services' includes revenues from contracts with customers under which the Group supplies own software and provide related services. Such services may be performed by the

Group's employees (internal resources) as well as by subcontractors (external resources). The engagement of subcontractors in this category of revenues has no impact on the scope of responsibility or relationship between the Group's company and the customer to whom a service is provided. It is entirely up to the Group to decide whether services required for this type of projects should be performed by subcontractors or by own employees. In addition, this category includes revenues from the provision of own services for third-party software and infrastructure.
The category of 'Third-party licenses/software and services' includes revenues from the sale of third-party licenses as well as from the provision of services which, due to technological or legal reasons, must be carried out by subcontractors (this applies to hardware and software maintenance services as well as to software outsourcing services provided by their manufacturers).

### *i. Breakdown of segment sales by type of product*

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

| 12 months ended 31 December 2020 | Asseco Central Europe | Asseco Solutions | CEIT | Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Own software and services | 95,383 | 132,321 | 8,517 | 8,401 | (5,939) | **238,683** |
| Third-party software and services | 37,012 | 10,334 | - | - | (399) | **46,947** |
| Hardware and infrastructure | 6,275 | 1,854 | 4,027 | - | (26) | **12,130** |
| **Total operating revenues** | **138,670** | **144,509** | **12,544** | **8,401** | **(6,364)** | **297,760** |

| 12 months ended 31 December 2019 | Asseco Central Europe | Asseco Solutions | CEIT | Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Own software and services | 101,071 | 129,773 | 11,439 | 8,606 | (6,650) | **244,239** |
| Third-party software and services | 38,108 | 10,185 | - | - | (1,233) | **47,060** |
| Hardware and infrastructure | 8,698 | 2,733 | 7,446 | - | - | **18,877** |
| **Total operating revenues** | **147,877** | **142,691** | **18,885** | **8,606** | **(7,883)** | **310,176** |

### *ii. Breakdown of segment sales by sector*

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

| 12 months ended 31 December 2020 | Asseco Central Europe | Asseco Solutions | CEIT | Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Banking and Finance | 24,525 | 3,469 | - | 2,113 | (1,681) | **28,426** |
| General Business | 32,461 | 132,750 | 12,544 | - | (3,002) | **174,753** |
| Public Administration | 81,684 | 8,290 | - | 6,288 | (1,681) | **94,581** |
| **Total operating revenues** | **138,670** | **144,509** | **12,544** | **8,401** | **(6,364)** | **297,760** |

| 12 months ended 31 December 2019 | Asseco Central Europe | Asseco Solutions | CEIT | Other | Eliminations | Total |
|---|---|---|---|---|---|---|
| Banking and Finance | 26,189 | 3,617 | - | 2,644 | (1,302) | **31,148** |
| General Business | 26,923 | 129,905 | 18,885 | - | (3,227) | **172,486** |
| Public Administration | 94,765 | 9,169 | - | 5,962 | (3,354) | **106,542** |
| **Total operating revenues** | **147,877** | **142,691** | **18,885** | **8,606** | **(7,883)** | **310,176** |

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

| | 12 months ended 31 December 2020 thous. EUR | 12 months ended 31 December 2019 thous. EUR |
|---|---|---|
| **Operating revenues recognized in accordance with IFRS 15, of which:** | **297,753** | **310,176** |
| **From goods and services transferred at a specific point in time** | 60,564 | 67,164 |
| Segment Asseco Central Europe | 30,478 | 38,366 |
| Segment Asseco Solutions | 30,798 | 29,885 |
| IC adjustment | (712) | (1,087) |
| **From goods and services transferred over the passage of time** | 237,189 | 243,012 |
| Segment Asseco Central Europe | 108,191 | 109,512 |
| Segment Asseco Solutions | 113,711 | 112,806 |
| Segment CEIT | 12,537 | 18,885 |
| Segment Other | 8,402 | 8,606 |
| IC adjustment | (5,652) | (6,797) |
| **Other operating revenues (mainly from leases)** | 7 | - |
| **Total operating revenues** | **297,760** | **310,176** |

### iv. Remaining performance obligations

Tables below comprise the aging of remaining performance obligations that the Group will satisfy in the following periods:

| Revenue from already signed contracts valued using PoC method that has not been yet recognised: | thous. EUR |
|---|---|
| Year 2021 | 3,985 |
| Year 2022 | 1,154 |
| Year 2023 and later | - |
| **Total** | **5,139** |

| Remaining future revenues from already signed contracts with clients (performance obligations not yet satisfied as at reporting date) for contracts ending after 31 December 2020 | thous. EUR |
|---|---|
| Year 2021 | 3,259 |
| Year 2022 | 3,195 |
| Year 2023 and later | 3,276 |
| **Total** | **9,730** |

## 5.2. Operating costs

*Significant accounting policies*

*The Group companies maintain cost accounting both by cost nature and by cost function. Cost of sales comprises the costs resulting directly from purchases of merchandise sold and generation of services sold. Selling expenses include the costs of distribution and marketing activities. General administrative expenses include the costs of the companies' management and administration activities.*

*COGS are the purchase costs of goods and third-party services (excluding outsourcing of human resources) used in realization of projects. COGS should be recognized in the period when goods and third-party services are resold to the client (with the exception of COGS related to purchase of subcontractors' services in contracts valuated according to percentage of completion – COGS are then recognized when incurred). If COGS refer to purchase of external services that are provided in more than one accounting period, then they should be settled in time according to accrual accounting (in each period only part of COGS that relate to services in that period).*

*Cost of employee benefits includes all elements of employees' remuneration for their job, post-employment and termination benefits.*

*Besides salaries and wages, cost of employee benefits includes also compensated absences, profit-sharing and bonuses payables resulting from bonuses system in entities within Group.*

During the period of 12 months ended 31 December 2020 and the corresponding comparative period, the operating costs were as follows:

| Operating costs | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Cost of goods, materials and third-party services sold | (51,913) | (56,409) |
| Employee benefits | (126,399) | (119,769) |
| Depreciation and amortization | (16,107) | (15,326) |
| Third-party services | (44,038) | (55,323) |
| Other | (13,407) | (17,801) |
| **Total** | **(251,864)** | **(264,628)** |
| Cost of sales | (209,539) | (221,290) |
| Selling costs | (17,945) | (18,550) |
| General administrative expenses | (24,380) | (24,788) |
| **Total** | **(251,864)** | **(264,628)** |

In the period of 12 months ended 31 December 2020 other costs comprised mainly: costs of company vehicles and property maintenance costs in the amount of EUR 8,886 thousand, costs of advertising in the amount of EUR 1,927 thousand, costs of domestic and international business trips in the amount of EUR 762 thousand.

### *i. Costs of employee benefits*

| | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Salaries | (98,638) | (92,802) |
| Social insurance contributions | (17,017) | (16,186) |
| Retirement benefit expenses | (7,898) | (7,571) |
| Other costs of employee benefits | (2,846) | (3,210) |
| **Total employee benefit expenses** | **(126,399)** | **(119,769)** |

The average level of employment during the reporting period presented in full-time salaried jobs, i.e. employment in full-time jobs adjusted for (reduced by) positions which are not salaried by the Group companies (such as an unpaid leave, maternity leave, etc.), exclusive of companies whose financial results are disclosed under other operating activities or discontinued operations, however inclusive of companies which joined the Group during the reporting period (calculated proportionally to the period of their consolidation) equalled 3,065 persons, as compared with 2,939 persons in the comparable period.

### *ii. Reconciliation of depreciation and amortization charges*

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

| | Note | 12 months ended 31 Dec 2020 | 12 months ended 31 Dec 2019 |
|---|---|---|---|
| Depreciation of fixed assets resulting from movement table of property, plant and equipment | 6.1 | (3,285) | (3,295) |
| Amortization of intangible assets resulting from the movement table of intangible assets | 6.2 | (5,877) | (5,711) |
| Depreciation of right-to-use assets resulting from the movement table of right-of-use assets | 6.3 | (7,050) | (6,364) |
| Depreciation decrease as a result of grants and other | | 68 | - |
| **Total depreciation and amortization presented in statement of cash flow** | | **(16,144)** | **(15,370)** |

## 5.3. Other operating income and expenses

*Significant accounting policies*

*In other operating activity Group recognises income and expenses that are not related to its operating activity in the area of IT, including rental of office space or sales of PPE and intangible assets. Result of these activities are presented net, i.e. incomes and costs are netted out and only profit or loss is presented.*

***Classification of lease contracts (Group as a lessor)***

*Group generates revenues e.g. from contracts to provide customers with access to assets that are controlled by Group for consideration. Group concluded basing on contracts provisions that substantially whole economic useful lives of assets and substantially all risks and rewards of ownership were not transferred to customers. This allowed to conclude that Group is a lessor in operating leases.*

During twelve months ended 31 December 2020 and the corresponding comparative period, the other operating income and expenses were as follows:

| Other operating income | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Gain on disposal of non-current assets | 242 | 230 |
| Gain on rental income (operating lease) | 130 | 123 |
| Lease modifications | 94 | 32 |
| Other | 469 | 285 |
| **Total** | **935** | **670** |

| Other operating expenses | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Charitable contributions to unrelated companies | (324) | (108) |
| Cost of reinvoicing | (175) | - |
| Other | (236) | (157) |
| **Total** | **(735)** | **(265)** |

**Maturity analysis of lease payments (Group as a lessor in operating lease)**

The table below presents the maturity analysis of undiscounted lease payments to be received by Group from the operating lease (Group as a lessor). The operating lease relates to rental of office space (EUR 1,290 thousand) and other plant and equipment (EUR 200 thousand).

| Undiscounted future lease payments to be received by the Group from operating leases | thous. EUR |
|---|---|
| up to 1 year | 315 |
| from 1 to 2 years | 315 |
| from 2 to 3 years | 215 |
| from 3 to 4 years | 215 |
| from 4 to 5 years | 215 |
| above 5 years | 215 |
| **Total** | **1,490** |

## 5.4. Financial income and expenses

*Significant accounting policies*

*Interest income is recognised in profit and loss account as accrued during the reporting period. Interest income includes interests from investments in debt instruments and deposits measured at amortised cost, interests from investments in*

*debt instruments measured at fair value through other comprehensive income, interests from finance lease and trade receivables.*
*Group recognised interests income from investments in debt instruments and deposits measured at amortised cost and interests from investments in debt instruments measured at fair value through other comprehensive income by applying the effective interest method.*

During twelve months ended 31 December 2020 and the corresponding comparative period, the financial income were as follows:

| Financial income | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Interest income from investments in debt instruments and deposits measured at amortised cost | 141 | 192 |
| Interest income from investments in debt instruments measured at fair value through OCI, finance lease and trade receivables | 115 | 23 |
| Gain on foreign exchange differences | 305 | 273 |
| Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss | 62 | 117 |
| Other financial income | 80 | 86 |
| **Total financial income** | **703** | **691** |

During twelve months ended 31 December 2020 and the corresponding comparative period, the financial expenses were as follows:

| Financial expenses | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Interest expense on bank credits, loans, debt securities | (228) | (244) |
| Interest expense on lease expenses | (828) | (787) |
| Other interest expenses | (66) | (48) |
| Loss on foreign exchange differences | (729) | (169) |
| Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss | (152) | (38) |
| Impairment write-off of investments in debt instruments at amortized cost | (200) | - |
| Loss on loss of control over subsidiaries | - | (40) |
| **Total financial expenses** | **(2,203)** | **(1,326)** |

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

## 5.5. Corporate income tax

*Significant accounting policies*

*Income tax includes current income tax and deferred tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.*
*Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss account. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.*

*Deferred tax assets and deferred tax liabilities are recognised in total as non-current and are not discounted. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.*
*Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.*
*The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.*
*Group recognises and measures assets and liabilities resulting from current income tax and deferred tax in accordance with IAS 12 Income tax.*

*Professional judgements and estimates*

*Group assesses at each reporting date whether deferred tax asset may be realisable.*
*Deferred tax assets for unused tax losses are recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.*

The main charges on the pre-tax profit due to corporate income tax (current and deferred portions):

| | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Current portion of corporate income tax and prior years adjustments | (9,003) | (9,723) |
| Deferred income tax | 793 | 884 |
| **Income tax expense as disclosed in the profit and loss account** | **(8,210)** | **(8,839)** |

Regulations applicable to the value added tax, corporate income tax, personal income tax or social security contributions are subject to frequent amendments, thereby often depriving the taxpayers of a possibility to refer to well established regulations or legal precedents. The current regulations in force include ambiguities which may give rise to different opinions and legal interpretations on the taxation regulations either between companies and public administration, or between the public administration bodies themselves. Taxation and other settlements (for instance customs duty or currency payments) may be controlled by administration bodies that are entitled to impose considerable fines, and the amounts of so determined liabilities must be paid with high interest. In effect the amounts disclosed in the financial statements may be later changed, after the taxes payable are finally determined by the taxation authorities.

Reconciliation of the corporate income tax payable on pre-tax profit according to the statutory tax rates with the corporate income tax computed at the Group's effective tax rate:

| | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| **Pre-tax profit** | **44,596** | **45,318** |
| Statutory corporate income tax rate | 21% | 21% |
| **Corporate income tax computed at the statutory tax rate** | **9,365** | **9,517** |
| Non-taxable accounting income | - | (103) |
| Taxable income which will never become accounting income | 163 | 190 |
| Tax-deductible costs which will never become accounting costs | (25) | (375) |
| Difference in corporate income tax rates | (824) | (698) |
| Non-tax deductible accounting costs | 283 | 690 |
| Use of tax credits | (719) | (445) |
| Other | (33) | 63 |
| **Corporate income tax at the effective tax rate of: 18.4% in 2020 and 19.5% in 2019** | **8,210** | **8,839** |

The table below presents the reconciliation of change of deferred tax asset (gross) and liability (gross) and deferred tax disclosed in profit or loss:

| 12 months ended 31 December 2020 | Opening balance | acquisition of subsidiaries (+) | exchange differences on translation of foreign operations (+/-) | Closing balance | Comprehensive income |
|---|---|---|---|---|---|
| Deferred income tax assets, gross | 7,743 | - | (207) | 9,002 | 1,466 |
| Deferred income tax liabilities, gross | 6,428 | - | (169) | 6,910 | (651) |
| **Change of deffered tax disclosed in profit and loss** | | | | | **794** |
| **Change of deferred tax disclosed in other comprehensive income** | | | | | **21** |

The Group made an estimation of taxable income planned to be achieved in the future and concluded it will able to utilize the deferred tax assets in the amount of EUR 5,610 thousand as at 31 December 2020 (EUR 4,694 thousand as at 31 December 2019).

| | 31 December 2020 | 31 December 2019 (restated) |
|---|---|---|
| Deferred income tax assets | 5,610 | 4,694 |
| Deferred income tax liabilities | (3,518) | (3,395) |
| **Deferred income tax assets (+)/Deferred income tax liability (-), net** | **2,092** | **1,299** |

As at 31 December 2020 and 31 December 2019 there were no defered tax assets resulting from prior year tax losses, which were not recognized by the Group.

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

| | Deferred tax liability, gross | | Deferred tax asset, gross | |
|---|---|---|---|---|
| | 31 December 2020 | 31 December 2019 (restated) | 31 December 2020 | 31 December 2019 |
| Property, plant and equipment | 518 | 271 | 32 | 39 |
| Intangible assets | 2,686 | 2,880 | 14 | 60 |
| Right-to-use assets | 2,760 | 2,462 | - | 3 |
| Financial assets measured at fair value through profit or loss | - | 12 | - | - |
| Loans granted and other investments measued at amortized costs | - | - | 42 | - |
| Inventories | - | - | 103 | 16 |
| Prepayments and accrued income | - | 2 | - | - |
| Trade receivables | 912 | 796 | 225 | 213 |
| Provisions | - | - | 732 | 744 |
| Trade payables | 4 | 4 | 1,438 | 1,060 |
| Lease liabilities | 27 | - | 3,034 | 2,681 |
| Other liabilities | - | - | 38 | 35 |
| Accruals | - | - | 1,784 | 1,698 |
| Deferred income | 3 | 1 | 62 | 12 |
| Unused tax losses | - | - | 1,498 | 1,182 |
| **Deferred income tax liability, gross** | **6,910** | **6,428** | **n/d** | **n/d** |
| **Deferred income tax asset, gross** | **n/d** | **n/d** | **9,002** | **7,743** |
| Decrease due to inability to realize a deferred tax asset | n/d | n/d | - | - |
| **Deferred income tax asset, net** | **n/d** | **n/d** | **9,002** | **7,743** |
| **Deferred income tax asset/liability, net** | **3,518** | **3,395** | **5,610** | **4,694** |

## 5.6. Earnings per share

*Significant accounting policies*

*Basic earnings per share are computed by dividing the net profit for the reporting period, attributable to shareholders of the Parent Company, by the average weighted number of ordinary shares outstanding during that financial period. Diluted earnings per share are computed by dividing net profit for the financial period, attributable to shareholders of the Parent Company, by the adjusted (due to diluting impact of potential shares) average weighted number of ordinary shares outstanding during that financial period, adjusted by the factor of conversion of bonds convertible to ordinary shares.*

The tables below present net profits and numbers of shares used for calculation of basic earnings per share:

| | **12 months ended 31 December 2020** | **12 months ended 31 December 2019** |
|---|---|---|
| Net profit attributable to Shareholders of the Parent Company | 19,631 | 19,850 |
| Average weighted number of ordinary shares, used for calculation of diluted earnings per share | 21,360,000 | 21,360,000 |
| **Basic consolidated earnings per share** | **0.92** | **0.93** |

During both the reporting period and the comparative periods no events took place that would cause dilution of earnings per share.

## 5.7. Information on dividends paid out

In the year 2020 and year 2019 the Parent Company paid out to its shareholders a dividend for prior years.

In 2020 by decision of the Ordinary General Meeting of Shareholders of Asseco Central Europe, a. s., the amount of EUR 9,184,800 from net profit for the year 2019 was allocated to payment of a dividend of EUR 0.43 per share and the amount of EUR 5,989,047 remained in retained earnings. The payment date was from 21 May 2020 to 31 December 2020.

In 2019 by decision of the Ordinary General Meeting of Shareholders of Asseco Central Europe, a. s., the amount of EUR 8,068,271 from net profit for the year 2018 was allocated to payment of a dividend.

The Company paid to its shareholders total amount of EUR 12,175,200 out, which included:

- dividend in amount of EUR 8,068,271 for 2018;
- dividend in amount of EUR 902,928 for 2017;
- dividend in amount of EUR 1,586,831 for 2014;
- dividend in amount of EUR 1,617,169 for 2013;

Total dividend payment per share was EUR 0.57. The payment date was from 29 April 2019 to 31 December 2019.

# 6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 6.1. Property, plant and equipment

*Significant accounting policies*

*Property, plant and equipment are measured at cost less any accumulated depreciation and any impairment losses, if any. At recognition date Group recognises tangible assets at cost which comprise their purchase price and any costs directly attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by management. Any costs incurred after a tangible asset has been commissioned into use, such as costs of repairs and technical inspections or operating fees, are expensed in the reporting period in which they were incurred.*

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

*The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.*

*A tangible asset may be derecognized from the statement of financial position after it is disposed of or when no economic benefits are expected from its further use. Gain/loss on disposal of a tangible fixed asset is assessed by comparing the proceeds from the disposal against the present book value of such asset, and it is accounted for as other operating income/expense. Any gains or losses resulting from the removal of a given item of property, plant and equipment from the statement of financial position (calculated as a difference between the net cash obtained from sales and the book value of this item) are recognized in the profit and loss account in the period in which the derecognition from the accounting books was made.*

*Tangible assets under construction are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned into use.*

***Impairment of tangible assets***

*At each reporting date Group assess whether there is any indication that a tangible asset may be impaired. If any such indication exists and it is necessary to conduct impairment tests Group estimates the recoverable amount of the asset or cash-generating unit, to which the asset was assigned. Impairment losses are recognised as part pf operating costs.*

***Borrowing costs***

*Group capitalise the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Borrowing costs are the costs that would have been avoided if the expenditure on the qualifying asset had not been made. Any other borrowing costs are recognised as expenses in the period to which they relate.*

*Professional judgments and estimates*

*At each reporting date Group assess whether there is any objective indication that a tangible asset may be impaired. Depreciation is normally charged to profit and loss account on straight-line basis over the asset's economic useful life. The depreciation rate is set basing on economic useful life of asset. In the reporting period there were no significant changes in determination of depreciation rates in the Group.*

The net book value of property, plant and equipment, during the period of twelve months ended 31 December 2020 and in the comparative period, changed as a result of the following transactions:

| For 12 months ended 31 December 2020 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Tangible assets under construction | Total |
|---|---|---|---|---|---|---|
| **Net book value of property, plant and equipment as at 1 January 2020** | **6,763** | **3,802** | **3,181** | **577** | **248** | **14,571** |
| **Additions, of which:** | **785** | **1,604** | **2,125** | **240** | **2,167** | **6,921** |
| Purchases and modernization | 137 | 1,143 | 785 | 186 | 2,167 | 4,418 |
| Obtaining control over subsidiaries | - | - | - | - | - | - |
| Puchase of asset that was previously subject to lease | - | - | 1,247 | 54 | - | 1,301 |
| Transfers from assets under construction | 648 | 461 | 93 | - | - | 1,202 |
| **Reductions, of which:** | **(245)** | **(1,679)** | **(1,403)** | **(220)** | **(1,202)** | **(4,749)** |
| Depreciation charge for the reporting period | (245) | (1,670) | (1,192) | (178) | | (3,285) |
| Loss of control over subsidiaries | - | - | - | - | - | - |
| Disposal and liquidation | - | (9) | (211) | - | - | (220) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Transfers from tangible assets under construction | - | - | - | - | (1,202) | (1,202) |
| Other | - | - | - | (42) | - | (42) |
| **Change of presentation (+/-)** | - | - | - | (7) | | (7) |
| **Exchange differences on translation of foreign operations (+/-)** | (14) | (120) | (129) | 33 | (35) | (265) |
| **Net book value of property, plant and equipment as at 31 December 2020** | **7,289** | **3,607** | **3,774** | **623** | **1,178** | **16,471** |

| For 12 months ended 31 December 2019 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Tangible assets under construction | Total |
|---|---|---|---|---|---|---|
| **Net book value of property, plant and equipment as at 1 January 2019 (after implementation of IFRS 16)** | **6,741** | **3,078** | **3,533** | **538** | **13** | **13,903** |
| **Additions, of which:** | **256** | **2,415** | **953** | **240** | **725** | **4,589** |
| Purchases and modernization | 192 | 2,107 | 642 | 240 | 725 | 3,906 |
| Obtaining control over subsidiaries | 6 | 58 | 129 | - | - | 193 |
| Leases (puchase of asset that was previously subject to lease) | - | - | - | - | - | - |
| Transfers from assets under construction | 58 | 250 | 182 | - | - | 490 |
| **Reductions, of which:** | **(237)** | **(1,715)** | **(1,335)** | **(213)** | **(490)** | **(3,990)** |
| Depreciation charge for the reporting period | (232) | (1,686) | (1,187) | (190) | | (3,295) |
| Loss of control over subsidiaries | - | (12) | - | (4) | - | (16) |
| Disposal and liquidation | (5) | (17) | (148) | - | - | (170) |
| Transfers from tangible assets under construction | - | - | - | - | (490) | (490) |
| Other | - | - | - | (19) | - | (19) |
| **Change of presentation (+/-)** | **-** | **-** | **-** | **12** | **-** | **12** |
| **Exchange differences on translation of foreign operations (+/-)** | **3** | **24** | **30** | **-** | **-** | **57** |
| **Net book value of property, plant and equipment as at 31 December 2019** | **6,763** | **3,802** | **3,181** | **577** | **248** | **14,571** |

## 6.2. Intangible assets

*Significant accounting policies*

*Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired as a result of a business combination are measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.*

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

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

*Until completion of the development work, accumulated costs directly attributable to such development work are disclosed as "costs of development projects in progress". Upon completion of the development work, the ready-made product of the development work is reclassified to the category of "Internally generated software" and from that time*

*the Company begins to amortize such internally generated software. Following initial recognition of the internally generated software, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.*

*The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss.*

*All the intangible assets subject to amortization are amortized straight-line basis.*

*Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.*

*Any gain or loss resulting from derecognition of an intangible asset from the statement of financial position (calculated as the difference between the net cash obtained from sales and the book value of the item) is disclosed in the profit and loss account for the period in which the derecognition was made.*

*Professional judgments and estimates*

*Amortisation is normally charged to profit and loss account on straight-line basis over the asset's economic useful life. The amortisation rate is set basing on economic useful life of asset. In 2020 there were no significant changes in determination of amortisation rates in the Group.*

***Intangible assets acquired in acquisitions***

*As at 31 December 2020, net value of intangible assets recognized as part of purchase price allocations related to the Group's acquisitions of subsidiaries amounted to EUR 3,090 thousand (2019: EUR 3,928 thousand). The intangibles comprise various categories of assets including customer contracts and related customer relationships and software and licenses recognized in the acquisitions of subsidiaries.*

*The customer contracts and related customer relationships and software and licenses were initially recognized at fair values. The fair values were estimated using valuation methodologies which require making estimates regarding future cash flows generated by the intangible assets, discount rates to convert the projected cash flows to their present values, replacement or reproduction costs of the intangible assets as well as their normalized useful life and remaining useful life.*

***Cost of internally generated assets***

*Cost of an internally generated intangible asset are recognised and capitalised in accordance with Group's accounting policy. Determination of the moment when cost qualifies for recognition is subject to professional judgement of management whether there is a technical feasibility of completing the intangible asset so that it will be available for use or sale and that the asset will generate probable future economic benefits. This moment is achieved by completing a specified milestone within a project.*

The net book value of intangible assets, during the period of twelve months ended 31 December 2020 and in the comparative period, changed as a result of the following transactions:

| For 12 months ended 31 December 2020 | Internally generated software and licenses | Costs of development projects in progress | Purchased software, patents, licenses and other intangibles | Intangible assets identified as part of the PPA process | Total |
|---|---|---|---|---|---|
| **Net book value of intangible assets as at 1 January 2020 (restated)** | **7,454** | **2,993** | **4,223** | **3,928** | **18,598** |
| **Additions, of which:** | **3,929** | **4,233** | **1,417** | **-** | **9,579** |
| Purchases | - | - | 1,417 | - | 1,417 |
| Obtaining control over subsidiaries | - | - | - | - | - |
| Capitalization of costs of development projects | | 4,233 | - | - | 4,233 |
| Transfers from the costs of development projects in progress | 3,929 | - | - | - | 3,929 |
| **Reductions, of which:** | **(3,547)** | **(4,075)** | **(1,556)** | **(794)** | **(9,972)** |
| Amortization charge for the reporting period | (3,547) | - | (1,536) | (794) | (5,877) |

| | | | | | |
|---|---|---|---|---|---|
| Disposal and liquidation | - | (146) | (20) | - | (166) |
| Transfers to internally generated software | - | (3,929) | - | - | (3,929) |
| **Impairment, write-downs** | **-** | **-** | **-** | **-** | **-** |
| **Change of presentation** | **-** | **-** | **40** | **-** | **40** |
| **Exchange differences on translation of foreign operations (+/-)** | **(441)** | **(225)** | **(54)** | **(44)** | **(764)** |
| **Net book value of intangible assets as at 31 December 2020** | **7,395** | **2,926** | **4,070** | **3,090** | **17,481** |

Based on the detailed analysis of costs of development projects in progress the Board of Directors of the Parent Company believes the carrying value of costs of development projects in progress do not exceed the recoverable amount.

| For 12 months ended 31 December 2019 (restated) | Internally generated software and licenses | Costs of development projects in progress | Purchased software, patents, licenses and other intangibles | Intangible assets identified as part of the PPA process | Total |
|---|---|---|---|---|---|
| **Net book value of intangible assets as at 1 January 2019** | **2,330** | **8,148** | **3,022** | **3,375** | **16,875** |
| **Additions, of which:** | **3,969** | **4,633** | **2,727** | **1,108** | **12,437** |
| Purchases | - | - | 601 | - | 601 |
| Obtaining control over subsidiaries | 164 | - | 2,126 | 1,108 | 3,398 |
| Capitalization of costs of development projects | - | 4,633 | - | - | 4,633 |
| Transfers from the costs of development projects in progress | 3,805 | - | - | - | 3,805 |
| **Reductions, of which:** | **(3,614)** | **(4,264)** | **(1,374)** | **(723)** | **(9,975)** |
| Amortization charge for the reporting period | (3,614) | - | (1,374) | (723) | (5,711) |
| Disposal and liquidation | - | - | - | - | - |
| Loss of control over subsidiaries | - | (459) | - | - | (459) |
| Transfers to internally generated software | - | (3,805) | - | - | (3,805) |
| **Impairment, write-downs** | **-** | **141** | **-** | **-** | **141** |
| **Change of presentation** | **4,756** | **(5,597)** | **(165)** | **165** | **(841)** |
| **Exchange differences on translation of foreign operations (+/-)** | **13** | **(68)** | **13** | **3** | **(39)** |
| **Net book value of intangible assets as at 31 December 2019 (restated)** | **7,454** | **2,993** | **4,223** | **3,928** | **18,598** |

## 6.3. Right-to-use assets

*Significant accounting policies*

*In accordance with IFRS 16, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use is transferred under a contract if the lessee has both of the following:*

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

*Therefore all the rights arising from agreements for rental, hire or use (including usufruct of land) that meet the above-mentioned definition have been measured and recognized by the Group in its consolidated statement of financial position, in a separate line called right-of-use assets (representing underlying assets).*

*The above-described principles for the identification of leases have been applied by the Group since the date of adopting the standard; however, the Group has used a practical expedient permitted by IFRS 16 not to reassess whether a contract is a lease or contains a lease as at the date of initial application in respect of contracts that were entered into prior to the date of initial application of the new standard.*

***Initial recognition and measurement of right-of-use assets***

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

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

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

***Subsequent measurement of right-of-use assets***

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

*Right-of-use assets are depreciated by the Group basically using the straight-line method. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.*

*The Group applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired.*

*Professional judgements and estimates*

*The Group applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired. Group assesses at each reporting date whether there is an objective indication that a right-of-use asset may be impaired. In addition, key personel of management of entities within Group make a professional judgement regarding rental agreements concluded for indefinite time to determine the most probable lease terms.*

The net book value of intangible assets, during the period of twelve months ended 31 December 2020 and in the comparative period, changed as a result of the following transactions:

| For 12 months ended 31 December 2020 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Total |
|---|---|---|---|---|---|
| **Net book value of right-of-use assets as at 1 January 2020** | **19,695** | **218** | **4,496** | **104** | **24,513** |
| **Additions, of which:** | **9,872** | **410** | **2,274** | **92** | **12,648** |
| New lease contracts | 5,926 | 410 | 2,274 | 92 | 8,702 |
| Modifications of existing lease contracts (extending the lease term, change of interest rate) | 3,592 | - | - | - | 3,592 |
| Increases resulting from the change in variable interest rates and indices (e.g. inflation) | 293 | - | - | - | 293 |
| Other | 61 | - | - | - | 61 |
| **Reductions, of which:** | **(7,678)** | **(256)** | **(2,818)** | **(108)** | **(10,860)** |
| Depreciation charge for the reporting period | (5,169) | (256) | (1,571) | (54) | (7,050) |
| Loss of control over subsidiaries | - | - | - | - | - |
| Contract termination (before the end of lease term) | (245) | - | - | - | (245) |
| Modifications of existing lease contracts (shortening of lease term, change of interest rate) | (2,264) | - | - | - | (2,264) |
| Purchase of underlying asset | - | - | (1,247) | (54) | (1,301) |
| **Changes in presentation** | **-** | **-** | **-** | **-** | **-** |
| **Exchange differences on translation of foreign operations** | **(764)** | **-** | **(184)** | **-** | **(948)** |
| **Net book value of right-of-use assets as at 31 December 2020** | **21,125** | **372** | **3,768** | **88** | **25,353** |

| For 12 months ended 31 December 2019 | Land and buildings | Computers and other office equipment | Transport vehicles | Other tangible assets | Total |
|---|---|---|---|---|---|
| **Net book value of right-of-use assets as at 1 January 2019 (after implementation of IFRS 16)** | **20,315** | **437** | **3,397** | **154** | **24,303** |
| **Additions, of which:** | **5,281** | **8** | **2,393** | **-** | **7,682** |
| New lease contracts | 4,007 | 8 | 2,393 | - | 6,408 |
| Modifications of existing lease contracts (extending the lease term, change of interest rate) | 1,274 | - | - | - | 1,274 |
| Acquisition of subsidiaries | - | - | - | - | - |
| **Reductions, of which:** | **(6,002)** | **(227)** | **(1,318)** | **(50)** | **(7,597)** |
| Depreciation charge for the reporting period | (4,775) | (227) | (1,312) | (50) | (6,364) |
| Loss of control over subsidiaries | (123) | - | - | - | (123) |
| Contract termination (before the end of lease term) | (2) | - | (6) | - | (8) |
| Modifications of existing lease contracts (shortening of lease term, change of interest rate) | (1,102) | - | - | - | (1,102) |
| **Changes in presentation** | **-** | **-** | **-** | **-** | **-** |
| **Exchange differences on translation of foreign operations** | **101** | **-** | **24** | **-** | **125** |
| **Net book value of right-of-use assets as at 31 December 2019** | **19,695** | **218** | **4,496** | **104** | **24,513** |

## 6.4. Goodwill

*Significant accounting policies*

*Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. As at the acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects arising from a business combination. Each cash-generating unit or group of units to which the goodwill is so allocated shall: (i) represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and (ii) not be larger than an operating segment identified in accordance with IFRS 8 Operating Segments.*

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

*An impairment write-down is determined by estimating the recoverable value of a cash-generating unit to which goodwill has been allocated. In the event the recoverable value of a cash-generating unit is lower than its carrying amount, an impairment charge shall be recognized. Such write-down is recognized as a financial expense.*

*Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.*

For impairment testing purposes, goodwill is allocated by the Group in the following way:

- to the groups of cash-generating units that constitute an operating segment; or
- to individual subsidiaries.

| | 31 December 2020 | 31 December 2019 Restated |
|---|---|---|
| **Segment Asseco Central Europe** | **24,707** | **25,303** |
| Asseco Central Europe (Slovakia) - ISZP, MPI | 1,075 | 1,075 |
| Asseco Central Europe (Czech Republic) | 18,188 | 15,875 |
| Exe | 1,421 | 1,421 |
| TurboConsult* | - | 2,909 |
| DWC | 4,023 | 4,023 |
| **Segment Asseco Solutions** | **87,005** | **91,198** |
| Asseco Solutions (Slovakia) | 7,649 | 7,649 |
| Asseco Solutions (Germany) | 16,795 | 16,795 |
| Asseco Solutions (Czech Republic) | 6,837 | 7,064 |
| Asseco Business Solutions S.A. | 55,724 | 59,690 |
| **Segment CEIT** | **5,441** | **5,441** |
| CEIT Group | 5,441 | 5,441 |
| **Segment Other** | **5,629** | **6,198** |
| Asseco Central Europe Magyarorszag | 5,629 | 6,198 |
| **Total goodwill** | **122,782** | **128,140** |

* goodwill assigned to TurboConsult is presented in Asseco Central Europe (Czech Republic)

During the period of twelve months ended 31 December 2020, the following changes in goodwill were observed:

| Goodwill as allocated to reporting segments: | Goodwill at the beginning of the period (restated) | Foreign exchange differences (+/-) | Goodwill at the end of the period |
|---|---|---|---|
| Segment Asseco Central Europe | **25,303** | **(596)** | **24,707** |
| Segment Asseco Solutions | **91,198** | **(4,193)** | **87,005** |
| Segment CEIT | **5,441** | - | **5,441** |
| Segment Other | **6,198** | (569) | **5,629** |
| **Total** | **128,140** | **(5,358)** | **122,782** |

Decraese of goodwill during the year ended 31 December 2020 was caused by foreign exchange differences. Additionally, in year 2020 purchase price allocation processs was completed for TurboConsult and results were included in the opening balance, causing restatement described also in note 2.9.

*i. Competion of purchase price allocation process for TurboConsult*

During year 2020 the Group completed a purchase price allocation process related to acquisition of TurboConsult, s.r.o. based in Brno, Czech Republic. The entity was acquired on 11 December 2019 by Asseco Central Europe, a.s. (Czech).

The agreed purchase price of EUR 3,927 thousand contained fixed amount of EUR 1,950 thousand and earn-out elements of EUR 1,977 thousand.

The fair values and provisional values of identifiable assets and liabilities in acquired company as at the acquisition date were as follows:

| | Provisional value as at the acquisition date thous. CZK | Provisional value as at the acquisition date thous. EUR | Fair value as at the acquisition date thous. CZK | Fair value as at the acquisition date thous. EUR |
|---|---|---|---|---|
| **Assets acquired** | **52,808** | **2,069** | **61,625** | **2,415** |
| Property, plant and equipment | 4,969 | 195 | 4,969 | 195 |
| Intangible assets | 4,521 | 177 | 13,338 | 523 |
| Current prepayments and accrued income | 1,354 | 53 | 1,354 | 53 |
| Trade receivables | 31,030 | 1,216 | 31,030 | 1,216 |
| Cash and cash equivalents | 9,752 | 382 | 9,752 | 382 |
| Other assets | 1,182 | 46 | 1,182 | 46 |
| **Liabilities acquired** | **33,576** | **1,316** | **35,251** | **1,381** |
| Loan and credits | 1,394 | 55 | 1,394 | 55 |
| Trade payables | 12,768 | 500 | 12,768 | 500 |
| Liabilities to state and budget | 8,327 | 326 | 8,327 | 326 |
| Deferred tax liability | 24 | 1 | 1,699 | 67 |
| Deferred income | 4,000 | 157 | 4,000 | 157 |
| Acrued expenses | 3,902 | 153 | 3,902 | 153 |
| Other liabilities | 3,161 | 124 | 3,161 | 124 |
| **Net assets value** | **19,232** | **754** | **26,374** | **1,033** |
| **Equity interest acquired** | **100%** | **100%** | **100%** | **100%** |
| **Value of non-controlling interests** | **-** | **-** | **-** | **-** |
| **Purchase price** | **100,226** | **3,927** | **100,226** | **3,927** |
| **Goodwill as at the acquisition date** | **80,994** | **3,173** | **73,852** | **2,894** |

## 6.5. Impairment testing

*Significant accounting policies*

*In accordance with Group's accounting policy Management Board of Parent entity conduct as at 31 December annual impairment test for: (i) cash-generating units to which goodwill is allocated, (ii) capitalised costs of unfinished research and developments projects, (iii) and intangible assets with infinite useful life.*
*At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.*
*In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.*
*The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.*

*Professional judgments and estimates*

*Every time the impairment test is conducted it is necessary to estimate the value in use of an asset's or cash-generating unit's (CGU), to which goodwill or intangible assets are allocated.*

***Subsidiaries which shares are listed on active market***

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

Companies or groups of companies within Asseco Enterprise Solutions Group quoted in an active market include Asseco Business Solutions S.A. (listed on Warsaw Stock Exchange). The table below compares the market value (calculated as an average price of shares of listed companies for last quarter) of the mentioned cash-generating unit against their carrying amount as at 31 December 2020:

| **31 December 2020** | **Asseco Business Solutions S.A.** |
|---|---|
| | **thous. EUR** |
| Net assets value of CGU | 73,368 |
| Market capitalization | 269,708 |
| **excess (+)/shortage(-) of fair value over the book value** | **196,340** |

***Subsidiaries which shares are not listed on active market***

In line with the Group's policy, each year as at 31 December, the Board of Directors of the Parent Company performs an annual impairment test on cash-generating units or groups of cash-generating units, to which goodwill has been allocated.

Each impairment test requires making estimates of the recoverable value of a cash-generating unit or a group of cash-generating units to which goodwill is allocated. Impairment testing involve determination of their value in use by applying the model of discounted free cash flow to firm (FCFF).

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

- for each subsidiary, the so-called business units were analyzed which, when put together, comprise the budget and forecasts of the whole subsidiary company;
- detailed forecasts covered the period of 5 years, for which increasing cash flows were assumed, while for further time of each subsidiary operations the residual value was computed assuming no growth in cash flows;
- the assumed increases in cash flows depend upon the strategy of the entire Group, tactical plans of individual companies, they take due account of conditions prevailing in particular markets by region and sector, at the same time reflecting the present and potential order portfolios;
- the forecasts for foreign subsidiaries assumed growth of sales in their functional currencies;
- the discount rates applied were equivalent to the weighted average cost of capital for a given cash-generating unit. Particular components of the discount rate were determined taking into account the market values of risk free interest rates, the beta coefficient leveraged to reflect the market debt equity structure, as well as the expected market yield.

The conducted impairment tests, which involved the estimation of the value in use by applying the model of discounted free cash flow to firm (FCFF), indicated that the value in use of our cash-generating units or groups of cash-generating units is higher than their carrying value. Hence, the conducted impairment test did not indicate a necessity for the Parent Company to recognize any impairment write-offs on its cash-generating units as at 31 December 2020.

**Sensitivity analysis**

The Group carried out a sensitivity analysis in relation to other goodwill impairment tests conducted as at 31 December 2020, in order to find out how much the selected parameters applied in the model could be changed so that the estimated value in use of cash-generating units equaled their carrying amounts. Such sensitivity analysis examined the impact of changes in the applied:

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

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

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

| | Carrying amount of CGU | Discount rate | | Compound annual growth rate of cash flows | |
|---|---|---|---|---|---|
| | | applied in the model for residual period | marginal | applied in the model for forecast period | marginal |
| | EUR thousand | % | % | % | % |
| ***Cash-generating units constituted by companies or groups of companies*** | | | | | |
| Asseco Central Europe (Slovakia) – MPI | 42,458 | 6.88% | ∞ | 5.23% | -86.93% |
| Asseco Central Europe (Slovakia) – ISZP | 5,668 | 6.88% | ∞ | -3.52% | -115.63% |
| Asseco Central Europe (Czech Republic) | 33,961 | 8.83% | 26.10% | 8.06% | -9.82% |
| Asseco Solutions (Slovakia, Czech Republic, Germany) | 45,239 | 7.29% | ∞ | -2.27% | -44.01% |
| Asseco Central Europe Magyarország (Hungary) | 10,302 | 11.63% | ∞ | -9,8% | -34.12% |
| Exe | 2,938 | 8.98% | ∞ | 5.42% | -33.22% |
| CEIT | 20,882 | 7.29% | 12.29% | 41.14% | 31.94% |
| DWC | 8,548 | 8.98% | 21.67% | 4.50% | -10.85% |

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

## 6.6. Investment in associates and joint ventures

*Significant accounting policies*

***Investment in associates***

*An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.*

*The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.*

*The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI.*

*The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.*

*After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.*

*Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.*

***Investment in joint ventures***

*A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group's investments in joint venture are accounted for using the equity method. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.*

As at 31 December 2020, the Group's associates are: Prvni Certifikacni Autorita a. s., eDocu a. s., LittleLane, a.s., EdgeCom, s.r.o. and Galvaniho 5, s.r.o. Thre is also one joint venture company, namely PROSOFT Košice, a.s.. All the above-mentioned investments are valued using the equity method.

The table below presents condensed information on the investments in associates and joint ventures held by the Group:

| Financial data of associates and joint ventures | 31 December 2020<br>thous. EUR | 31 December 2019<br>thous. EUR |
|---|---|---|
| Current assets | 6,142 | 6,042 |
| Non-current assets | 26,323 | 14,802 |
| Current liabilities | 11,654 | 6,195 |
| Non-current liabilities | 11,813 | 7,323 |
| **Net assets** | **8,998** | **7,326** |
| **Book value of investments** | **4,932** | **4,144** |

| Financial data of associates and joint ventures | 12 months ended 31 December 2020<br>thous. EUR | 12 months ended 31 December 2019<br>thous. EUR |
|---|---|---|
| Revenues | 13,344 | 11,460 |
| Operating profit | 770 | 487 |
| Net profit (loss) | 2,066 | 946 |
| **Share of profits of associates and joint ventures** | **536** | **323** |

Other comprehensive income of associates and joint ventures are not significant from Group point of view. There were no contingent liabilities relating to the Group's interest in the associates as at 31 December 2020 and 2019.

## 6.7. Entities with significant non-controlling interests

*Significant accounting policies*

*Non-controlling interest is equity in a subsidiary not attributable, directly or indirectly to the Parent. In the event of a transaction whereby the Group increases its equity interest in a subsidiary (partial or full buy-out of non-controlling interests), such a transaction is deemed not to be a business combination. The assets, liabilities and equity of such a subsidiary are measured at fair value at the date when an additional equity stake is acquired by the Group. The difference between the purchase price of non-controlling interests and the book value of net assets acquired is recognized directly in equity disclosed in the Group's consolidated financial statements.*

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

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

In the Management's opinion, the entities with significant individual non-controlling interests are: Asseco Enterprise Solutions Group which, among others, includes Asseco Business Solutions. In the case of other entities with non-controlling interests, individual non-controlling interests do not exceed 2% of total non-controlling interests therein, hence they have not been considered as entities with significant non-controlling interests.

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

| Percentage of non-controlling interests | 31 December 2020 | 31 December 2019 |
|---|---|---|
| AES Group | 50.01% | 50.01% |

| Group name | Carrying value of non-controlling interests* | | Net profit attributable to non-controlling interests | | Dividends to non-controlling interests | |
|---|---|---|---|---|---|---|
| | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2020 | 31 Dec. 2019 | 31 Dec. 2020 | 31 Dec. 2019 |
| | thous. EUR | thous. EUR | thous. EUR | thous. EUR | thous. EUR | thous. EUR |
| AES Group | 83,829 | 83,899 | 17,065 | 16,470 | (12,966) | (11,229) |

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

| AES Group – balance-sheet positions | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Non-current assets | 132,710 | 137,706 |
| Current assets | 49,523 | 44,331 |
| *of which cash and cash equivalents* | 18,534 | 15,641 |
| Non-current liabilities | 17,985 | 20,423 |
| Current liabilities | 35,348 | 33,397 |

## 6.8. Other financial assets

*Significant accounting policies*

*The Group classifies its financial assets to one of the following categories specified in IFRS 9:*

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

*The Group classifies its financial assets to a given category of assets basing on two criteria: the Group's business model for managing the group of assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. Group reclassifies its financial assets only when the model for managing its financial assets is changed.*

*In addition, the Group made a choice to classify at initial recognition its investments in equity instruments (other than investments in subsidiaries and associates), which are not held for trading and not quoted in an active market, as measured at fair value through other comprehensive income. Whereas, investments in equity instruments quoted in an active market are measured at fair value through profit or loss.*

***Initial measurement***

*Besides from some trade receivables, initially financial assets are measured at fair value. In case of financial assets that are not classified as measured at fair value through profit and loss, the initial value may be adjusted by any transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument.*

***Derecognition***

*Group derecognises financial assets when: (i) the contractual rights to the cash flows from the financial asset expire, or (ii) contractual rights to cash flows were transferred together with risks and rewards of ownership of the financial asset.*

***Subsequent measurement***

*Measurement of financial assets at amortised cost*

*Financial asset is measured at amortised cost when both following conditions are met: (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

*Measurement at amortised cost is applied by the Group for loans granted, cash and cash equivalents, trade receivables, contract assets and other receivables that are within the scope of IFRS 9. Interest income on investments in debt instruments is recognized by the Group as financial income. On disposal of investments in debt instruments, the Group recognises cumulative gains/losses through profit or loss.*

*The Group measures its financial assets at amortized cost using the effective interest method. Trade receivables with a maturity of less than 12 months are measured at an amount due for payment, less any allowance for expected losses. Long-term receivables that are within the scope of IFRS 9 are discounted as at the reporting date.*

*Measurement of financial assets at fair value through other comprehensive income*

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

*To this category of financial assets Group classifies: treasury and corporate bonds and investments in equity instruments that are not quoted on active market.*

*Gains/losses on valuation of investments in debt instruments and equity instruments, which on initial recognition are classified by the Group to this category of assets, are recognized through other comprehensive income. Dividends on equity instruments measured at fair value through other comprehensive income are recognized by the Group as financial income. Interest income on investments in debt securities is recognized by the Group as financial income.*

*On disposal of investments in debt instruments the Group recognizes cumulative gains/losses through profit or loss. Cumulative gains / losses from valuation of equity instruments are not recycled to profit and loss account, they are transferred within equity to retained earnings.*

*Measurement of financial assets at fair value through profit or loss*

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

***Impairment of financial assets***

*The Group applies the expected loss impairment model for estimating impairment losses on financial assets.*

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

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

- *general approach,*
- *simplified approach.*

*The Group applies the general approach for financial assets measured at fair value through other comprehensive income as well as for financial assets measured at amortized cost, except for receivables and contract assets.*
*Under the general approach, the Group estimates impairment losses on financial assets using a three-stage model based on changes in the credit risk of financial assets since their initial recognition.*
*Where the credit risk of financial assets has not increased significantly since initial recognition (stage 1), the Group estimates an allowance for 12-month expected credit losses. Where the credit risk of financial assets has increased significantly since initial recognition (stages 2 and 3), the Group estimates an allowance for expected credit losses over the lifetime of financial instruments.*
*At each reporting date, the Group analyzes if there are indications of a significant increase in the credit risk of financial assets held.*
*In the case of receivables and assets from contracts with customers, the Group applies the simplified approach and therefore changes in credit risk are not monitored, while an impairment allowance is measured at an amount equal to expected credit losses over the lifetime of receivables. The accounting policy regarding estimating of credit losses on trade receivables are presented in point 6.11. of these consolidated financial statements.*
***Fair value measurement***
*The Group measures financial instruments such as derivatives and investments in equity instruments at fair value at each balance sheet date.*
*Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.*
*All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:*
*level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;*
*level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;*
*level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.*

*Professional judgments and estimates*

*When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.*

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

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Financial assets measured at fair value through profit or loss, of which:** | | | | |
| Currency forward contracts | - | - | - | 67 |
| Other equity instruments | 4 | - | 4 | - |
| **Total** | **4** | **-** | **4** | **67** |
| **Financial assets measured at fair value through other comprehensive income, of which:** | | | | |
| Shares in companies not quoted in an active market | - | 804 | - | - |
| **Total** | **-** | **804** | **-** | **-** |
| **Financial assets measured at amortized cost, of which:** | | | | |
| Bills of exchange | - | 218 | - | 2,779 |
| Loans granted, of which: | | | | |
| *granted to related parties* | 2,942 | 632 | 2,886 | 621 |
| *granted to employees* | 20 | 23 | 26 | 6 |
| *granted to other entities* | - | - | - | 345 |

| | | | | |
|---|---|---|---|---|
| Deposits between 3 and 12 months | - | 8,773 | - | 3,292 |
| **Total** | **2,962** | **9,646** | **2,912** | **7,043** |
| **Total financial assets** | **2,966** | **10,450** | **2,916** | **7,110** |

**Loans granted to related parties**

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

Loans granted to related parties comprise of:

- loan granted to Galvaniho 5, s.r.o. in the amount of 2,942 thousand;
- loan granted to PROSOFT Košice, a.s. in the amount of EUR 287 thousand;
- loan granted to eDocu a.s. in the amount of EUR 292 thousand;
- loan granted to LittleLane in the amount of EUR 53 thousand

As at 31 December 2020 under category bills of exchange there are presented mainly bills of exchange of Arca Investments, a.s. in the amount of EUR 218 thousand with maturity in January 2021.

As at 31 December 2019 under category bills of exchange there are presented bills of exchange of Arca Investments, a.s. in the amount of EUR 2,779 thousand with maturity between 10 January and 27 April 2020.

## 6.9. Non-current and current prepayments

*Significant accounting policies*

*Prepayments comprise expenses incurred before the balance sheet date that relate to future periods or to future revenues. Prepayments may in particular include the following items: (i) prepaid services (including maintenance services, licence fees, insurance, consultancy services) which shall be provided in future periods; (ii) rents paid in advance; (iii) expenses incurred in relation to an issuance of shares, until such issuance is registered; (iv) any other expenses incurred in the current period, but related to future periods.*
*In addition, Group recognizes as asset costs incurred to obtain a contract with customer and cost incurred to fulfil a contract with customer, if it expects to recover these costs.*

As at 31 December 2020 and in the comparative period, prepayments and accrued income included the following items:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| Prepaid services, of which: | 1,048 | 4,902 | 1,830 | 5,451 |
| *maintenance services and license fees* | *1,034* | *3,902* | *1,805* | *4,906* |
| *rents and averaging of instalments under operating leases* | *4* | *12* | *13* | *20* |
| *insurances* | *8* | *431* | *10* | *251* |
| *other services* | *2* | *557* | *2* | *274* |
| Expenses related to services performed for which revenues have not been recognized yet, of which: | - | - | - | 47 |
| *cost incurred to obtain a contract with customer (IFRS 15)* | - | - | - | - |
| *cost incurred to fulfil a contract with customer (IFRS 15)* | - | - | - | - |
| *other cost, for which revenues haven't been recognized yet* | - | - | - | *47* |
| Other prepayments and accrued income | 1 | 198 | 1 | 125 |
| **Total** | **1,049** | **5,100** | **1,831** | **5,623** |

## 6.10. Inventories

*Significant accounting policies*

*Inventories are valued by Group at the lower of purchase price/production cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.*
*The Group distinguishes two categories of inventories: (i) raw materials, spare parts and other components used in implementation or maintenance of IT systems; (ii) hardware, third party licences and other goods for resale.*
*Spare parts and other components used in implementation or maintenance of IT systems are recognised as costs on straight-line basis over the contract's life.*
*Every year the Group verifies whether the adopted principles for recognition of write-downs correspond to the actual impairment of its inventories. Write-downs on inventories shall be recognized as operating expenses.*

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Raw materials, spare parts and other components used in implementation or maintenance of IT systems | 1,473 | 609 |
| Computer hardware, third party licenses and other goods for resale | 1,398 | 2,365 |
| Write-down of inventories | (539) | (532) |
| **Total inventories** | **2,332** | **2,442** |

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

| Write-down of inventories | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| **Write-down of inventories as at 1 January** | **(532)** | **(150)** |
| Recognized during the reporting period | (365) | (7) |
| Utilized during the reporting period | 8 | - |
| Reversed during the reporting period | 350 | 25 |
| Change of presentation | - | (400) |
| **Write-down of inventories as at 31 December** | **(539)** | **(532)** |

## 6.11. Trade receivables, contract assets and other receivables

*Significant accounting policies*

***Contract asset** is a is the Group's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time.*
*Contract assets result from the excess of the percentage of completion of implementation contracts over invoices issued. In the case of such assets, the Group has also completed its performance obligation but the right to payment is conditioned on something other than the passage of time – which distinguishes contract assets from trade receivables.*
***Trade receivables**, which payment term is usually ranging from 10 to 40 days, are recognised and disclosed at the amounts initially invoiced, less any allowances for uncollectable receivables. Receivables with remote payment terms are recognised at the present value of expected payments less any allowances.*
***Uninvoiced receivables** are receivables relating to uninvoiced deliveries result from the supply of services which were performed during the reporting period (the Group has satisfied its performance obligation), but have not been invoiced until the end of the reporting period. As at the reporting date, according to the Group's assessment, the Group has an unconditional right to payment for its performance, therefore the respective amounts are classified as receivables.*
***Loss allowance of trade receivables***
*To determine the value of loss allowance for trade receivables Group uses simplified approach and does not track the changes in credit risk of receivables. Loss allowance is recognised at the amount of lifetime expected credit losses. For this purpose Group uses provision matrix that is based on historical credit loss experience adjusted by information regarding future. Each entity within the Group analyses its receivables basing on statistical provision matrixes including the risk resulting from diversity of its customer base and type of business. When necessary entities group their customers into homogeneous segments.*
*Loss allowance is updated at each reporting date.*
*For trade receivables overdue by over 180 days besides from statistical method basing on provision matrix Group uses individual approach. For each trade receivable overdue by over 180 days and significant value, Group recognises loss*

*allowance at the amount determined by Management basing on their professional judgement. Professional judgement is made basing on analysis of customers' financial condition and general economic circumstances.*
*Update of the carrying amount of trade receivables includes not only events that occurred till the reporting date but also the ones disclosed after this date but before the date of publishing of these consolidated financial statements. Each year Group analyses whether rules of determination of the value of loss allowances reflect the actual impairment loss of receivables.*
*Loss allowances of trade receivables are recognised as a part of operating costs. The loss allowances for other receivables are recognised in other operating costs or in financial expenses if the related receivable was recognised as a result of the transaction of sale of investment or other operation of which expenses and income relate to financial activity. Allowances of receivable accounts that relates to interests accrued are recognised in financial expenses.*
*If the reason for recognition of an allowance is no longer valid, such allowance shall be reversed, in the whole amount or in appropriate portion, being recognized as an increase in the value of a relevant asset or as an adjustment to respective cost items.*

*Estimates*

*At each reporting date the Group makes an estimates of percentage of completion for implementation contracts compared to invoices issued. A certain part of estimates and professional judgement is also required to allocate a transaction price to performance obligations.*
*The Group estimates allowances for trade receivables and contract assets according to IFRS 9 Financial instruments. The simplified approach requires a statistical analysis, which usually is connected with making assumptions and applying a professional judgement.*

Table below presents trade and other receivables as at 31 December 2020 and 31 December 2019.

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Trade receivables of which:** | | | | |
| **Trade receivables** | **760** | **46,146** | **-** | **48,351** |
| **Invoiced receivables** | **664** | **47,275** | **-** | **48,275** |
| from related parties | - | 841 | | 1,534 |
| from other entities | 664 | 46,434 | - | 46,741 |
| **Uninvoiced receivables** | **-** | **1,039** | **-** | **2,898** |
| from related parties | - | - | - | - |
| from other entities | - | 1,039 | - | 2,898 |
| **Receivables from operating leases** | - | 40 | - | 41 |
| **Net investment in the finance lease** | 96 | 60 | - | - |
| **Allowance for doubtful receivables (-)** | **-** | **(2,268)** | **-** | (2,863) |
| **Corporate income tax receivable** | | **844** | **-** | **56** |
| **Receivables from the state and local budgets** | **-** | **718** | **-** | **1,843** |
| Value added tax | - | 35 | - | 646 |
| Other | - | 683 | - | 1,197 |
| **Other receivables** | **821** | **1,570** | **1,547** | **1,670** |
| Other receivables | 821 | 1,610 | 1,547 | 1,719 |
| Allowance for other doubtful receivables (-) | - | (40) | - | (49) |
| **Total receivables** | **1,581** | **49,278** | **1,547** | **51,920** |

Related party transactions have been presented in explanatory note 6.21 to these consolidated financial statements.

Trade receivables are not interest-bearing.

As at 31 December 2020 EUR 122 thousand deposit paid (presented in Other receivables) was pledged as collateral in connection with financial guarantee received by entity Berit GmBH (EUR 150 thousand as at 31 December 2019).

The table below presents contract assets as at 31 December 2020 and 31 December 2019.

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Contract assets (receivables from valuation of IT contracts)** | | | | |
| from related parties | - | - | - | - |
| from other entities | - | 22,807 | - | 15,841 |
| **Total contract assets** | **-** | **22,807** | - | **15,841** |

The change in balance of contract assets during the period of 12 months ended 31 December 2020 resulted from the following movements:

| | 12 months to 31 December 2020 |
|---|---|
| | thous. EUR |
| **Contract assets (Receivables from valuation of IT contracts) as at 1 January 2020** | 15,841 |
| Recognition of revenues from invoices | (32,225) |
| Satisfaction of performance obligations without invoicing;<br>Change in an estimate of the transaction price or costs, other changes in the assumptions | 39,424 |
| Impairment write-off | - |
| Acquisitions of subsidiaries | - |
| Exchange differences | (233) |
| **Contract assets as at 31 December 2020** | **22,807** |

The Group has a relevant policy based on selling its products and services to reliable clients only. Owing to that in the management's opinion the related credit risk would not exceed the level covered by allowances for doubtful accounts as established by the Group.

The following table presents the ageing structure of trade receivables and contract assets as at 31 December 2020 and 31 December 2019:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | thous. EUR | % | thous. EUR | % |
| **Trade receivables not yet due** | **63,225** | **87.8%** | **54,514** | **81.3%** |
| **Trade receivables overdue** | **8,756** | **12.2%** | **12,541** | **18.7%** |
| Receivables overdue less than 3 months | 4,774 | 6.6% | 7,949 | 11.9% |
| Receivables overdue between 3 to 6 months | 879 | 1.2% | 840 | 1.3% |
| Receivables overdue between 6 and 12 months | 1,043 | 1.4% | 1,641 | 2.4% |
| Receivables overdue above 12 months | 2,060 | 2.9% | 2,111 | 3.1% |
| **Total trade receivables excluding loss allowance** | **71,981** | **100.0%** | **67,055** | **100.0%** |
| **Loss allowance** | **-2,268** | | **-2,863** | |
| **Carrying amount of trade receivables** | **69,713** | | **64,192** | |

## 6.12. Cash and cash equivalents

*Significant accounting policies*

*Cash and cash equivalents presented in the statement of financial position consist of cash held in banks and on hand, short-term bank deposits with maturities not exceeding 3 months, and other highly liquid instruments.*
*For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.*

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash at bank | 36,410 | 33,698 |
| Cash on hand | 39 | 46 |
| Current deposits | - | 3,130 |
| Cash equivalents | 10 | 9 |
| **Total cash and cash equivalents as disclosed in the statement of financial position** | **36,459** | **36,883** |
| Accrued interest on cash and restricted cash | (6) | (10) |
| Revolving loans that are part of cash management | (3,104) | (4,148) |
| **Total cash and cash equivalents as disclosed in the cash flow statement** | **33,349** | **32,725** |

The interest on cash at bank is calculated with variable interest rates which depend on bank overnight deposit rates. Current deposits are made for varying periods of maturity between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective current deposit rates.

## 6.13. Share capital

*Significant accounting policies*

*Equity is composed of equity attributable to shareholders of Parent Company and non-controlling interest.*
*Shareholders' equity is disclosed at nominal value. Shareholders' equity comprises the following items:*
*(i) share capital, disclosed in the amount of capital contributions made and paid up;*
*(ii) share premium from the sale of shares over their par value;*
*(iii) exchange differences on translation of foreign operations;*
*(iv) retained earnings, including: retained earnings, other capital funds and net profit/loss for the reporting period;*
*(v) non-controlling interest.*

| Share capital | Par value per share | Number of shares | |
|---|---|---|---|
| | | 31 December 2020 | 31 December 2019 |
| Ordinary shares | 0,0331939 | 21,360,000 | 21,360,000 |

*Par value on shares*

All shares issued have the par value of EUR 0.0331939 per share and have been fully paid up.
In 2019 and 2018 there were no changes in the Parent Company's share capital and share premium account.
The direct parent of Asseco Central Europe, a. s. (SK) is Asseco International, a.s. that in turn is a wholly-owned subsidiary of the ulitimate parent of the Asseco Group i.e. Asseco Poland S.A.
As at 31 December 2020 Asseco International, a.s. held a 91.33% stake in Asseco Central Europe, a.s.

## 6.14. Bank loans, other loans and debt securities

*Significant accounting policies*

*Since 1 January 2018 a new standard regarding financial instruments (IFRS 9) has been in force. Classification of financial liabilities substantially has not changed in comparison to classification under provisions of previous standard - IAS 39.*
*The Group classifies its financial liabilities to the following categories:*

- *To be measured at amortized cost,*
- *To be measured at fair value through profit or loss.*

*Group classifies all bank loans, other loans and debt securities to be measured at amortised cost. All of the remaining financial liabilities are measured at fair value through profit and loss, besides liabilities arising from acquisition of non-controlling interests in subsidiaries (put options) that are measured in accordance with IFRS 3.*
*Initially all of bank loans, other loans and debt securities are recognised at purchase price (cost) that constitute fair value of cash received less the costs related directly to obtaining a loan, or issuing a debt security.*
*Subsequently bank loans, other loans and debt securities are measured at amortised cost using the effective interest rate method. Determination of the amortised cost takes into account the costs related to obtaining a loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.*

The table below presents the Group's debt outstanding as at 31 December 2020 and 31 December 2019.

| Type of credit facility | Maximum debt at 31 Dec 2020 | Effective interest rate | Currency | Maturity date | Balance as at 31 December 2020 | | Balance as at 31 December 2019 | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Short-term | Long-term | Short-term | Long-term |
| **Overdrafts** | | | | | | | | |
| Overdraft | 4,000 | EONIA + 2.5 % | EUR | infinite | - | - | 985 | - |
| Overdraft | 3,700 | EONIA + 2.5 % | EUR | infinite | - | - | - | - |
| Overdraft | 1,500 | 1,5M EURIBOR + margin 2.50 % p.a. | EUR | 30.04.2021 | - | - | - | - |
| Overdraft | 7,500 | 1.05% | EUR | 1 year revolving | 667 | - | 1,496 | - |
| Overdraft | 185 | 0 | CHF | none | - | - | - | - |
| Overdraft | 70 | 2.5% | EUR | infinite | 13 | - | - | - |
| Overdraft | 3,140 | 1M EURIBOR + 0.95% p.a. | EUR | unlimited | 2,423 | - | 704 | - |
| Overdraft | - | 1M BUBOR + 1.8% | HUF | Indefinite | - | - | 961 | - |
| Debet card | 60 | 17.7% p.a. | EUR | unlimited | 1 | - | 2 | - |
| Overdraft | 15 352 | 1M WIBOR + margin | PLN | 31.10.2022 | | | | |
| **Total overdrafts and revolving loans** | **35 507** | | | | **3,104** | | **4,148** | |
| | | | | | | | | |
| **Bank loans** | | | | | | | | |
| Bank loan | 53 | 2K Interest | EUR | 15.9.2020 | - | - | 23 | - |
| Bank loan | 157 | 0 | EUR | 31.12.2025 | - | 157 | - | - |
| Bank loan | 3,811 | 1.6% p.a. | CZK | 24.07.2025 | 762 | 3,049 | - | - |
| Bank loan | 4,350 | 1.1% p.a. | EUR | 31.1.2025 | 900 | 3,450 | - | - |
| Bank loan | 9,063 | 1% p.a. | EUR | 30.6.2022 | 5,313 | 3,750 | 3,750 | 7,500 |
| Bank loan | 390 | 3M EURIBOR + 1.55% p.a. | EUR | 30.04.2021 | 360 | 30 | 360 | 120 |
| **Total bank loans** | **17,824** | | | | **7,335** | **10,436** | **4,133** | **7,620** |
| | | | | | | | | |
| **Other loans** | | | | | | | | |
| Other loan | | 9% | EUR | 17.12.2022 | 54 | 28 | 53 | 84 |
| Other loan | | 4.56% | CZK | 11.09.2022 | 6 | 5 | 6 | 11 |
| Other loan | | 5.49% | CZK | 15.05.2021 | 2 | - | 5 | 2 |
| Other loan | | 5.49% | CZK | 18.01.2021 | - | - | 5 | - |
| Other loan | | 5.34% | CZK | 25.09.2021 | 3 | - | 4 | 3 |
| Other loan | | 5.49% | CZK | 29.06.2022 | 6 | 3 | 5 | 9 |
| **Total other loans** | | | | | **71** | **36** | **79** | **109** |
| **Total** | **53,331** | | | | **10,510** | **10,472** | **8,360** | **7,729** |

As at 31 December 2020 the total funds available to the Asseco Central Europe Group under credit facilities opened in the current accounts reached the level of EUR 53,331 thousand (and EUR 38,222 thousand as at 31 December 2019).

Assets serving as security for bank loan facilities:

| Category of assets | Net value of assets | |
|---|---|---|
| | 31 December 2020 thous. EUR | 31 December 2019 thous. EUR |
| Land and buildings | 5,745 | 5,799 |
| Inventories | 1,280 | 581 |
| Current and future receivables | 7,856 | 9,906 |
| **TOTAL** | **14,881** | **16,286** |

## 6.15. Other financial liabilities

*Significant accounting policies*

*A contract that contains an obligation for an entity to purchase its own equity instruments gives rise to a financial liability for the present value of the redemption amount, even if the obligation to purchase is conditional on the counterparty exercising a right to redeem, for example in situations where the non-controlling interests are entitled to put shares of a subsidiary to be purchased by the Parent Company.*

*If concluded based on contractual terms that the acquirer does not have a present ownership interest in the shares concerned, the non-controlling interest is still attributed its share of the profits and losses (and other changes in equity) of the acquiree. The impact of the put option is the amount attributable to the non-controlling interest to be reclassified as a financial liability. The reclassification of the non-controlling interest is deemed to be equivalent to a change in the non-controlling interest. Therefore, the accounting at the end of the reporting period should replicate the accounting that would be adopted as if the option had been exercised at that date.*

*Accordingly, any difference between the liability under the put option at the end of the reporting period and the non-controlling interest reclassified is accounted for as a change in the equity attributable to the Parent Company. No amount is recognized in the profit or loss for the financial liability or separate accounting for the unwinding of any discount in respect of the liability. It also means that the liability resulting from the put option is not subject to any discount.*

*While the put option remains unexercised, the accounting at the end of each reporting period is as follows:*

*(i) the entity determines the amount that would have been recognized within equity for the non-controlling interest, including an update to reflect its share of profits and losses (and other changes in equity) of the acquiree for the period, and (ii) the entity accounts for the difference between (1) the amount determined above and (2) the fair value of the liability under the put option, as a change in the non-controlling interest.*

*If the put option is ultimately exercised, the same treatment will be applied up to the date of exercise. The amount recognized as the financial liability at that date will be extinguished by payment of the exercise price. If the put option expires unexercised, the position will be unwound, so that the non-controlling interest at that date is reclassified back to equity and the financial liability is derecognized.*

*Professional judgments and estimates*

*Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.*

| Financial liabilities | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| Liabilities from dividends | - | - | - | 5,475 |
| Liabilities due to acquisition of shares (deferred payments and contingent consideration) | 533 | 603 | 827 | 2,513 |
| Liabilities resulting from put options on non-controlling interests | 1,000 | - | 1,000 | - |
| Other financial liabilities | - | 15 | - | - |
| **Total** | **1,533** | **618** | **1,827** | **7,988** |

Non-current financial liability in the amount of EUR 1,000 thousand from put options on non-controlling interest relates to Asseco Solutions GmbH Austria (ASOL Germany group).

Liabilities due to acquisition of shares relate to:

| Liabilities due to acquisitions of shares | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ASOL CZK | 336 | 347 |
| CEIT group | - | 586 |
| PROSOFT Košice | - | 28 |
| TurboConsult | 800 | 2,379 |
| **Total** | **1,136** | **3,340** |

## 6.16. Lease liabilities

*Significant accounting policies*

*In accordance with IFRS 16, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use is transferred under a contract if the lessee has both of the following:*

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

***Lease liabilities – initial recognition***

*At the lease commencement date, the Group measures the lease liability at the present value of lease payments outstanding at that date. The lease payments are discounted by the Group using the incremental borrowing rate.*

*The lease payments comprise: fixed payments (including in-substance fixed lease payments), less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable under residual value guarantees; the exercise price of a purchase option (if the Group is reasonably certain to exercise that option); and payments of penalties for terminating the lease (if the Group is reasonably certain to exercise that option).*

*Variable lease payments that do not depend on an index or a rate are immediately recognized as expenses in the period in which the event or condition that triggers those payments occurs.*

***Lease liabilities – subsequent measurement***

*In subsequent periods, the amount of the lease liability is reduced by the lease payments made and increased by interest accrued on that liability. Such interest is calculated by the Group using the incremental borrowing rate of the lessee, which constitutes the sum of the risk-free interest rate (being determined by the Group companies based on the quotations of relevant IRS derivatives or interest rates on government bonds for relevant currencies) and the credit risk premium for the Group companies (being quantified on the basis of margins offered to the Group companies on investment loans adequately secured with assets of these companies).*

*If a lease contract is subject to modification involving a change in the lease term, a revised amount of in-substance fixed lease payments, or a change in the assessment of an option to purchase the underlying asset, then the lease liability shall be remeasured to reflect such changes. Remeasurement of the lease liability requires making a corresponding adjustment to the right-of-use asset.*

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

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

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

*In both the above-mentioned exceptions, the lease payments are recognized as expenses basically on a straight-line basis, in the period to which they are related. In such case, the Group does not recognize any right-of-use assets or corresponding financial liabilities.*

***Exemptions from applying IFRS 16***

*The Group does not apply the provisions of IFRS 16 to rental contracts and other contracts of similar nature for which the underlying assets are recognized as intangible assets. Moreover, IFRS 16 does not apply to intellectual property licensing agreements which are within the scope of IFRS 15.*

*Professional judgments and estimates*

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

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

- office buildings,
- cars,
- IT equipment.

The table below presents the amounts of lease liabilities as at 31 December 2020 as well as at 31 December 2019.

| | 30 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| **Lease liabilities** | **Long-term** | **Short-term** | **Long-term** | **Short-term** |
| Leases of real estate | 17,761 | 4,972 | 16,437 | 4,787 |
| Leases of transportation vehicles | 2,176 | 1,302 | 2,510 | 1,464 |
| Leases of IT hardware | 223 | 245 | 96 | 166 |
| **Total** | **20,160** | **6,519** | **19,043** | **6,417** |

Minimum future cash outflows and liabilities under the lease agreements are as follows:

| **Lease of office space** | **31 December 2020** | **31 December 2019** |
|---|---|---|
| **Minimum lease payments** | | |
| up to 1 year | 5,389 | 5,232 |
| over 1 year but less than 5 years | 14,722 | 14,701 |
| over 5 years | 4,318 | 2,862 |
| **Future minimum lease payments** | **24,429** | **22,795** |
| **Future interest costs** | **(1,696)** | **(1,571)** |
| **Present value of lease liability** | | |
| up to 1 year | 4,972 | 4,787 |
| over 1 year but less than 5 years | 13,587 | 13,698 |
| over 5 years | 4,174 | 2,739 |
| **Lease liability** | **22,733** | **21,224** |
| **Effective lease rate** | **3,0%** | **3,6%** |

| **Lease of vehicles** | **31 December 2020** | **31 December 2019** |
|---|---|---|
| **Minimum lease payments** | | |
| up to 1 year | 1,333 | 1,396 |
| over 1 year but less than 5 years | 2,226 | 2,722 |
| over 5 years | - | - |

| | | |
|---|---|---|
| **Future minimum lease payments** | **3,559** | **4,118** |
| **Future interest costs** | **(81)** | **(144)** |
| **Present value of lease liability** | | |
| up to 1 year | 1,302 | 1,464 |
| over 1 year but less than 5 years | 2,176 | 2,510 |
| over 5 years | - | - |
| **Lease liability** | **3,478** | **3,974** |
| **Effective lease rate** | **1.9%** | **2.3%** |

Summary of amounts related to lease and recognized in the profit and loss account for year ended 31 December 2020 are presented below:

| Amounts related to lease contracts recognised in profit and loss account | note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Amortisation of right-to-use assets | 6.3 | (7,050) | (6,364) |
| Interest expenses related to lease liabilities | 5.4 | (828) | (787) |
| Expenses related to leases subject to low asset value exemption | | (9) | (9) |
| Expenses related to leases subject to short-term exemption | | (419) | (690) |
| Expenses related to variable lease payments not included in measurement of lease liabilities | | - | - |
| Gain / loss from sale and leaseback transactions | | - | - |
| Gain / loss from sublease of office space classified as right-to-use assets | | 39 | 55 |
| **Total** | | **(8,267)** | **(7,795.0)** |

## 6.17. Trade and other payables

*Significant accounting policies*

*Trade payables relating to operating activities are recognized and disclosed at the amounts due for payment, and are recognized in the reporting periods which they relate to.*

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

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Trade payables, of which:** | **-** | **23,042** | **16** | **27,460** |
| **Invoiced payables** | **-** | **16,842** | **16** | **23,428** |
| to related parties | - | 505 | - | 38 |
| to other entities | - | 16,337 | 16 | 23,390 |
| **Uninvoiced payables** | **-** | **6,161** | **-** | **3,951** |
| to related parties | - | 434 | - | 30 |
| to other entities | - | 5,727 | - | 3,921 |
| **Liabilities from project-related contractual penalties** | **-** | **39** | **-** | **81** |
| **Corporate income tax payable** | **-** | **4,128** | **-** | **2,598** |
| **Liabilities to the state and local budgets** | **-** | **10,908** | **-** | **10,177** |
| Value added tax (VAT) | - | 6,192 | - | 5,328 |
| Personal income tax (PIT) | - | 1,591 | - | 1,588 |
| Social insurance | - | 3,090 | - | 3,219 |
| Other | - | 35 | - | 42 |

| | | | | |
|---|---|---|---|---|
| **Other liabilities** | **276** | **4,792** | **47** | **4,350** |
| Liabilities to employees (including salaries payable) | - | 3,606 | - | 3,642 |
| Other liabilities, of which: | 276 | 1,186 | 47 | 708 |
| to related parties | 252 | 174 | - | - |
| to other entities | 24 | 1 012 | 47 | 708 |
| **Total** | **276** | **42,870** | **63** | **44,585** |

Trade payables are not interest-bearing. The transactions with related companies are presented in note 6.21 to these consolidated financial statements.

## 6.18. Contract liabilities

*Significant accounting policies*

*In accordance with IFRS 15 Group presents contract liabilities that include liabilities arising from valuation of IT contracts and deferred income from right-to-access licences that have not been recognized as at the reporting date, as well as future revenues from the provision of services such as IT support (maintenance) which are recognized over time.*

*Because of wide range of performance obligations it is difficult to determine one moment at which Group normally satisfies its performance obligations. Usually for contracts for implementation of complex IT system and maintenance services, the Group satisfies its performance obligations when it renders these services to clients. In case of performance obligation of providing a right-to-use license to client, the Group considers the performance obligation to be satisfied in the moment of granting the license, but no sooner than at the beginning of the period in which the client can start using the software (most often in the moment of transferring the license key), which, according to Group assessment, is synonymous with transferring a control over the license to the client.*

| Contract liabilities, of which: | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Non-current | Current | Non-current | Current |
| **Liabilities arising from valuation of IT contracts** | **-** | **3,904** | **-** | **2,134** |
| to related parties | - | - | - | - |
| to other entities | - | 3,904 | - | 2,134 |
| **Deferred income** | 1,036 | 10,120 | 1,881 | 12,599 |
| Maintenance services and license fees | 1,036 | 10,120 | 1,881 | 12,462 |
| Other prepaid services | - | - | - | 137 |
| **Total** | **1,036** | **14,024** | **1,881** | **14,733** |

The change in balance of contract liabilities during the period of 12 months ended 31 December 2020 resulted from the following movements:

| | 12 months to 31 December 2020 |
|---|---|
| **Contract liabilities as at 1 January 2020** | **16,614** |
| Issue of invoices at the amount exceeding satisfaction of performance obligation | 59,858 |
| Satisfaction of performance obligations without invoicing;<br>Change in an estimate of the transaction price or costs, other changes in the assumptions | (61,078) |
| Acquisitions of subsidiaries | - |
| Exchange differences | (335) |
| **Contract liabilities as at 31 December 2020** | **15,060** |

## 6.19. Provisions

*Significant accounting policies*

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

***Onerous contracts***

*The Group recognizes provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Onerous contract is a contract in which expected revenues are lower than COGS and production costs.*

*An onerous contract is a contract with client, in which total amount of revenues is lower that total amount of cost of goods sold (COGS) and production cost.*

*When an onerous contract is identified (it may be done in any moment of contract's realization) all expected loss resulting from this contract is expensed in the period in which it met the criteria to be classified as onerous contract.*

*Group verifies the carrying amounts of provisions for onerous contracts at each balance sheet date (at each balance sheet date provision shall be equal to the difference between whole expected loss on this contract and the loss that was already realised till the balance sheet date). It may results in increase or decrease in carrying amount of provision for onerous contracts.*

***Warranty provisions***

*The provision for warranty repairs is created to cover anticipated future costs of warranty or service obligations resulting from the executed IT contracts as long as the warranty meets the criteria to be classified as assurance-type under provisions of IFRS 15.*

*In accordance with IFRS 15 warranty is accounted for as a service-type when it provides a service to the customer in addition to assurance that the delivered product is as specified in the contract. For service-type warranty provision is not created as it constitutes a performance obligation and is recognised as part of revenues from contracts with customers.*

*At each balance sheet date Group verifies the carrying amounts of warranty provisions.*

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

***Provision for post-employment benefits***

*In accordance with labour regulations that are in force in each entity within the Group, employees have a right to post-employment benefits. The amount of post-employment benefits depends on Labour Law that exists in each country in which the entities within Group operate. Present value of these liabilities is estimated by independent actuary at each reporting date. Subsequent measurement of these liabilities result in actuarial gains/losses that are recognised in other comprehensive income and they are not recycled to profit and loss account.*

***Provision for contractual penalties***

*Provision for contractual penalties are created for ongoing legal claims basing on available information, including opinions of independent professionals. Provision for contractual penalties are recognised as a decrease in revenue.*

The book value of provisions, during the period of twelve months ended 31 December 2020 and in the comparative period, changed as a result of the following transactions:

| | Warranty repairs | Contractual penalties | Post-employment benefits | Tax and legal risks provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2020** | **795** | **1,411** | **747** | **51** | **213** | **3,217** |
| Acquisitions of subsidiaries | | | | | - | **-** |
| Created during the reporting period | 769 | - | 56 | - | 83 | **908** |
| Reversed during the reporting period | (122) | - | - | - | (6) | **(128)** |
| Used or reversed during the reporting period | (588) | - | - | (34) | (1) | **(623)** |
| Net actuarial gain or loss | - | - | 112 | - | - | **112** |
| Loss of control of subsidiaries | - | - | - | - | - | **-** |
| Change in presentation | - | - | - | - | (45) | **(45)** |
| **Exchange differences on translation of foreign operations** | **1** | **-** | **(42)** | **(4)** | **(7)** | **(52)** |
| **As at 31 December 2020** | **855** | **1,411** | **873** | **13** | **237** | **3,389** |
| Current as at 31 December 2020 | 855 | 1,411 | 10 | 13 | 215 | **2,504** |
| Non-current as at 31 December 2020 | - | - | 863 | - | 22 | **885** |

| | Warranty repairs | Contractual penalties | Post-employment benefits | Tax and legal risks provision | Other provisions | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2019 (after including impact of IFRS 16 implentation)** | **633** | **1,516** | **463** | **189** | **457** | **3,258** |
| Acquisitions of subsidiaries | - | - | - | - | - | **-** |
| Created during the reporting period | 853 | - | 170 | 7 | 203 | **1,233** |
| Reversed during the reporting period | (580) | - | - | - | - | **(580)** |
| Used or reversed during the reporting period | (111) | (105) | - | (145) | - | **(361)** |
| Net actuarial gain or loss | - | - | 109 | - | - | **109** |
| Loss of control of subsidiaries | - | - | - | - | - | **-** |
| Change in presentation | - | - | - | - | (400) | **(400)** |
| **Exchange differences on translation of foreign operations** | **-** | **-** | **5** | **2** | **1** | **8** |
| **As at 31 December 2019** | **795** | **1,411** | **747** | **53** | **261** | **3,267** |
| Current as at 31 December 2019 | 795 | 1,411 | 11 | 51 | 190 | **2,458** |
| Non-current as at 31 December 2019 | - | - | 736 | - | 23 | **759** |

## 6.20. Accrued expenses and deferred income

*Significant accounting policies*

*Accrued expenses are liabilities to pay for services that have been provided by employees but have not been paid, invoiced or formally agreed such as accruals for unused holiday leaves or employees bonuses. Amounts of accruals are estimated. While preparing the estimates, the generally accepted practices in the trade should be considered.*

*Deferred income is a liability showing the amount of future revenue (cash received or recorded by issued invoice but unearned) as at the balance sheet. Revenue is deferred until the services have been rendered or products have been delivered and is recognised in the profit and loss account as revenue over the period during which the service is performed.*

***Government subsidies***

*Government subsidies are a form of financial assistance provided to enterprises by the government in exchange for satisfying, in the past or in the future, certain conditions related to their operating activities. Government subsidies do not include any forms of government aid which have no precise value, nor any transactions conducted with the government which cannot be differentiated from ordinary business transactions of an enterprise.*

*Government subsidies are not recognized in accounts until there is sufficient certainty that a beneficiary company is going to meet the subsidy conditions and that the subsidy is going to be received, while the fact of actually having received a subsidy may not itself be perceived as convincing evidence that the subsidy conditions have been or will be met.*

*The method of subsidy accounting does not depend upon the manner in which it was granted. Therefore, a subsidy is accounted for using the same approach, irrespective of whether it was received in cash or in the form of a reduction of liabilities towards the government.*

*If a subsidy corresponds to a specific cost item, then it is recognized as income proportionally to the incurrence of the costs which the subsidy is supposed to compensate.*

*However, if a subsidy corresponds to a specific asset then its fair value is initially recognized in the deferred income account and amortized in the profit and loss account over the estimated useful life of the related asset.*

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| **Accruals, of which:** | | | | |
| Accrual for unused holiday leaves | - | 2,935 | - | 3,265 |
| Accrual for employee and management bonuses | - | 9,851 | - | 8,350 |
| **Total accruals** | **-** | **12,786** | **-** | **11,615** |
| **Deferred income, of which:** | | | | |
| Grants for the development of assets | 2,667 | 172 | 1,695 | 679 |
| Other | - | 7 | 2 | 188 |
| **Total deferred income** | **2,667** | **179** | **1,697** | **867** |

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

The largest part of deferred income results from grants for the development of assets. Grants for the development of assets represent subsidies received by the Group in connection with its development projects or projects related to the creation of IT competence centres.

Deferred income from right-to-access licenses as well as future revenues from the provision of services such as IT support (maintenance) which are recognized over time, are presented under contract liabilities and disclosed in explanatory note 6.18.

## 6.21. Transactions with related parties

Table below presents sales of Asseco Central Europe Group to related parties for the period of 12 months ended 31 December 2020 and in comparative period:

| | Sales | | Purchases | |
|---|---|---|---|---|
| | 12 months ended 31 December 2020 thous. EUR | 12 months ended 31 December 2019 thous. EUR | 12 months ended 31 December 2020 thous. EUR | 12 months ended 31 December 2019 thous. EUR |
| Transactions with parent entities (Asseco Poland S.A. and Asseco International a.s) | 738 | 640 | 467 | 411 |
| Transactions with related companies | 234 | 604 | 336 | 48 |
| Transactions with associates and joint ventures | 1,830 | 2,024 | 1444 | 92 |
| Transactions with entities related through Group's key management personnel | 8 | 8 | 429 | 22 |
| Transactions with Members of the Board of Directors, Supervisory Board and Proxies of other Group's companies | 31 | 8 | 450 | 448 |
| **Total transactions with related parties** | **2,841** | **3,284** | **3,126** | **1,022** |

Sales to and purchases from parent entities include mostly revenues from sale of IT services and licences, office rental as well as sales of bookkeeping, controlling and reporting services.

Sales to and purchases from related parties ans associates and joint ventures include revenues from sale of IT services and licences as well as consulting services.

Purchases from Members of the Board of Directors, Supervisory Board and Proxies of other Group's companies relate mostly to consultancy services and purchase of office space.

Table below presents receivables and liabilites of Asseco Central Europe Group from related parties as at 31 December 2020 and in comparative period:

| | Trade and other receivables | | Trade and other liabilities | |
|---|---|---|---|---|
| | 12 months ended 31 December 2020 thous. EUR | 12 months ended 31 December 2019 thous. EUR | 12 months ended 31 December 2020 thous. EUR | 12 months ended 31 December 2019 thous. EUR |
| Transactions with parent entities (Asseco Poland S.A. and Asseco International a.s) | 145 | 122 | 268 | 55 |
| Transactions with related companies | 413 | 901 | 638 | 13 |
| Transactions with associates and joint ventures | 281 | 509 | 109 | - |
| Transactions with entities related through Group's key management personnel | 1 | 2 | 350 | - |
| Transactions with Members of the Board of Directors, Supervisory Board and Proxies of other Group's companies | 1 | - | 4,224 | 3,282 |
| **Total transactions with related parties** | **841** | **1,534** | **5,589** | **3,350** |

Liabilities to Members of the Board of Directors, Supervisory Board and Proxies of other Group's companies includes lease liability regarding lease of office space owned by members of Asseco Business Soutions S.A. (EUR 3,224 thousand at 31 December 2020) and put option liabilty to CEO Asseco Solutions Germany regarding shares in Asseco Solutions Austria GmbH (EUR 1,000 thousand as at 31 December 2020 and 2019).

As at 31 December 2020 the balance of receivables from related entities comprised trade receivables in the amount of EUR 841 thousand. Whereas, as at 31 December 2019, receivables from related entities comprised trade receivables in the amount of EUR 1,534 thousand.

As at 31 December 2020, the balance of liabilities from related entities comprised trade payables in the amount of EUR 939 thousand. Whereas, as at 31 December 2019, liabilities from related entities comprised trade payables in the amount of EUR 68 thousand.

Loans granted to related parties are described in note 6.8 to these financial statements.

# 7. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

## 7.1. Cash flows from operating activities

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

| Changes in working capital | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Change in inventories | 300 | 1,005 |
| Change in receivables and other non-financial assets | (7,464) | (8,169) |
| Change in liabilities | (1,478) | 1,495 |
| Change in accruals and deferred income | 50 | 3,612 |
| Change in provisions | 113 | (160) |
| | **(8,479)** | **(2,217)** |

## 7.2. Cash flows from investing activities

In the period of twelve months ended 31 December 2020, the balance of cash flows from investing activities was resulted mainly from the following proceeds and expenditures:

- Acquisitions of property, plant and equipment and intangible assets include purchases of property, plant and equipment for EUR 4,065 thousand and purchases of intangible assets for EUR 1,406 thousand.
- Under the position "Loans granted" biggest elements are cash outflows related to term-deposits of EUR 11,196 thousand in Asseco Business.
- Acquisition of the subsidiary and associates relates mostly to capital increase in associated Galvaniho 5 (EUR 637 thousand), purchase of shares in CEIT Group (EUR 586 thousand) and joint venture PROSOFT Košice (EUR 28 thousand).

## 7.3. Cash flows from financing activities

Tables below present changes in liabilities arising from financing activities in year 2020 and 2019, including both changes arising from cash flows and non-cash changes:

| For 12 months ended 31 December 2020 | Bank and other loans | Finance lease liabilities | Liabilities from dividends | Liabilities resulting from put options on non-controlling interests | Total |
|---|---|---|---|---|---|
| **As at 1 January 2020** | **11,941** | **25,460** | **5,475** | **1,000** | **43,876** |
| **Changes in liabilities arising from cash flows** | **5 697** | **(8 965)** | **(28 189)** | **-** | **(31 457)** |
| Inflow | 8 925 | - | - | - | 8 925 |
| Repayment of principal - Outflow | (3 020) | (8 152) | (28 189) | - | (39 361) |
| Repayment of interest - Outflow | (208) | (813) | - | - | (1 021) |
| **Non-cash changes in liabilities** | **198** | **11 219** | **22 570** | **-** | **33 987** |
| Interest accrued | 199 | 828 | - | - | 1 027 |
| Non-cash increase in liabilities | - | 12 404 | 22 570 | - | 34 974 |
| Non-cash decrease in liabilities | - | (2 345) | - | - | (2 345) |
| Unwinding of discount | - | - | - | - | - |
| Foreign exchange diferences inlcued in profit/ loss | (1) | 332 | - | - | 331 |
| **Exchange differences on translation of foreign operations** | 41 | (1 034) | 144 | - | (849) |
| **As at 31 December 2020** | **17 877** | **26 680** | **-** | **1 000** | **45 557** |

| For 12 months ended 31 December 2019 | Bank and other loans | Finance lease liabilities | Liabilities from dividends | Liabilities resulting from put options on non-controlling interests | Total |
|---|---|---|---|---|---|
| **As at 1 January 2019** | **19,072** | **1,861** | **412** | **1,000** | **22,345** |
| **Implementation of IFRS 16** | **-** | **23,642** | **-** | **-** | **23,642** |
| **Changes in liabilities arising from cash flows** | **(7,222)** | **(7,269)** | **(18,676)** | **-** | **(33,167)** |
| Inflow | 5,258 | - | - | - | 5,258 |
| Repayment of principal - Outflow | (12,271) | (6,489) | (18,676) | - | (37,436) |
| Repayment of interest - Outflow | (209) | (780) | - | - | (989) |
| **Non-cash changes in liabilities** | **65** | **7,096** | **23,731** | **-** | **30,892** |
| Interest accrued | 206 | 787 | - | - | 993 |
| Non-cash increase in liabilities | (75) | 6,774 | 23,731 | - | 30,430 |
| Non-cash decrease in liabilities | - | (254) | - | - | (254) |
| Compensation | (20) | - | - | - | (20) |
| Acquisitions of subsidiaries | 54 | - | - | - | 54 |
| Loss of control | (100) | (123) | - | - | (223) |
| Foreign exchange diferences inlcued in profit/ loss | - | (88) | - | - | (88) |
| **Exchange differences on translation of foreign operations** | 26 | 130 | 8 | - | 164 |
| **As at 31 December 2019** | **11,941** | **25,460** | **5,475** | **1,000** | **43,876** |

## 8. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Asseco Central Europe Group is exposed to a number of risks arising either from the macroeconomic situation of the countries in which entities within Group operate as well as from the microeconomic situation in individual entities. The main external factors that may have an adverse impact on the Group's financial performance are: (i) fluctuations in foreign currency exchange rates versus the EUR, and (ii) changes in the market interest rates. The financial results are also indirectly affected by the pace of GDP growth, value of public orders for IT solutions, level of capital expenditures made by enterprises, and the inflation rate. In addition, the internal factors with potential negative bearing on the Group's performance include: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of project costs when entering into contracts, and (iii) risk of concluding a contract with a dishonest customer.

**Foreign currency exposure risk**

The Group's presentation currency is the euro; however, some contracts are denominated in foreign currencies. With regard to the above, the Group is exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus the euro in the period from concluding a contract to invoicing. Furthermore, the functional currencies of Group’s foreign subsidiaries are the local currencies of the countries in which these entities are legally registered and operate. Consequently, the assets and financial results of such subsidiaries need to be converted to the euro and their values presented in the Group financial statements remain under the influence of foreign currency exchange rates.

Identification: According to the Group's procedures pertaining to entering into commercial contracts, each agreement that is concluded or denominated in a foreign currency, different from the functional currency is subject to detailed registration. Owing to this solution, any currency risk involved is detected automatically.

Measurement: The foreign currency risk exposure is measured by the amount of an embedded financial instrument on one hand, and on the other by the amount of currency derivative instruments concluded in the financial market. The procedures applicable to the execution of IT projects require making systematic updates of the project implementation schedules as well as the cash flows generated under such projects.

Objective: The purpose of countering the risk of fluctuations in foreign currency exchange rates is to mitigate their negative impact on the contract margins.

Measures: Contracts settled in foreign currencies are hedged with simple derivatives such as currency forward contracts, while instruments embedded in foreign currency denominated contracts are hedged with non-deliverable forward contracts. In addition, forward contracts with delivery of cash are applied for foreign currency contracts.

Matching the measures to hedge against the foreign currency risk means selecting suitable financial instruments to offset the impact of changes in the risk-causing factor on the Group's financial performance (the changes in embedded instruments and concluded instruments are balanced out). Nevertheless, because the project implementation schedules and cash flows generated thereby are characterized by a high degree of changeability, the Group companies are prone to changes in their exposure to foreign exchange risk. Therefore, the companies dynamically transfer their existing hedging instruments or conclude 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 reference to the parameters as at the contract signature date (spot rate and swap points), while transferring or concluding new instruments in the financial market, may only be effected on the basis of the current rates available. Hence, it is possible that the value of financial instruments will not be matched and the Group's financial result will be potentially exposed to the foreign currency risk.

**Interest rate risk**

Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group is exposed to the risk of interest rate changes primarily in the following areas of its business activities: (i) changes in the value of interest charged on loans granted by external financial institutions to the Group companies, which are based on variable interest rates, and (ii) change in valuation of the concluded and embedded derivative instruments, which are based on the forward interest rate curve. More information on factor (ii) may be found in the description of the currency risk management.

Identification: The interest rate risk arises and is recognized by individual companies of the Group at the time of concluding a transaction or a financial instrument based on a variable interest rate. All such agreements are subject to analysis by the appropriate departments within the Group companies, hence the knowledge of that issue is complete and acquired directly.

Measurement: The Group companies measure their exposure to the interest rate risk by preparing statements of the total amounts resulting from all the financial instruments based on a variable interest rate.

Objective: The purpose of reducing such risk is to eliminate the incurrence of higher expenses due to concluded financial instruments based on a variable interest rate.

Measures: In order to reduce its interest rate risk, the Group companies may: (i) try to avoid taking out credit facilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

Matching: The Group gathers and analyzes the current market information concerning its present exposure to the interest rate risk. For the time being, the Group companies do not hedge against changes in interest rates due to a high degree of unpredictability of their credit repayment schedules.

**Credit risk**

The Group is exposed to the risk of defaulting contractors. This risk is connected firstly with the financial credibility and goodwill of the contractors to whom the Group companies provide their IT solutions, and secondly with the financial credibility of the contractors with whom supply agreements are concluded.
The maximum exposure on credit risk does not exceed the carrying amount of financial assets.
Identification: The risk is identified each time when concluding contracts with customers, and afterwards during the settlement of payments.
Measurement: Determination of this type of risk requires knowledge of the complaints or pending judicial proceedings against a client at the time of signing an agreement. Every two weeks the companies are obliged to control the settlement of payments under the concluded contracts, inclusive of the profit and loss analysis for individual projects.
Objective: The Company strives to minimize this risk in order to avoid financial losses resulting from the commencement and partial implementation of IT solutions as well as to sustain the margins adopted for the executed projects.
Measures: As the Group operates primarily in the banking and financial sector, its customers are concerned about their good reputation. Here the engagement risk control is usually limited to monitoring the timely execution of bank transfers and, if needed, to sending a reminder of outstanding payment. However, in the case of smaller clients, it is quite helpful to monitor their industry press as well as to analyze earlier experiences of the Group itself and of its competitors. The Group companies conclude financial transactions with reputable brokerage houses and banks.
Matching: It is difficult to discuss this element of risk management in such cases.

**Financial liquidity risk**

The Group monitors the risk of funds shortage using the tool for periodic planning of liquidity. This solution takes into account the maturity deadlines of investments and financial assets (e.g. accounts receivable, other financial assets) as well as the anticipated cash flows from operating activities.

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

The following table shows the Group's trade liabilities as at 31 December 2020 by maturity period, based on the contractual undiscounted payments:

| Ageing structure of trade payables | At 31 December 2020 | | At 31 December 2019 | |
|---|---|---|---|---|
| | amount | structure | amount | structure |
| **Overdues liabilities** | 3,806 | 16.5% | 3,044 | 11.1% |
| Current and future up to 3 months | 16,162 | 70.1% | 22,467 | 81.8% |
| Future payables between 3 and 6 months | 3,070 | 13.3% | 725 | 2.6% |
| Future payables over 6 months | 4 | 0.0% | 1,240 | 4.5% |
| **Total trade liabilities** | **23,042** | **100.0%** | **27,476** | **100.0%** |

**Foreign currency risk**

The Group tries to conclude contracts with its clients in the primary currencies of the countries in which its subsidiaries and associates operate in order to avoid exposure to the risk arising from fluctuations in foreign currency exchange rates versus their own functional currencies.

The sensitivity analysis of trade payables and trade receivables to fluctuations in the exchange rates of EUR against the functional currencies of the Group companies indicates the following net impact on the Group's financial results:

| Trade accounts receivable and payable as at 31 December 2020 | Amount exposed to risk | Impact on financial results of the Group (before tax) | |
|---|---|---|---|
| | | -10% | +10% |
| **CZK:** | | | |
| Trade accounts receivable | 15,727 | (1,572) | 1,572 |
| Trade accounts payable | 3,586 | 359 | (359) |
| **Balance** | | **(1,213)** | **1,213** |
| **CHF:** | | | |
| Trade accounts receivable | 693 | (69) | 69 |
| Trade accounts payable | 83 | 8 | (8) |
| **Balance** | | **(61)** | **61** |
| **HUF:** | | | |
| Trade accounts receivable | 3,888 | (389) | 389 |
| Trade accounts payable | 672 | 67 | (67) |
| **Balance** | | **(322)** | **322** |
| **USD:** | | | |
| Trade accounts receivable | 373 | (37) | 37 |
| Trade accounts payable | 510 | 51 | (51) |
| **Balance** | | **14** | **(14)** |
| **PLN:** | | | |
| Trade accounts receivable | 7,579 | (758) | 758 |
| Trade accounts payable | 1,493 | 149 | (149) |
| **Balance** | | **(609)** | **609** |

| Trade accounts receivable and payable as at 31 December 2019 | Amount exposed to risk | Impact on financial results of the Group (before tax) | |
|---|---|---|---|
| | | -10% | +10% |
| **CZK:** | | | |
| Trade accounts receivable | 12,398 | (1,247) | 1,247 |
| Trade accounts payable | 8,934 | 900 | (900) |

| | | | |
|---|---|---|---|
| **Balance** | | **(347)** | **347** |
| **CHF:** | | | |
| Trade accounts receivable | 586 | (59) | 59 |
| Trade accounts payable | 102 | 15 | (15) |
| **Balance** | | **(44)** | **44** |
| **HUF:** | | | |
| Trade accounts receivable | 2,908 | (282) | 282 |
| Trade accounts payable | 674 | 67 | (67) |
| **Balance** | | **(215)** | **215** |
| **USD:** | | | |
| Trade accounts receivable | 941 | (96) | 96 |
| Trade accounts payable | 539 | 78 | (78) |
| **Balance** | | **(18)** | **18** |
| **PLN:** | | | |
| Trade accounts receivable | 10,674 | (1,067) | 1,067 |
| Trade accounts payable | 1,513 | 151 | (151) |
| **Balance** | | **(916)** | **916** |

The analysis of sensitivity to fluctuations in foreign exchange rates, with potential impact on the Group's financial results, was conducted using the percentage deviations of +/-10% by which the reference exchange rates, effective as at the balance sheet date, were increased or decreased.

**Interest rate risk**

The Group is exposed to the risk of interest rate changes due to change in the value of interest charged on credit facilities granted by external financial institutions to the Group companies, which are based on a variable interest rate.

As at 31 December 2020 the Group had total credit facilities in the amount of EUR 20,982 thousand, of which EUR 2,813 thousand was subject to EURIBOR interest rate and EUR 18,169 thousand was subject to fixed interest rate.

As at 31 December 2019 the Group had total credit facilities in the amount of EUR 16,089 thousand, of which EUR 1,184 thousand was subject to EURIBOR interest rate, EUR 961 thousand was subject to BUBOR interest rate, EUR 985 thousand was subject to EONIA interest rate and EUR 12,959 thousand was subject to fixed interest rate.

**Other types of risk**

Other risks are not analyzed for sensitivity, due to their nature and the impossibility of absolute classification.

# 9. OTHER EXPLENATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*Selected accounting policies*

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

***Lease contracts subject to practical expedients under IFRS 16 for short-term leases and leases of low-value assets***
*The Group applies a practical expedient permitted under IFRS 16 to rental contracts and other contracts of similar nature that are concluded for a period shorter than 12 months from the lease commencement date. Whereas, the practical expedient for leases of low-value assets is applied by the Group primarily to leases of IT hardware and other equipment with a low initial value. According to guidance provided by the International Accounting Standards Board, items whose value does not exceed 5 thousand USD may be considered as low-value assets. In both the above-mentioned exceptions, the lease payments are recognized as operating expenses basically on a straight-line basis, in the period to which they are related. In such case, the Group does not recognize any right-of-use assets or corresponding financial liabilities.*

## 9.1. Commitments and contingencies in favor of related parties

As at 31 December 2020 guarantees and sureties issued by Asseco Central Europe a. s. in favour of related parties were as follows:

- PROSOFT Košice, a.s. (joint venture) was granted a guarantee of EUR 1,500 thousand to back up its liabilities towards Tatra banka, a.s. under a framework crediting agreement;
- Asseco Central Europe, a.s. Czech republic (subsidiary) was granted a guarantee of 100 000 thousand CZK (EUR 3,811 thousand) to back up its liabilities towards Česká spořitelna, a.s., under a framework crediting agreement.

As at December 2019 guarantees and sureties issued by Asseco Central Europe a. s. in favour of related parties were as follows:

- PROSOFT Košice, a.s. (joint venture) was granted a guarantee of EUR 1,500 thousand to back up its liabilities towards Tatra banka, a.s. under a framework crediting agreement.

## 9.2. Commitments and contingent liabilities to other entities

As at 31 December 2020, guarantees and sureties issued by and for the Group were as follows:

- Asseco Central Europe a. s. uses a bank guarantees issued by Komerční banka a. s. of EUR 4 340 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to end of year 2021);
- Berit GmbH uses a bank guarentee of EUR 244 thousand.

As at 31 December 2019, guarantees and sureties issued by and for the Group were as follows:

- Asseco Central Europe a. s. uses a bank guarantees issued by Komerční banka a. s. of EUR 4 340 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to end of year 2021);
- Berit GmbH used a bank guarentee of EUR 244 thousand.

The Group is a party to a number of lease contracts which are subject to exemptions according to IFRS 16, resulting in off-balance-sheet liabilities for future payments.

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Liabilities under lease of space** | | |
| In the period up to 1 year | 175 | 316 |
| In the period from 1 to 5 years | 2 | 2 |
| In the period over 5 years | - | - |
| **Total** | **177** | **318** |
| **Liabilities under operating lease of property, plant and equipment** | | |
| in the period shorter than 1 year | | - |
| in the period from 1 to 5 years | 12 | 6 |
| in the period longer than 5 years | 7 | 9 |
| **Total** | **19** | **15** |

Group has also other contingent liability of EUR 572 thousand, related to ongoing administrative proceeding in Asseco Central Europe a.s. (Czech). Management of the Group considers the unfavourable outcome of the dispoute to be unlikely and therefore decided not to create provision for it.

## 9.3. Employment

| Number of employees in persons as at: | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Management Board of Parent entity | 3 | 4 |
| Management Board of subsidiaries | 30 | 36 |
| Production departments | 2,660 | 2,625 |
| Sales departments | 226 | 231 |
| G&A departments | 329 | 336 |
| **Total** | **3,248** | **3,232** |

| Number of employees in persons as at: | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Asseco Central Europe, a.s. (Slovakia) | 437 | 446 |
| Asseco Central Europe, a.s. (Czech Republic)* | 343 | 345 |
| Asseco Berit AG | 12 | 10 |
| Asseco Berit GmbH | 30 | 26 |
| DWC Slovakia a.s. | 118 | 122 |
| Asseco Solutions Group (Czech Republic) | 343 | 343 |
| Asseco Solutions Group (Slovakia) | 161 | 175 |
| Asseco Solutions Group (Germany) | 342 | 344 |
| Asseco Business Solutions S.A. | 948 | 917 |
| Asseco Enterprise Solutions a.s. | 2 | - |
| CEIT Group | 244 | 238 |
| exe, a.s. | 94 | 106 |
| ACE Asseco Central Europe Magyarorszag Zrt. | 174 | 160 |
| **Total** | **3,248** | **3,232** |

*Employment in Asseco Central Europe, a.s. (Czech Republic) in year 2019 includes employees from TurboConsult, which was mergered with Asseco Central Europe a.sl (Czech) in year 2020

### 9.4. Remuneration of the entity authorized to audit financial statements

The table below discloses the total amounts due to the entity authorized to audit consolidated financial statements of ACE Group and standalone financial statements of Asseco Central Europe a.s. (Slovakia), namely Ernst & Young Slovakia, spol. s r. o. paid or payable for the years ended 31 December 2020 and 31 December 2019, in breakdown by type of service:

| Type of service | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Obligatory audit of the annual financial statements | 65 | 53 |
| Tax advisory services | - | - |
| **Total** | **65** | **53** |

### 9.5. Remuneration of Members of the Board of Directors and Supervisory Board of the Parent Company

| Remuneration for the period of | 12 months ended 31 December 2020 | 12 months ended 31 December 2019 |
|---|---|---|
| Board of Directors | 1,273 | 1,141 |
| Supervisory Board | 83 | 87 |

In addditon, in year 2020 there were paid bonuses for results achieved in 2019 in the amount of EUR 535 thousand in the reporting period (in 2019 it was EUR 494 thousand).

The table and comment above presents the remuneration including all related costs and benefits payable to Members of the Board of Directors and the Supervisory Board of Asseco Central Europe, a. s. (SK) in EUR for acting as Members of the Board of Directors/ Supervisory Boards in Parent Company and Group subsidiaries in 2020 and 2019.

### 9.6. Equity management

The main objective of the Group's equity management is to maintain a favourable credit rating and safe level of equity ratios so as to support the Group's operating activities and increase the value for our shareholders.
The Group manages its equity structure which is altered in response to changing economic conditions. In order to maintain or adjust its equity structure, the Group may change its dividend payment policy, return some capital to its shareholders or issue new shares. In 2020, as in the year ended 31 December 2019, the Group did not introduce any changes to its objectives, principles and processes adopted in this area.
The Group consistently monitors the balances of its capital funds using the leverage ratio, which is calculated as a relation of net liabilities to total capital (sum of equity and net liabilities). Net liabilities include interest-bearing credits and loans, trade payables and other liabilities, decreased by cash and cash equivalents.

| Equity management | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Bank and other loans | 20,982 | 16,089 |
| Lease liabilities | 26,679 | 25,460 |
| Trade accounts payable and other liabilities | 57,170 | 59,381 |
| Cash and cash equivalents | (36,459) | (36,883) |
| **Net liabilities** | **68,372** | **64,047** |
| Shareholders' equity | 110,359 | 103,292 |
| **Equity plus net liabilities** | **178,731** | **167,339** |
| **Leverage ratio** | **38.3%** | **38.2%** |

### 9.7. Seasonal and cyclical nature of business

The Group's activities are subject to seasonality in terms of uneven distribution of turnover in individual quarters of the year. Because bulk of sales revenues are generated from the IT services contracts executed for large companies and public institutions, the fourth quarter turnovers tend to be higher than in the remaining periods. Such phenomenon occurs because the above-mentioned entities close their annual budgets for implementation of IT projects and carry out investment purchases of hardware and licenses usually in the last quarter.

### 9.8. Significant events after the balance sheet date

Until the date of preparing these consolidated financial statements, i.e. 15 March 2021, no significant events occurred that might have an impact on these consolidated financial statements.

### 9.9. Significant events related to prior years

Up to the date of preparing these consolidated financial statements for the twelve months ended 31 December 2020, no significant events related to prior years occurred that might have an impact on these consolidated financial statements.

# Solutions for demanding business.

Building a better working world

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# Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Asseco Central Europe, a. s.:

## *Report on the Audit of the Consolidated Financial Statements*

### *Opinion*

We have audited the consolidated financial statements of Asseco Central Europe, a. s. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the consolidated financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including the presented information as well as whether the consolidated financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on Other Legal and Regulatory Requirements***

*Report on Information Disclosed in the Consolidated Annual Report*

Management is responsible for the information disclosed in the consolidated annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the consolidated financial statements expressed above does not apply to other information contained in the consolidated annual report.

In connection with audit of the consolidated financial statements it is our responsibility to understand the information disclosed in the consolidated annual report and to consider whether such information is not materially inconsistent with audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

The annual report was not available to us as at the date of issue of the auditor's report on the audit of the financial statements.

When we obtain the annual report, we will consider whether the Group's annual report contains information, disclosure of which is required by the Act on Accounting and based on procedures performed during the audit of financial statements, we will express our opinion considering whether:

- Information disclosed in the annual report, prepared for 2020, is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Group and its situation, obtained in the audit of the financial statements.

15 March 2021
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Peter Potoček, statutory auditor
UDVA Licence No. 992