

Quarterly Report of [Asseco Group](#) for the period of 9 months ended 30 September 2019

ASSECO



Present in
56 countries



PLN 7,729 million
in sales revenues



26,580
highly committed
employees



PLN 238.2 million
in net profit
for Shareholders of
the Parent Company



PLN 10,055 million
in order backlog
for 2019



PLN 4.8 billion
in market capitalization

Asseco Group

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Financial Highlights

Asseco Group

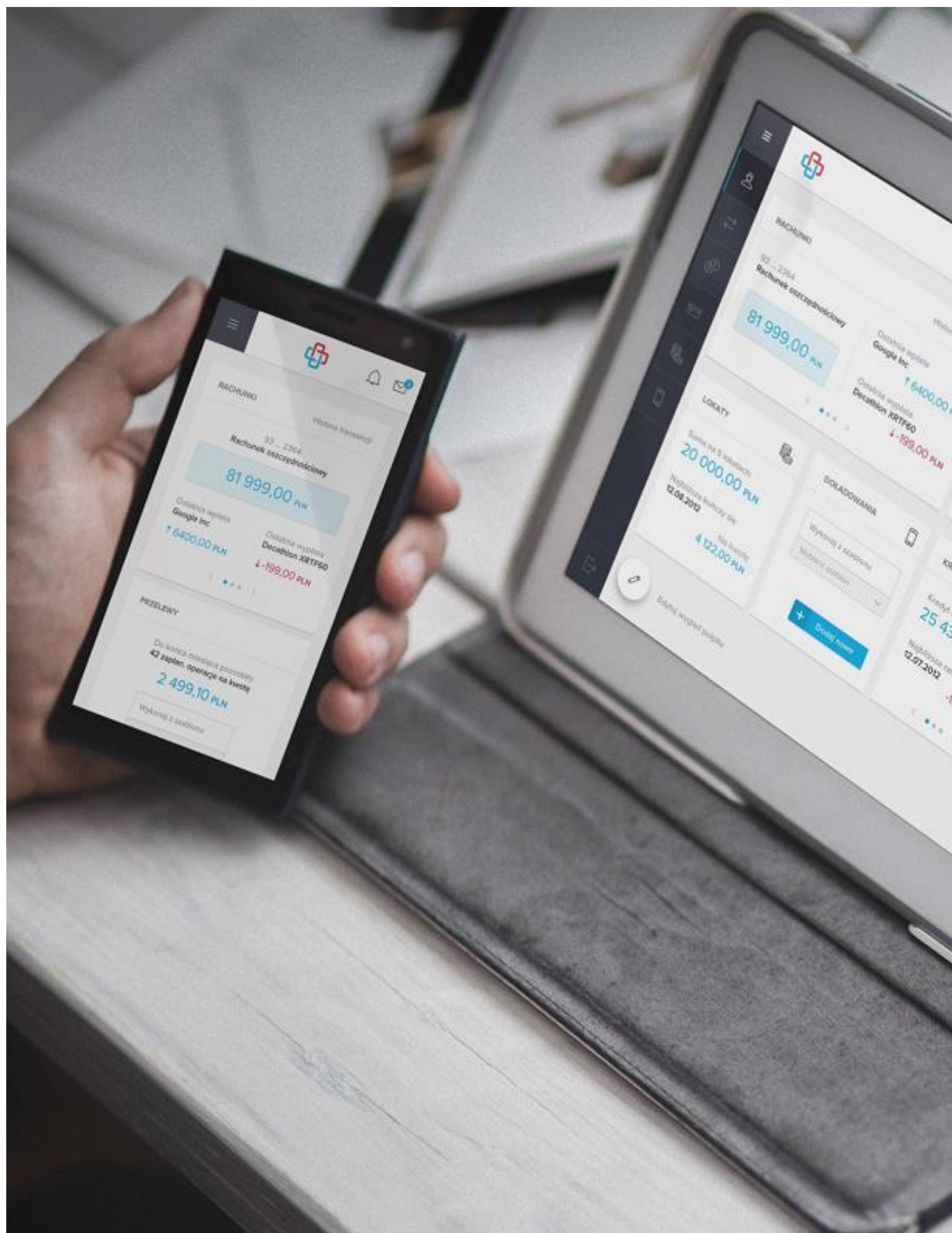
The following table presents the selected financial data of Asseco Group.

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2019 mEUR	9 months ended 30 Sept. 2018 mEUR
Operating revenues	7,729.3	6,678.3	1,793.9	1,570.1
Operating profit	714.7	558.7	165.9	131.4
Pre-tax profit before share of profits of associates	649.1	536.5	150.7	126.1
Net profit for the reporting period	508.1	409.3	117.9	96.2
Net profit attributable to Shareholders of the Parent Company	238.2	235.3	55.3	55.3
Net cash provided by (used in) operating activities	791.3	482.0	183.7	113.3
Net cash provided by (used in) investing activities	(421.1)	(306.2)	(97.7)	(72.0)
Net cash provided by (used in) financing activities	(358.3)	(149.9)	(83.2)	(35.2)
Cash and short-term deposits (comparable data as at 31 December 2018)	1,927.4	1,800.5	440.7	418.7
Basic earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	2.87	2.83	0.67	0.67
Diluted earnings per ordinary share attributable to Shareholders of the Parent Company (in PLN/EUR)	2.87	2.83	0.67	0.67

The selected financial data disclosed in these interim condensed consolidated financial statements have been translated into euros (EUR) in the following way:

- Items of the interim condensed consolidated income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were respectively:
 - for the period from 1 January 2019 to 30 September 2019: EUR 1 = PLN 4.3086
 - for the period from 1 January 2018 to 30 September 2018: EUR 1 = PLN 4.2535
- The Group's cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at daily mid exchange rates as published by the National Bank of Poland. These exchange rates were respectively:
 - exchange rate effective on 30 September 2019: EUR 1 = PLN 4.3736
 - exchange rate effective on 31 December 2018: EUR 1 = PLN 4.3000

All figures in this report are presented in millions of Polish zlotys (PLN), unless stated otherwise.



A. Interim Condensed Consolidated Financial Statements of [Asseco Group](#) for the period of 9 months ended 30 September 2019

Interim Consolidated Statement of Income and Other Comprehensive Income

Asseco Group

INCOME STATEMENT	Note	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Operating revenues	<u>5.1</u>	2,738.4	7,729.3	2,218.4	6,678.3
Cost of sales	5.2	(2,141.6)	(6,049.9)	(1,743.2)	(5,252.5)
(Recognition)/Reversal of allowances for trade receivables	<u>5.2</u>	(3.2)	(7.6)	(5.1)	(5.3)
Gross profit on sales		593.6	1,671.8	470.1	1,420.5
Selling costs	5.2	(147.3)	(410.3)	(120.3)	(369.4)
General and administrative expenses	5.2	(184.7)	(538.8)	(161.8)	(486.2)
Net profit on sales		261.6	722.7	188.0	564.9
Other operating income		23.4	42.4	16.6	33.3
Other operating expenses		(23.9)	(50.3)	(16.9)	(39.3)
Recognition/(Reversal) of impairment losses on financial instruments		-	(0.1)	(0.1)	(0.2)
Operating profit		261.1	714.7	187.6	558.7
Financial income	<u>5.3</u>	18.3	43.7	8.9	63.4
Financial expenses	5.3	(48.5)	(109.5)	(18.5)	(85.6)
Recognition/(Reversal) of impairment losses on financial instruments	<u>5.3</u>	0.2	0.2	-	-
Pre-tax profit before share of profits of associates and joint ventures		231.1	649.1	178.0	536.5
Corporate income tax (current and deferred tax expense)	<u>5.4</u>	(50.8)	(142.8)	(37.0)	(125.4)
Share of profits of associates and joint ventures	<u>6.5</u>	1.2	1.8	0.3	(1.8)
Net profit for the reporting period		181.5	508.1	141.3	409.3
<i>Attributable to:</i>					
Shareholders of the Parent Company		78.5	238.2	78.0	235.3
Non-controlling interests		103.0	269.9	63.3	174.0
Basic and diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	<u>5.5</u>	0.95	2.87	0.94	2.83
OTHER COMPREHENSIVE INCOME					
Net profit for the reporting period		181.5	508.1	141.3	409.3
Components that may be reclassified to profit or loss					
Net gain/loss on valuation of financial assets		0.2	0.6	0.2	(0.1)
Foreign exchange differences on translation of foreign operations		196.7	181.1	(55.5)	67.2
Components that will not be reclassified to profit or loss					
Amortization of intangible assets recognized directly in equity		-	(2.4)	(0.2)	(0.6)
Actuarial gains/losses		(0.7)	(2.2)	0.1	0.1
Income tax relating to components of other comprehensive income		0.4	1.1	-	0.1
Total other comprehensive income		196.6	178.2	(55.4)	66.7
TOTAL COMPREHENSIVE INCOME attributable to:		378.1	686.3	85.9	476.0
Shareholders of the Parent Company		154.9	294.5	36.2	276.6
Non-controlling interests		223.2	391.8	49.7	199.4

Interim Consolidated Statement of Financial Position

Asseco Group

ASSETS	Note	30 Sept. 2019 mPLN	31 Dec. 2018 (*restated) mPLN
Non-current assets			
Property, plant and equipment	<u>6.1</u>	825.9	828.4
Intangible assets	<u>6.2</u>	2,165.4	1,990.2
Right-of-use assets	<u>6.3</u>	738.7	-
Investment property		20.7	21.0
Goodwill	<u>6.4</u>	4,626.4	4,253.1
Investments accounted for using the equity method	<u>6.5</u>	139.6	111.5
Other receivables and trade receivables	<u>6.9</u>	123.7	127.5
Deferred tax assets		102.3	84.8
Other non-financial assets		-	0.1
Other financial assets	<u>6.7</u>	152.9	175.1
Prepayments and accrued income	<u>6.8</u>	73.9	59.2
		8,969.5	7,650.9
Current assets			
Inventories	<u>6.10</u>	124.1	94.3
Prepayments and accrued income	<u>6.8</u>	254.6	168.5
Trade receivables	<u>6.9</u>	2,553.1	2,432.7
Contract assets	<u>6.9</u>	286.4	214.3
Corporate income tax receivable	<u>6.9</u>	66.3	47.6
Receivables from the state and local budgets	<u>6.9</u>	35.4	37.3
Other receivables	<u>6.9</u>	68.1	38.9
Other non-financial assets		25.5	9.0
Other financial assets	<u>6.7</u>	105.2	139.3
Cash and cash deposits	<u>6.11</u>	1,927.4	1,800.5
		5,446.1	4,982.4
Non-current assets held for sale		1.5	10.9
TOTAL ASSETS		14,417.1	12,644.2

* The restatement has been described in detail in explanatory note 2.8 to these interim condensed consolidated financial statements.

Interim Consolidated Statement of Financial Position

Asseco Group

EQUITY AND LIABILITIES	Noty	30 Sept. 2019 mPLN	31 Dec. 2018 (*restated) mPLN
Equity (attributable to shareholders of the Parent Company)			
Share capital		83.0	83.0
Share premium		4,180.1	4,180.1
Transactions with non-controlling interests		(178.0)	(177.6)
Foreign exchange differences on translation of foreign operations		78.6	20.3
Retained earnings and other reserves		1,581.6	1,611.9
		5,745.3	5,717.7
Non-controlling interests	<u>6.6</u>	2,211.1	1,944.5
Total equity		7,956.4	7,662.2
Non-current liabilities			
Bank loans, borrowings and debt securities	<u>6.13</u>	1,278.0	1,082.9
Lease liabilities	<u>6.12</u>	526.2	32.1
Other financial liabilities	<u>6.14</u>	305.1	178.8
Deferred tax liabilities		442.8	410.7
Provisions	<u>6.17</u>	79.8	67.9
Deferred income	<u>6.18</u>	42.0	43.2
Contract liabilities	<u>6.16</u>	41.6	32.3
Accruals	<u>6.18</u>	1.7	1.5
Other liabilities	<u>6.15</u>	8.4	13.1
		2,725.6	1,862.5
Current liabilities			
Bank loans, borrowings and debt securities	<u>6.13</u>	878.3	581.6
Lease liabilities	<u>6.12</u>	224.3	28.9
Other financial liabilities	<u>6.14</u>	266.8	199.1
Trade payables	<u>6.15</u>	801.0	938.2
Contract liabilities	<u>6.16</u>	606.1	451.1
Corporate income tax payable	<u>6.15</u>	70.8	73.7
Liabilities to the state and local budgets	<u>6.15</u>	168.8	204.8
Other liabilities	<u>6.15</u>	338.1	314.3
Provisions	<u>6.17</u>	42.9	45.4
Deferred income	<u>6.18</u>	11.1	7.8
Accruals	<u>6.18</u>	326.9	274.6
		3,735.1	3,119.5
TOTAL LIABILITIES		6,460.7	4,982.0
TOTAL EQUITY AND LIABILITIES		14,417.1	12,644.2

* The restatement has been described in detail in explanatory note 2.8 to these interim condensed consolidated financial statements.

Interim Consolidated Statement of Changes in Equity

Asseco Group

	Note	Share capital	Share premium	Transactions with non-controlling interests	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
		mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2019		83.0	4,180.1	(177.6)	20.3	1,611.9	5,717.7	1,944.5	7,662.2
Impact of the adoption of IFRS 16	<u>2.5</u>	-	-	-	-	(11.7)	(11.7)	(11.6)	(23.3)
As at 1 January 2019 (including impact of the adoption of IFRS 16)		83.0	4,180.1	(177.6)	20.3	1,600.2	5,706.0	1,932.9	7,638.9
Net profit for the reporting period		-	-	-	-	238.2	238.2	269.9	508.1
Other comprehensive income for the reporting period		-	-	-	58.3	(2.0)	56.3	121.9	178.2
Total comprehensive income for the reporting period		-	-	-	58.3	236.2	294.5	391.8	686.3
Dividend for the year 2018	<u>5.6</u>	-	-	-	-	(254.8)	(254.8)	(193.1)	(447.9)
Share-based payment transactions with employees		-	-	-	-	-	-	17.3	17.3
Transactions with non-controlling interests (including liabilities to non-controlling shareholders (put options))		-	-	(0.4)	-	-	(0.4)	50.0	49.6
Loss of control over subsidiaries		-	-	-	-	-	-	(0.7)	(0.7)
Obtaining control over subsidiaries		-	-	-	-	-	-	12.9	12.9
As at 30 September 2019		83.0	4,180.1	(178.0)	78.6	1,581.6	5,745.3	2,211.1	7,956.4

Interim Consolidated Statement of Changes in Equity

Asseco Group

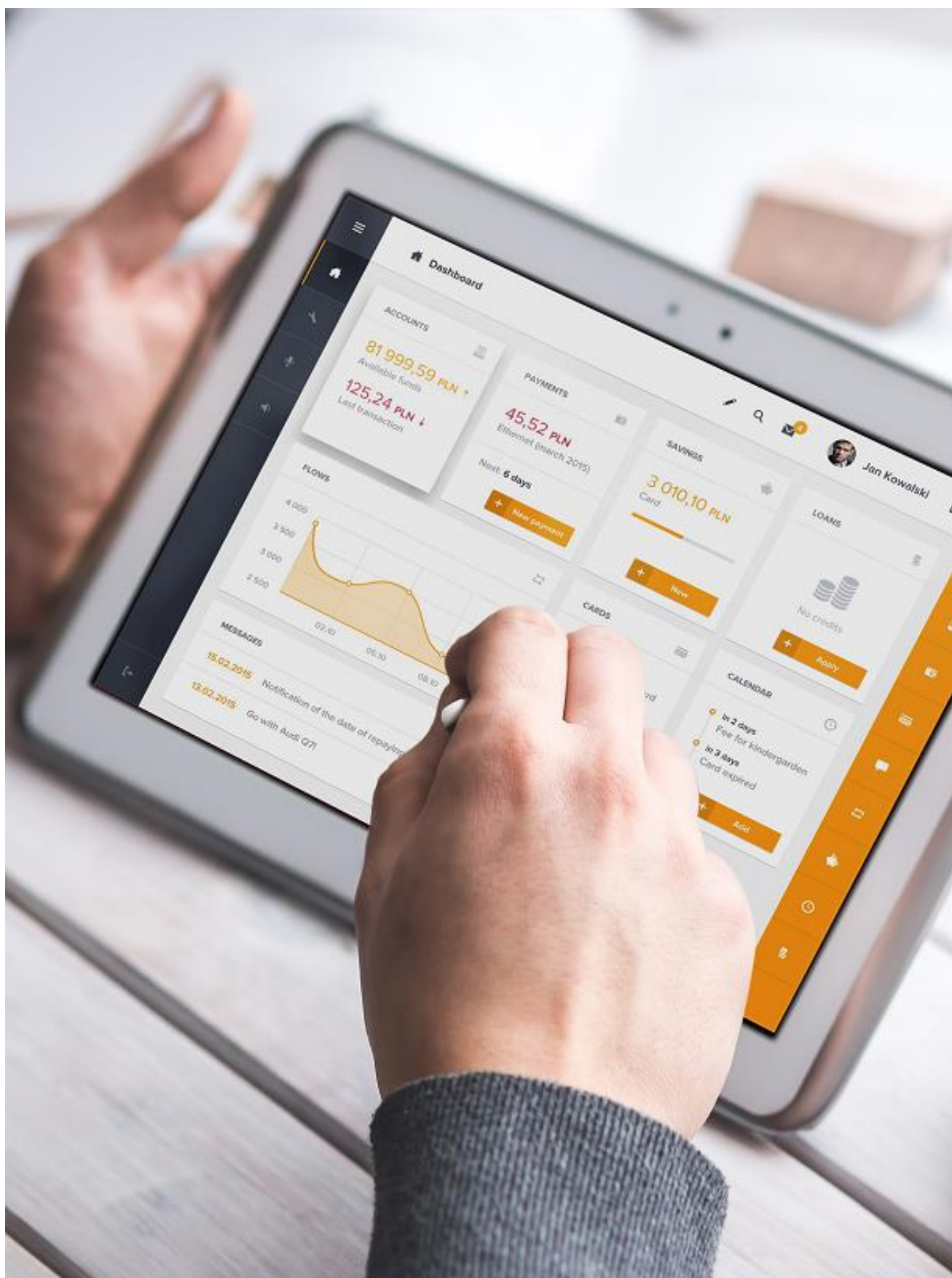
	Share capital	Share premium	Transactions with non-controlling interests	Foreign exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN	mPLN
As at 1 January 2018 (including impact of the adoption of IFRS 15 and IFRS 9)	83.0	4,180.1	(147.8)	(44.6)	1,528.9	5,599.6	1,732.6	7,332.2
Net profit for the reporting period	-	-	-	-	235.3	235.3	174.0	409.3
Other comprehensive income for the reporting period	-	-	-	41.7	(0.4)	41.3	25.4	66.7
Total comprehensive income for the reporting period	-	-	-	41.7	234.9	276.6	199.4	476.0
Dividend for the year 2017 <u>5.6</u>	-	-	-	-	(249.8)	(249.8)	(166.9)	(416.7)
Share-based payment transactions with employees	-	-	-	-	-	-	15.1	15.1
Transactions with non-controlling interests (including liabilities to non-controlling shareholders (put options))	-	-	(21.8)	-	-	(21.8)	82.5	60.7
Obtaining control over subsidiaries	-	-	-	-	-	-	5.1	5.1
As at 30 September 2018 (restated)	83.0	4,180.1	(169.6)	(2.9)	1,514.0	5,604.6	1,867.8	7,472.4

Interim Consolidated Statement of Cash Flows

Asseco Group

	Nota	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Cash flows – operating activities			
Pre-tax profit before share of profits of associates and joint ventures		649.1	536.5
Total adjustments:		324.2	49.9
Depreciation and amortization		466.9	343.4
Changes in working capital	7.1	(224.3)	(321.3)
Interest income/expenses		64.3	19.4
Gain/loss on foreign exchange differences		(12.5)	(22.0)
Gain/loss on financial assets (valuation, disposal, etc.)		5.9	4.8
Other financial income/expenses		8.6	11.6
Gain/loss on disposal of property, plant and equipment and intangible assets		(2.3)	(1.9)
Costs of share-based payment transactions with employees		13.2	17.0
Gain/loss on disposal of property, plant and equipment and intangible assets		3.3	0.5
Other adjustments to pre-tax profit		1.1	(1.6)
Cash provided by (used in) operating activities		973.3	586.4
Corporate income tax paid		(182.0)	(104.4)
Net cash provided by (used in) operating activities		791.3	482.0
Cash flows – investing activities			
Inflows			
Disposal of property, plant and equipment, intangible assets, and investment property		24.3	3.5
Sale of shares in related companies		10.0	9.8
Settlement/disposal of financial assets carried at fair value through profit or loss		0.2	1.6
Disposal of financial assets carried at fair value through other comprehensive income		8.6	7.1
Disposal of investments carried at amortized cost		3.5	1.3
Loans collected	7.2	40.7	34.3
Interest received		6.1	8.2
Dividends received		1.6	0.8
Outflows			
Acquisition of property, plant and equipment, intangible assets (including R&D expenditures), and investment property	7.2	(240.9)	(167.5)
Expenditures for the acquisition of subsidiaries and associates, increased by cash and cash equivalents in subsidiaries acquired	7.2	(245.5)	(164.7)
Acquisition/settlement of financial assets carried at fair value through profit or loss as well as through other comprehensive income		(0.1)	(2.9)
Acquisition of investments in other debt securities carried at amortized cost		(4.6)	(9.8)
Loans granted	7.2	(13.6)	(20.8)
Other cash flows from investing activities		(11.4)	(7.1)
Net cash provided by (used in) investing activities		(421.1)	(306.2)

Cash flows – financing activities			
Inflows			
Proceeds from issuance of shares		-	90.7
Proceeds from the implementation of employee stock option plan		2.0	2.7
Proceeds from bank loans and borrowings	<u>7.3</u>	475.9	267.9
Proceeds from issuance of debt securities		318.7	161.9
Received grants related to assets and/or development projects		5.1	-
Outflows			
Expenditures for the acquisition of non-controlling interests		(12.2)	(12.9)
Redemption of debt securities	<u>7.3</u>	(118.8)	(33.5)
Repayments of bank loans and borrowings	7.3	(342.4)	(166.2)
Payments of lease liabilities	7.3	(150.4)	(21.9)
Interest paid		(64.7)	(33.2)
Dividends paid out by the Parent Company	<u>5.6</u>	(254.8)	(249.8)
Dividends paid out to non-controlling shareholders	<u>6.6</u>	(216.7)	(155.6)
Net cash provided by (used in) financing activities		(358.3)	(149.9)
Net increase in cash and cash equivalents		11.9	25.9
Net foreign exchange differences		99.6	34.8
Net cash and cash equivalents as at 1 January		1,767.5	1,484.0
Net cash and cash equivalents as at 30 September	<u>6.11</u>	1,879.0	1,544.7



Supplementary Information to the Interim Condensed Consolidated Financial Statements of **Asseco Group**

Supplementary Information to the Interim Condensed Consolidated Financial Statements

1. General information

Asseco Group ("Asseco Group", the "Group") is a group of companies, whose Parent Company is Asseco Poland S.A. (the "Parent Company", "Company", "Issuer") with registered office at 14 Olchowa St., Rzeszów, Poland.

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

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

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

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

The period of the Company's operations is indefinite.

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

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

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

2. Basis for the preparation of interim condensed consolidated financial statements

2.1. Basis for preparation

These interim condensed consolidated financial statements have been prepared in accordance with the historical cost convention, except for financial assets carried at fair value through profit or loss or through other comprehensive income, financial assets carried at amortized cost, financial liabilities carried at fair value through profit or loss, as well as investment property measured at fair value.

These interim condensed consolidated financial statements have been prepared on a going-concern basis, assuming the Group will continue its business activities over a period not shorter than 12 months from 30 September 2019. Till the date of preparing these interim condensed consolidated financial statements, we have not observed any circumstances that would threaten the Group's ability to continue as a going concern.

These interim condensed consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements, and therefore they should be read together with the Group's consolidated financial statements for the year ended 31 December 2018 which were published on 25 March 2019.

2.2. Compliance statement

These interim condensed consolidated financial statements have been prepared in conformity with the requirements set forth in the International Accounting Standard 34 'Interim Financial Reporting' as endorsed by the European Union (IAS 34).

The scope of these interim condensed consolidated financial statements, being a part of the quarterly report, is in accordance with the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states (consolidated text: Journal of Laws of 2018, item 757) ("Regulation"), and covers the reporting period from 1 January to 30 September 2019 and the comparable period from 1 January to 30 September 2018 in case of the income statement and the statement of cash flows, as well as the financial position data as at 30 September 2019 and the comparable data as at 31 December 2018 in case of the statement of financial position.

The quarterly data disclosed for the period from 1 July to 30 September 2019 and for the corresponding period of 2018 have not been reviewed by a certified auditor; these data have been calculated as the difference between the cumulative data for the first 9 months of this year and the data presented in the semi-annual condensed consolidated financial statements of Asseco Group for the interim period ended 30 June 2019 which were reviewed by a certified auditor and published on 26 August 2019.

2.3. Functional currency and presentation currency

The presentation currency of these interim condensed consolidated financial statements is the Polish zloty (PLN), and all figures are presented in millions of PLN (mPLN), unless stated otherwise. Any inaccuracies in totals amounting to PLN 0.1 million are due to the adopted rounding of numbers.

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

2.4. Professional judgement and estimates

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

Presented below are the main areas which in the process of applying the accounting policies were subject to accounting estimates and the management's professional judgement, and whose estimates, if changed, could significantly affect the Group's future results.

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

The Group's Management has not changed its judgement regarding the existence of control over entities in which the Parent Company holds less than 50% of shares in relation to such judgement that has been described in detail in item 2.4 of section 'Basis for the preparation of financial statements' contained in the Group's consolidated financial statements for the year ended 31 December 2018 which were published on 25 March 2019.

Hence, in the period covered by these interim condensed consolidated financial statements as well as at 30 September 2019, in the Management's opinion, the Parent Company maintained control over Formula Systems (1985) Ltd. (hereinafter "Formula" or "Formula Systems") in which the Group holds less than 50% of shares. The same conclusion applies to companies in which direct equity interests held by Formula Systems do not provide an absolute majority of voting rights, including Sapiens International Corporation NV (hereinafter "Sapiens"), Magic Software Enterprises Ltd. (hereinafter "Magic"), and Matrix IT Ltd. (hereinafter "Matrix IT").

The conclusion regarding the existence of control has also been upheld in the case of Asseco Business Solutions S.A., a direct subsidiary of Asseco Enterprise Solutions in which the Group holds 46.47% of the share capital and total voting rights at the general meeting of shareholders.

Moreover, the Group has analyzed its relationships with other related entities and upheld the conclusion that, in accordance with IFRS 10, it maintains control over Asseco Resovia S.A. and Gdynski Klub Koszykówki Arka S.A. Such conclusion is based on the indications set out in the above-referred section of the consolidated financial statements of the Group for the year ended 31 December 2018.

Consequently, all of the above-mentioned entities have been fully consolidated in these interim condensed consolidated financial statements of Asseco Group for the period of 9 months ended 30 September 2019.

ii. Estimates

In the period of 9 months ended 30 September 2019, our approach to making estimates was not subject to any substantial modification.

In relevant notes to these interim condensed consolidated financial statements, the Group has disclosed possible changes to estimates presented in previous reporting periods that have a significant impact on the current interim period.

Significant accounting policies regarding the items that are at significant risk of material adjustment to the carrying values of assets and liabilities have been described in item 6 in the consolidated financial statements of Asseco Group for the year ended 31 December 2018.

2.5. Accounting policies applied

Significant accounting policies applied by the Group in these interim condensed consolidated financial statements are consistent with those explained in the Group's consolidated financial statements for the year 2018, except for the adoption of a new accounting standard, i.e. IFRS 16 which is described in detail below.

Moreover, in the period of 9 months ended 30 September 2019, the following accounting regulations became effective:

- IFRIC 23 'Uncertainty over Income Tax Treatments';
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation';
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures';
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement';
- Annual Improvements to IFRSs: 2015-2017 Cycle.

In 2019, the Group has for the first time adopted IFRS 16 'Leases' ("IFRS 16"). In accordance with the requirements of IAS 34 'Interim Financial Reporting', the Group has provided a description and disclosed the effects of changes in its accounting policy later in this note. The remaining new or amended standards and interpretations that became effective starting from 2019 have no significant impact of the interim condensed consolidated financial statements of the Group.

i. IFRS 16 – first-time adoption

Asseco Group has implemented IFRS 16 'Leases' as of 1 January 2019 in line with the transition guidance provided in the standard. The impact of adopting this standard on the Group's consolidated financial data has been presented below in this report.

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

As at 31 December 2018, Asseco Group was party to contracts that were classified in accordance with IAS 17 either as operating leases including contracts for perpetual usufruct of land (liabilities from such contracts were disclosed as off-balance-sheet liabilities), or as finance leases.

The largest impact on these interim condensed consolidated financial statements was exerted by the remeasurement of contracts that were considered as operating leases until 31 December 2018 (including primarily contracts for rental of office buildings), as well as by the appropriate remeasurement of contracts for perpetual usufruct of land that were deemed to meet the definition of a lease under IFRS 16. However, the Group has not remeasured any contracts for rental of IT hardware where rented equipment is considered to be of low value. In the contract remeasurement process, the Group has applied the incremental borrowing rate calculated as the sum of the margin on an investment loan adequately secured with leased assets (respectively for each of the Group's companies), and the rate quoted for IRS instruments or the interest rate on bonds in the currency in which the lease contract is made. Both the margin and IRS rate/bond interest rate have been selected to match the lease terms.

Practical expedients permitted by IFRS 16 used at the transition date

- The Group has not applied IFRS 16 to contracts that were previously identified as arrangements containing a lease in accordance with IAS 17 and IFRIC 4;
- The Group has applied a single discount rate to a portfolio of leases with similar characteristics (i.e. contracts with a similar lease term, concluded in the same currency, and for a similar class of underlying asset);
- Operating lease contracts for which the remaining lease term shall end within 12 months from 1 January 2019 have been treated as short-term leases and thus their recognition in the financial statements has remained unchanged;
- Operating lease contracts where the underlying asset has a low value (e.g. office equipment, small IT equipment) have not been reassessed and their recognition has remained unchanged;
- The Group has used hindsight in determining the lease term (e.g. if the contract contained an option to extend or terminate the lease);
- The Group has excluded initial direct costs from the measurement of right-of-use assets at the date of initial application;

- The Group has not separated lease components and non-lease components.

Impact of the adoption of IFRS 16 as at 1 January 2019

The table below presents the impact of the adoption of IFRS 16 on the Group's equity as at 1 January 2019. The actual impact presented in the table is different from the expected impact that was disclosed in our consolidated financial statements for the year ended 31 December 2018, because the final judgments made by company managements within Formula Group and Asseco International Group were changed, especially as regards options to extend certain contracts, as a consequence of which the Group has recognized higher assets and liabilities arising from lease contracts in its consolidated statement of financial position drawn up as at 1 January 2019.

Impact of IFRS 16 on the statement of financial position of the Group	1 Jan. 2019 mPLN
Assets	635.9
Right-of-use assets	690.4
<i>including assets previously disclosed under property, plant and equipment</i>	<i>(79.3)</i>
Deferred tax assets	25.1
Prepayments and accrued income	(0.3)
Liabilities	659.2
Lease liabilities	645.7
- long-term	489.7
- short-term	156.0
Deferred tax liabilities	21.8
Other provisions	0.1
Deferred income and other liabilities	(8.4)
Net impact on equity, of which:	(23.3)
Retained earnings	(11.7)
Non-controlling interests	(11.6)

As mentioned in the previous section, the above impact is related to rentals of office space by the Group that used to be recognized as operating leases in accordance with IAS 17. Due to the fact that almost all rental agreements were concluded for periods longer than 12 months, the Group appropriately remeasured the related liabilities that used to be disclosed as off-balance-sheet liabilities as well as liabilities arising from contracts for perpetual usufruct of land, and reclassified them as lease liabilities using the incremental borrowing rate. The impact on retained earnings resulted from the remeasurement of some contracts as if IFRS 16 was effective since their commencement, which is tantamount to the recognition of interest expenses accrued in previous years and accumulated depreciation recognized until 1 January 2019 in the balance of retained earnings.

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

	Lease liabilities mPLN
Finance lease liabilities as at 31 December 2018 (IAS 17)	61.0
Liabilities (and their changes) not disclosed in the statement of financial position as at 31 December 2018, of which:	645.7
Operating lease liabilities as at 31 December 2018 (IAS 17)	444.6
Discount calculated using the incremental borrowing rate and changes in the Group's estimates concerning the options to extend or terminate rental contracts that used to be classified as operating leases	201.3
Liabilities arising from contracts for perpetual usufruct of land recognized initially in the statement of financial position as at 1 January 2019	36.0

Short-term leases (practical expedient allowing not to recognize liabilities as at 1 January 2019)	(34.4)
Leases of low-value assets (practical expedient allowing not to recognize liabilities as at 1 January 2019)	(0.2)
Contracts classified as services	(0.8)
Adjustment resulting from changes in the index or interest rate affecting the variable lease payments	(0.8)
Lease liabilities as at 1 January 2019	706.7

Impact of the adoption of IFRS 16 on the income statement for the first three quarters of 2019

The table below presents the impact of applying IFRS 16 on the income statement of Asseco Group for the period of 9 months ended 30 September 2019.

Impact of IFRS 16 on the Group's income statement	Period of 9 months ended 30 Sept. 2019 (in accordance with IFRS 16)	Adjustment due to the adoption of IFRS 16	Period of 9 months ended 30 Sept. 2019 (excluding the adoption of IFRS 16 – amounts in accordance with IAS 17)
	mPLN	mPLN	mPLN
Operating revenues (total)	7,771.7	-	7,771.7
Operating costs (total)	(7,057.0)	(9.2)	(7,066.2)
of which depreciation of rented, leased and perpetual usufruct assets	(144.9)	134.3	(10.6)
of which rental fees	(20.4)	(143.5)	(163.9)
Operating profit (loss)	714.7	(9.2)	705.5
Financing activities (net)	(65.6)	18.7	(46.9)
Pre-tax profit (loss)	649.1	9.5	658.6
Corporate income tax (current and deferred tax expense)	(142.8)	(1.4)	(144.2)
Share of profits of associates and joint ventures	1.8	-	1.8
Net profit (loss)	508.1	8.1	516.2
Attributable to:			
Shareholders of the Parent Company	238.2	3.1	241.3
Non-controlling interests	269.9	5.0	274.9

** depreciation of assets held under finance lease contracts in accordance with IAS 17*

Changes in the Group's accounting policy implemented as a result of adopting IFRS 16 – the Group acting as a lessee

IFRS 16 introduced a single accounting model for the recognition of leases in the lessee's accounting books – in general, the standard implies that all lease arrangements shall be treated similarly as in the former model for recognition of finance leases under IAS 17. The new standard has superseded the previously applicable standard IAS 17 and interpretations IFRIC 4, SIC 15 and SIC 27.

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, since 1 January 2019, 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

Since 1 January 2019, 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.

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.

Estimates and professional judgement involved in adopting IFRS 16

In order to adopt and apply IFRS 16, the Group was required to make miscellaneous estimates and exercise professional judgment. This concerned 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 had to consider 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 took 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.

Group acting as a lessor

Accounting by lessors under IFRS 16 remained substantially unchanged from the previous approach required by IAS 17. Lessors continue to treat all lease agreements according to the same criteria as specified in IAS 17, hence each lease shall be classified as an operating lease or a finance lease.

In respect of lease contracts where the Group acts as a lessor, the Group has made no adjustments following the adoption of IFRS 16. Starting from 1 January 2019, the Group has recognized these contracts in accordance with IFRS 16.

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

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

- IFRS 14 'Regulatory Deferral Accounts' (issued on 30 January 2014) – the European Commission has decided not to initiate the process of endorsement of this standard until the release of its final version – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture' (issued on 11 September 2014) – work for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by the IASB;
- IFRS 17 'Insurance Contracts' (issued on 18 May 2017) – 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;
- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards (issued on 29 March 2018)* – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IFRS 3 'Business Combinations' (issued on 22 October 2018) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8 'Definition of Materiality' (issued on 31 October 2018) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020;
- 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' (issued on 26 September 2019) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2020.

The specified effective dates have been set forth in the standards published by the International Accounting Standards Board. The actual dates of adopting these standards in the European Union may differ from those set forth in the standards and they shall be announced once they are approved for application by the European Union.

The Group did not decide on early adoption of any standard, interpretation or amendment which has been published but has not yet become effective. The Group is currently conducting an analysis of how the above-mentioned amendments are going to impact its financial statements.

2.7. Corrections of material errors

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

2.8. Restatement of comparable data

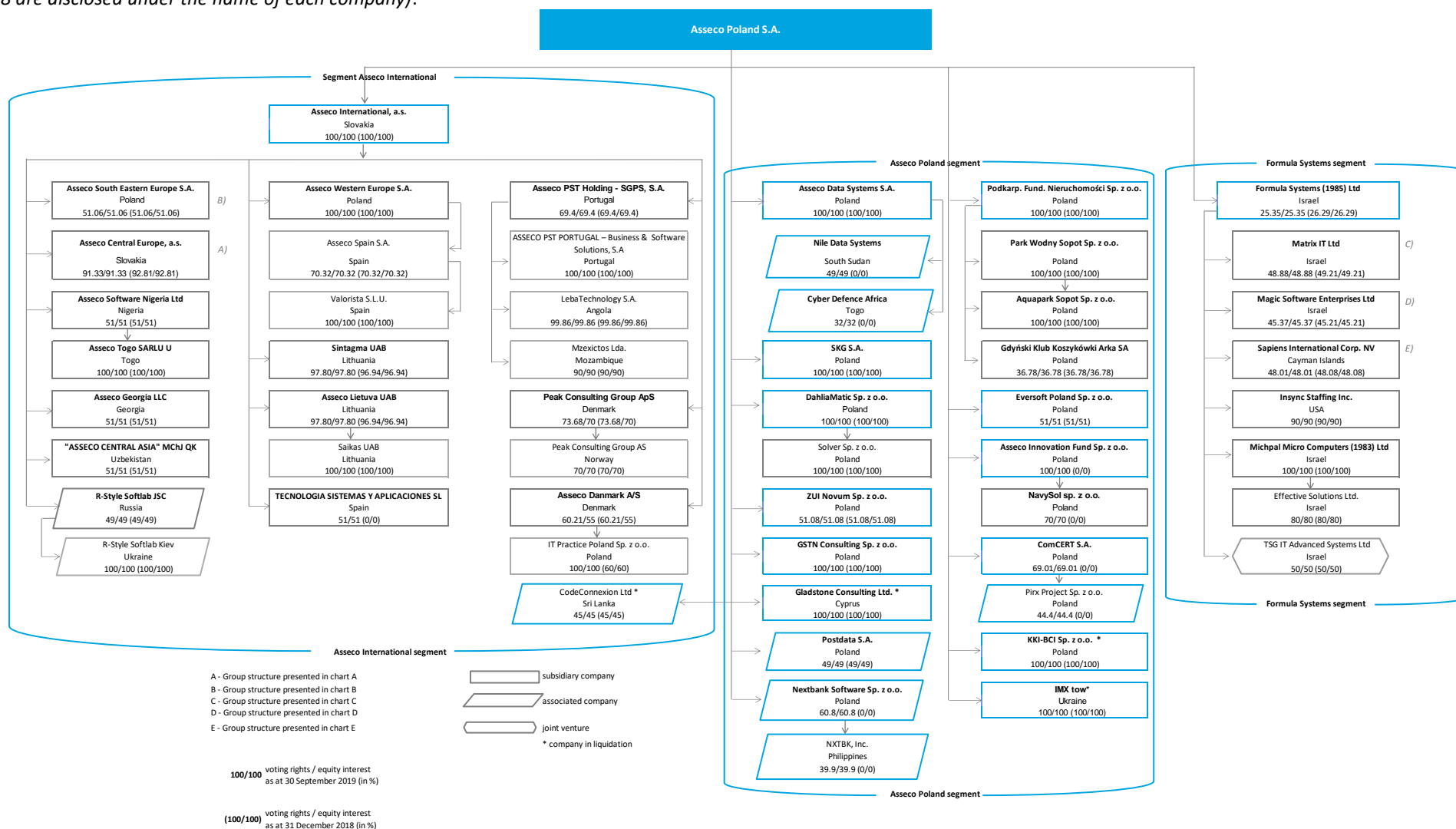
In 2019, the Group completed the purchase price allocation of DWC Slovakia a.s. (a company acquired within ACE Group included in the Asseco International segment), PVBS LLC (a company acquired within Matrix IT Group included in the Formula Systems segment), and changed the purchase price allocation of Effective Solutions (a company acquired within Michpal Group included in the Formula Systems segment). These events resulted in changing the values of some assets and liabilities disclosed as at 31 December 2018, which necessitated a restatement of comparable data. The detailed information on the acquired assets and liabilities has been presented in explanatory note 6.4 to these interim condensed consolidated financial statements.

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

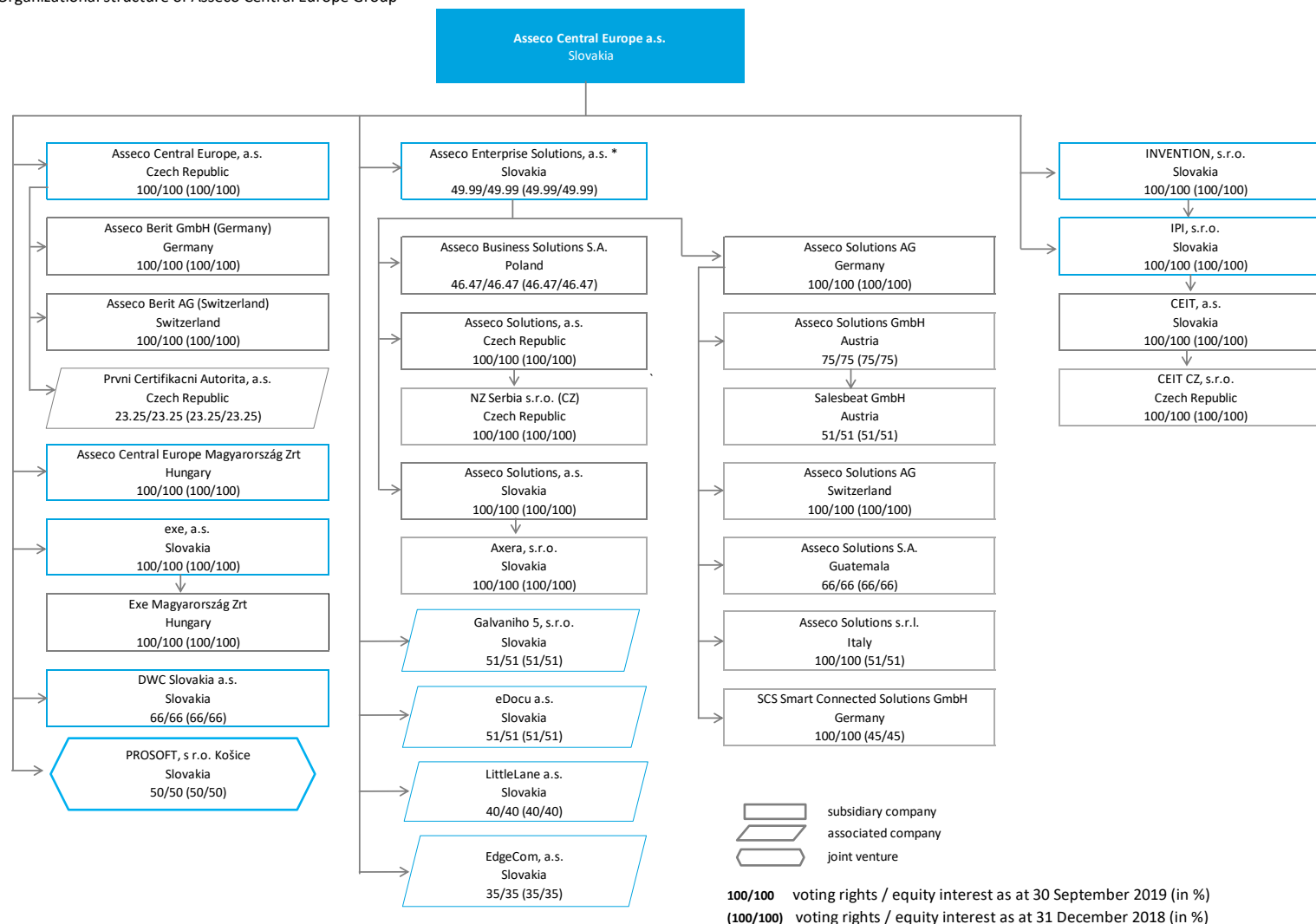
Restatement of comparable data as at 31 December 2018	31 Dec. 2018	Change of purchase price allocation within the Formula segment	Completion of purchase price allocation within ACE Group (Asseco International segment)	31 Dec. 2018 (restated)
	mPLN	mPLN	mPLN	mPLN
Non-current assets	7,649.5	(3.5)	4.9	7,650.9
Property, plant and equipment	828.4	-	-	828.4
Intangible assets	1,994.2	(5.3)	1.3	1,990.2
Investment property	21.0	-	-	21.0
Goodwill	4,248.9	1.8	2.4	4,253.1
Investments accounted for using the equity method	111.5	-	-	111.5
Other receivables and trade receivables	127.5	-	-	127.5
Deferred tax assets	83.6	-	1.2	84.8
Other non-financial assets	0.1	-	-	0.1
Other financial assets	175.1	-	-	175.1
Prepayments and accrued income	59.2	-	-	59.2
Current and non-current assets held for sale	4,993.3	-	-	4,993.3
TOTAL ASSETS	12,642.8	(3.5)	4.9	12,644.2
Total equity	7,663.3	0.1	(1.2)	7,662.2
Equity (attributable to shareholders of the Parent Company)	5,717.7	-	-	5,717.7
Non-controlling interests	1,945.6	0.1	(1.2)	1,944.5
Non-current liabilities	1,865.2	(3.0)	0.3	1,862.5
Bank loans, borrowings and debt securities	1,082.9	-	-	1,082.9
Lease liabilities	32.1	-	-	32.1
Other financial liabilities	180.3	(1.5)	-	178.8
Deferred tax liabilities	411.8	(1.4)	0.3	410.7
Provisions	67.9	-	-	67.9
Deferred income	43.3	(0.1)	-	43.2
Contract liabilities	32.3	-	-	32.3
Accruals	1.5	-	-	1.5
Other liabilities	13.1	-	-	13.1
Current liabilities	3,114.3	(0.6)	5.8	3,119.5
Bank loans, borrowings and debt securities	581.6	-	-	581.6
Lease liabilities	28.9	-	-	28.9
Other financial liabilities	199.7	(0.6)	-	199.1
Trade payables	938.2	-	-	938.2
Contract liabilities	451.1	-	-	451.1
Corporate income tax payable	73.7	-	-	73.7
Liabilities to the state and local budgets	204.8	-	-	204.8
Other liabilities	314.3	-	-	314.3
Provisions	39.6	-	5.8	45.4
Deferred income	7.8	-	-	7.8
Accruals	274.6	-	-	274.6
TOTAL LIABILITIES	4,979.5	(3.6)	6.1	4,982.0
TOTAL EQUITY AND LIABILITIES	12,642.8	(3.5)	4.9	12,644.2

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

The organizational structure of Asseco Group has been presented in the chart below (the voting rights and equity interest held as at 30 September 2019 and 31 December 2018 are disclosed under the name of each company):

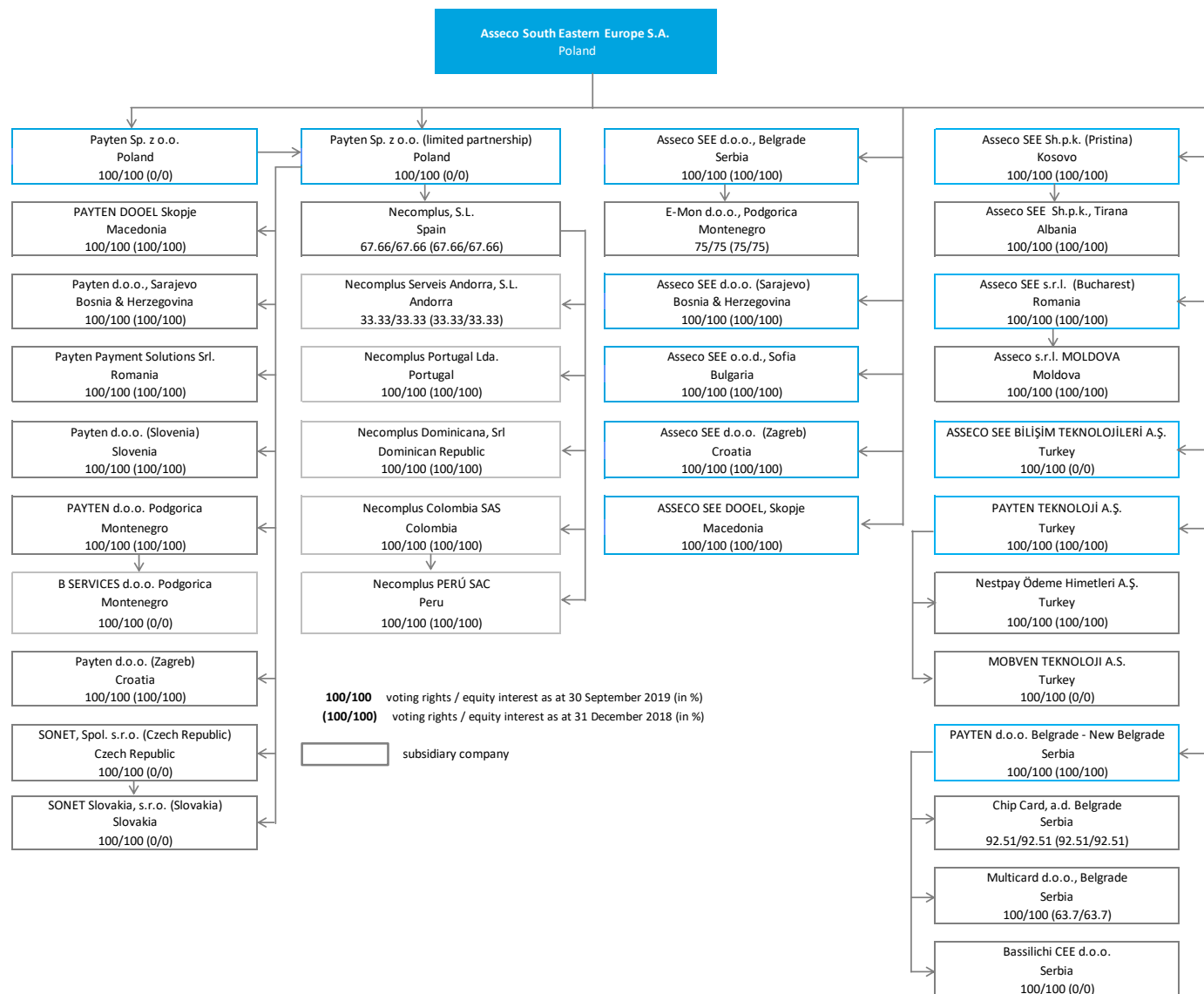


A. Organizational structure of AssecO Central Europe Group

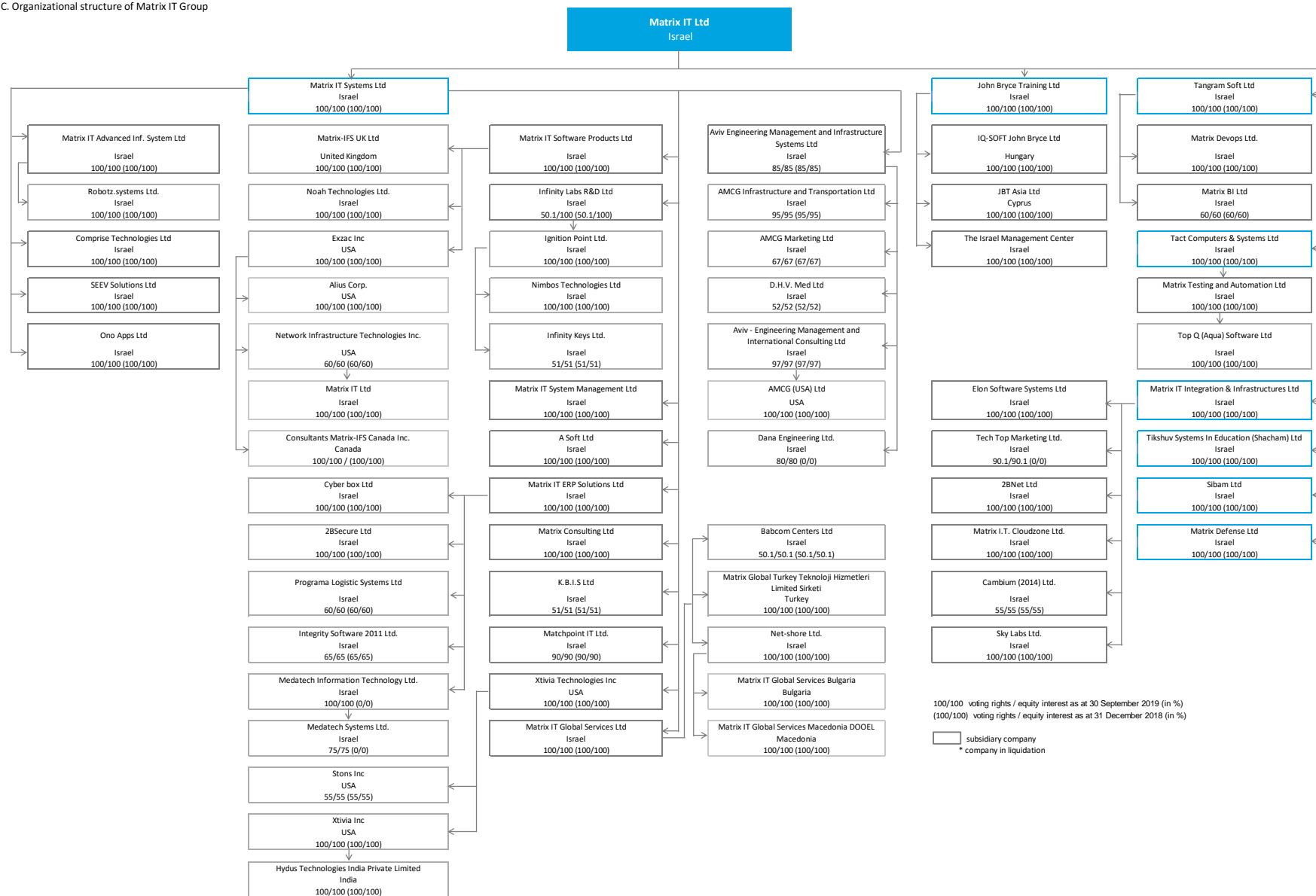


* AssecO Central Europe, a.s. holds 49.999999% of shares in AssecO Enterprise Solutions, while the remaining 50.000001% of shares are held by AssecO International, a.s.
 AssecO Central Europe, a.s. maintains direct control over AssecO Enterprise Solutions, a.s.

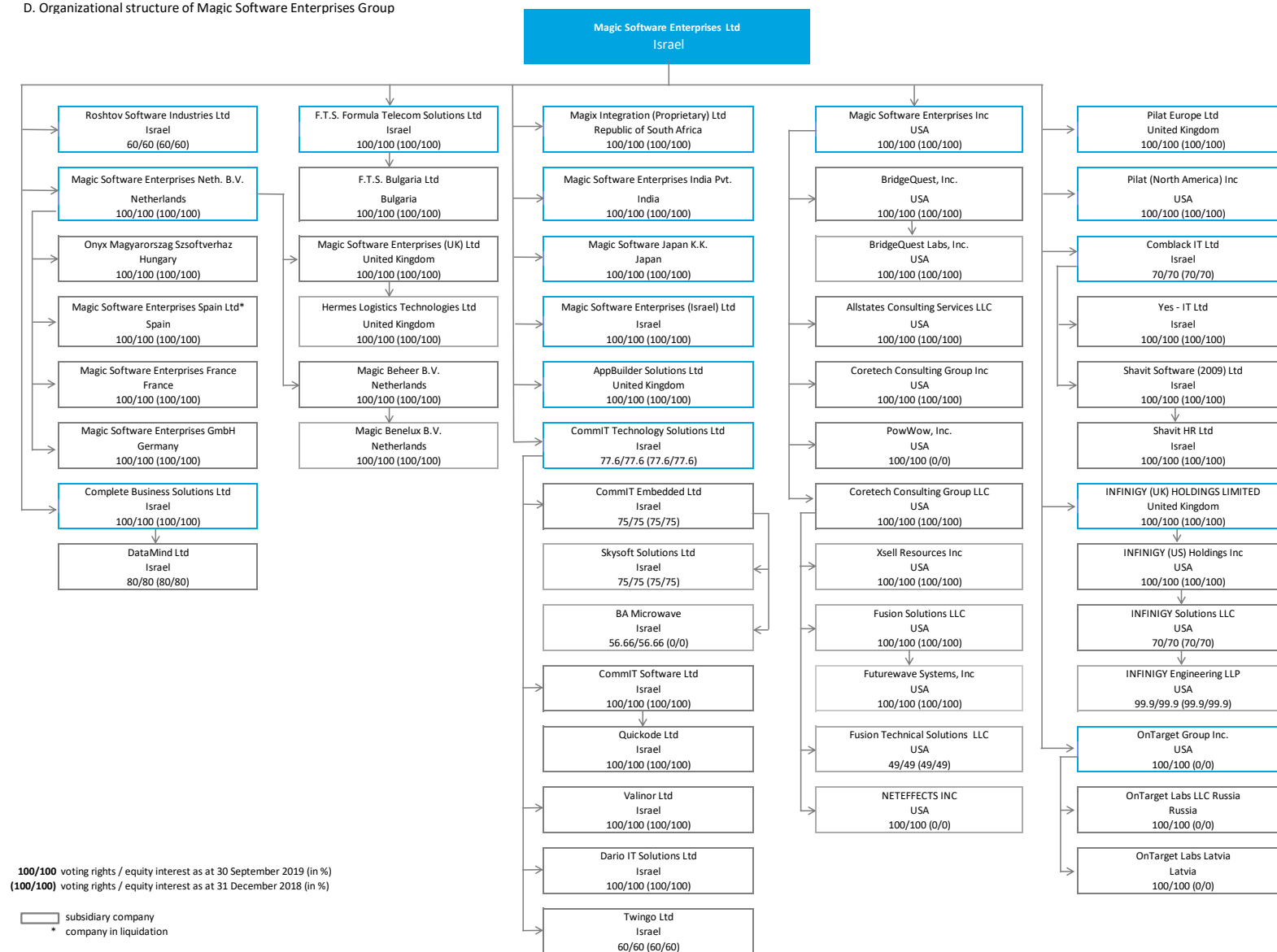
B. Organizational structure of Asseco South Eastern Europe Group



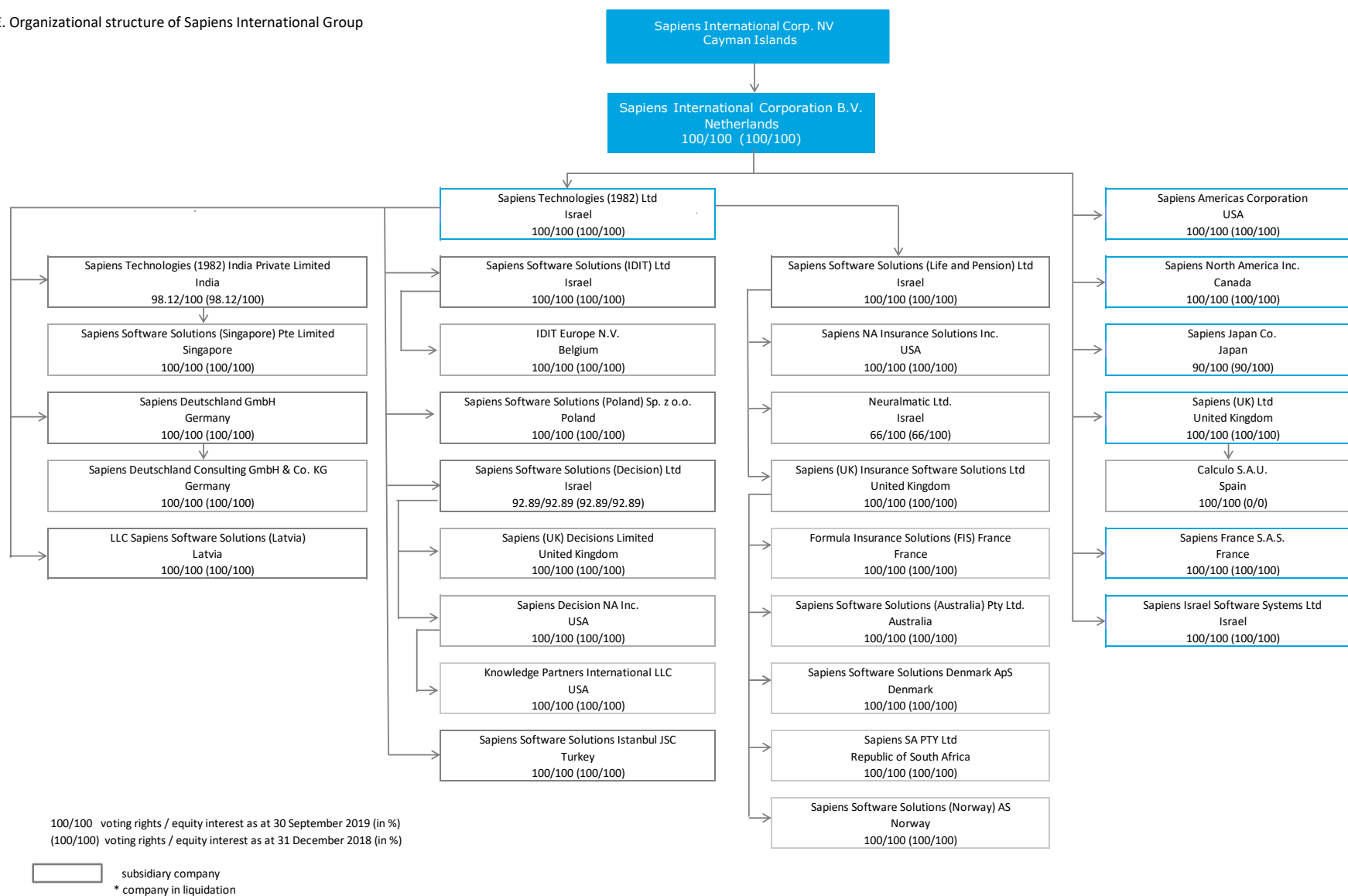
C. Organizational structure of Matrix IT Group



D. Organizational structure of Magic Software Enterprises Group



E. Organizational structure of Sapiens International Group



During the period of 9 months ended 30 September 2019, the Group's composition changed as follows:

Asseco Poland segment

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

On 13 February 2019, Asseco Poland S.A. established a new company called Asseco Innovation Fund Sp. z o.o. The newly founded company is a 100% owned subsidiary of Asseco Poland S.A.

- ***Acquisition of shares in Nextbank Software Sp. z o.o.***

On 25 February 2019, following an increase of the share capital of Nextbank Software Sp. z o.o., Nextbank Software Sp. z o.o. obtained registration of an additional issuance of shares dedicated to Asseco Poland S.A. Hence, on 25 February 2019, Asseco Poland S.A. acquired a 9.8% stake in Nextbank Software Sp. z o.o. On 4 March 2019, subsequently to meeting the second condition specified under the investment agreement (signed on 28 November 2018), Asseco Poland S.A. effectively acquired an additional 51% stake in the said company. After conducting this transaction (this is as at 4 March 2019), Asseco Poland S.A. holds in total 60.8% of shares in Nextbank Software Sp. z o.o. Nonetheless, due to the contractual provisions, Asseco Poland S.A. will not exercise control over Nextbank Software Sp. z o.o. as understood by IFRS 10, because Asseco Poland S.A. cannot change the composition of the management board in that company for at least 4 years. However, the Group will consolidate the financial results of that company using the equity method.

- ***Commencement of the liquidation process of Gladstone Consulting Ltd.***

The process of winding-up the company of Gladstone Consulting Ltd. (a 100% owned subsidiary of Asseco Poland S.A.) was initiated on 8 March 2019. This transaction had no impact on the Group's equity because, as described in the consolidated financial statements for the year ended 31 December 2017, all the business activities (the integrated set of activities and assets as defined by IFRS 3) that used to be performed by Gladstone Consulting Ltd. based in Cyprus, have been taken over by GSTN Consulting Sp. z o.o. This change was intended to transfer all the said business activities to the Poland-based company.

- ***Acquisition of shares in a new company Nile Data Systems***

On 22 March 2019, a new company called Nile Data Systems was registered in South Sudan, in which Asseco Data Systems S.A. acquired 49% of shares.

- ***Acquisition of ComCERT S.A.***

On 20 May 2019, Asseco Poland S.A. acquired 69.01% of shares in ComCERT S.A. Moreover, on the same day a conditional agreement was signed under which Asseco Poland S.A. shall purchase the remaining 30.99% of shares in ComCERT S.A. once the condition specified in this agreement is satisfied by the seller within the deadline of 30 September 2021. As a result of this transaction, the newly acquired company ComCERT S.A. has become a subsidiary of Asseco Poland S.A. This transaction has been described in detail in explanatory note 6.4 to these interim condensed consolidated financial statements.

- ***Acquisition of shares in a new company Cyber Defence Africa***

On 18 September 2019, a new company called Cyber Defence Africa was registered in Togo, in which Asseco Data Systems S.A. acquired 32% of shares.

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

On 25 September 2019, a new company called NavySol Sp. z o.o. was registered in Poland. The newly founded company is a 70% owned subsidiary of Asseco Innovation Fund Sp. z o.o.

Asseco International segment

- **Changing the name ASSECO SEE TEKNOLOJİ A.Ş. to PAYTEN TEKNOLOJİ A.Ş.**

On 2 January 2019, the company ASSECO SEE TEKNOLOJİ A.Ş. was renamed as PAYTEN TEKNOLOJİ A.Ş.

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

On 2 January 2019, we established a new company called ASSECO SEE BİLİŞİM TEKNOLOJİLERİ A.Ş. based in Turkey. The newly founded company is a 100% owned subsidiary of Asseco South Eastern Europe S.A.

- **Change of shareholding in IT-Practice Poland Sp. z o.o.**

On 8 January 2019, Asseco Danmark A/S increased its equity interest in the company IT-Practice Poland Sp. z o.o. from 60% to 100%.

- **Transaction under common control – Acquisition of shares in Necomplus, S.L. by ASEE**

On 29 January 2019, Asseco South Eastern Europe S.A. acquired 67.66% of shares in the company Necomplus, S.L. from Asseco Western Europe S.A. Because both the seller and the buyer of shares in Necomplus, S.L. are companies controlled by Asseco Poland S.A., this transaction has been accounted for as a transaction under common control with no impact on the Group's net income. As a result of accounting for this transaction, the Group recognized the amount of PLN 2.0 million in equity.

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

On 29 January 2019, we established a new company called Payten Sp. z o.o. based in Poland. The newly founded company is a 100% owned subsidiary of Asseco South Eastern Europe S.A.

- **Liquidation of T EMPLEAMOS ETT, S.L.**

The company T EMPLEAMOS ETT, S.L. was liquidated on 30 January 2019. This transaction had no significant impact on these interim condensed consolidated financial statements.

- **Liquidation of Logis IT S.L.U.**

The company Logis IT S.L.U. (a 100% owned subsidiary of Asseco Spain S.A.) was liquidated on 1 February 2019. This transaction had no significant impact on the Group's equity.

- **Change of shareholding in Sintagma UAB and Asseco Lietuva UAB**

On 8 March 2019, Asseco International, a.s. increased its equity interest in the company Sintagma UAB from 96.94% to 97.80%, as well as in Asseco Lietuva UAB from 96.94% to 97.80%.

- **Establishing of a new company Payten Sp. z o.o. (limited partnership)**

A new company called Payten Sp. z o.o. (limited partnership), based in Poland, was registered on 20 March 2019. The newly founded company is a direct subsidiary of Asseco South Eastern Europe S.A. and Payten Sp. z o.o.

- **Loss of control over Prosoft**

On 14 April 2019, ACE Group lost control over the company Prosoft s.r.o. Due to the loss of control, the Group recognized the amount of EUR 40 thousand (PLN 0.2 million) in equity attributable to shareholders of the Parent Company. From the date of losing control, Prosoft s.r.o. has been treated as a joint venture and accounted for using the equity method.

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

On 17 April 2019, PAYTEN d.o.o. Belgrade – New Belgrade increased its equity interest in the company Multicard d.o.o., Belgrade from 63.7% to 100%.

- **Sale of shares in Asseco Kazakhstan LLP**

Following a decision made in the first quarter of 2019, Asseco International, a.s. sold 51% of shares in the company Asseco Kazakhstan LLP on 24 April 2019. Due to insignificant result recognized on this transaction, net assets of Asseco Kazakhstan LLP (amounting to PLN -0.7 million) were deconsolidated as at 31 March 2019 already.

- ***Transfer of shares in Payten and Necomplus companies***

On 28 June 2019, shares held in the companies of Payten Group and Necomplus were contributed to Payten Sp. z o.o. (limited partnership).

- ***Acquisition of TECNOLOGIA SISTEMAS Y APLICACIONES SA***

On 23 July 2019, Asseco International, a.s. acquired the company TECNOLOGIA SISTEMAS Y APLICACIONES SA. The newly founded company is a 51% owned subsidiary of Asseco International, a.s. This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

- ***Acquisition of Basilichi CEE d.o.o.***

On 30 July 2019, Payten d.o.o. Belgrade acquired the company Basilichi CEE d.o.o. based in Serbia. The newly acquired company is a 100% owned subsidiary of Payten d.o.o. Belgrade. This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

- ***Acquisition of B SERVICES d.o.o. Podgorica***

On 7 August 2019, Payten d.o.o. Podgorica acquired the company B SERVICES d.o.o. Podgorica. The newly acquired company is a 100% owned subsidiary of Payten d.o.o. Podgorica. This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

- ***Acquisition of MOBVEN TEKNOLOJI A.S.***

On 3 September 2019, Payten Teknoloji A.S. acquired the company MOBVEN TEKNOLOJI A.S. The newly acquired company is a 100% owned subsidiary of Payten Teknoloji A.S. This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

- ***Acquisition of SONET, Spol. s.r.o.***

On 5 September 2019, Payten sp. z o. o. (limited partnership) acquired the company SONET, Spol. s.r.o. The newly acquired company is a 100% owned subsidiary of Payten sp. z o. o. (limited partnership). This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

- ***Acquisition of SONET SLOVAKIA, s.r.o***

On 5 September 2019, Payten sp. z o. o. (limited partnership) acquired the company SONET SLOVAKIA, Spol. s.r.o. The newly acquired company is a 50% owned subsidiary of Payten sp. z o. o. (limited partnership). The remaining 50% stake in SONET SLOVAKIA, s.r.o. is held by SONET, Spol. s.r.o.

- ***Change of shareholding in Asseco Central Europe, a.s.***

On 12 September 2019, Asseco International, a.s. sold 1.49% of shares in Asseco Central Europe, a.s. to the company KIUK, Spol. s.r.o. After conducting this transaction, the equity interest held by Asseco International in Asseco Central Europe dropped from 92.81% to 91.33%. The selling price of these shares amounted to PLN 8.8 million (EUR 2.0 million). As a result of this transaction, the Group recognized the amount of PLN 2.5 million (EUR 0.6 million) in equity attributable to the Parent Company.

- ***Acquisition of shares in SCS Smart Connected Solutions GmbH***

On 30 September 2019, Asseco Solutions AG acquired 55% of shares in the company SCS Smart Connected Solutions GmbH. After conducting this transaction, the equity interest held by Asseco Solutions AG in SCS Smart Connected Solutions GmbH increased from 45% to 100%, and thus Asseco Solutions AG obtained full control over the company of SCS Smart Connected Solutions GmbH.

- ***Change of shareholding in Asseco Solutions s.r.l.***

In the third quarter of 2019, Asseco Solutions AG increased its equity interest in the company Asseco Solutions s.r.l. from 51% to 100%.

Formula Systems segment

- ***Merger of companies within Sapiens Americas Corporation Group***

Since 1 January 2019, the companies of Maximum Processing Inc., 4Sight Business Intelligence Inc., StoneRiver Inc., Adaptik Corporation and Sapiens Americas Corporation have operated as a single business entity. The company taking over all the remaining companies is Sapiens Americas Corporation. This transaction had no impact on these interim condensed consolidated financial statements.

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

On 6 February 2019, Aviv Engineering Management and Infrastructure Systems Ltd. acquired the company Dana Engineering Ltd. The newly acquired company is an 80% owned subsidiary of Aviv Engineering Management and Infrastructure Systems Ltd. This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

- ***Acquisition of Medatech Information Technology Ltd.***

On 20 February 2019, Matrix IT E.R.P. Solutions Ltd. acquired the company Medatech Information Technology Ltd. The newly acquired company is a 100% owned subsidiary of Matrix IT E.R.P. Solutions Ltd. On 7 April 2019, Medatech Information Technology Ltd. acquired 25% of shares in Medatech Systems Ltd., thereby increasing its equity interest in this subsidiary to 75%. Both these transactions have been disclosed by the Group as the acquisition of Medatech Group and described in detail in explanatory note 6.4 to these interim condensed consolidated financial statements.

- ***Merger of Hoshen Eliav Systems Engineering Ltd. with Matrix Defense Ltd.***

The merger of the companies of Hoshen Eliav Systems Engineering Ltd. and Matrix Defense Ltd. was registered on 27 February 2019. This transaction had no impact on these interim condensed consolidated financial statements.

- ***Merger of Matrix I.T. Solutions Ltd. with Matrix I.T. Systems Ltd.***

The merger of the companies of Matrix I.T. Solutions Ltd. and Matrix I.T. Systems Ltd. was registered on 27 February 2019. This transaction had no impact on these interim condensed consolidated financial statements.

- ***Acquisition of OnTarget Group Inc.***

On 28 February 2019, Magic Software Enterprises Ltd. acquired a new company called OnTarget Group Inc. The newly acquired company is a 100% owned subsidiary of Magic Software Enterprises Ltd. This transaction has been described in detail in explanatory note 6.4 to these interim condensed consolidated financial statements.

- ***Establishing of a new company TechTop Marketing Ltd.***

A new company called TechTop Marketing Ltd., based in Israel, was registered on 3 March 2019. The newly founded company is a 90.1% owned subsidiary of Matrix IT Integration & Infrastructures Ltd. On 7 April 2019, Matrix Group acquired assets of the company TechTop Marketing Ltd. meeting the definition of a business, which has been described in explanatory note 6.4 to these interim condensed consolidated financial statements as the acquisition of TechTop Marketing Ltd. The acquired assets have been subsequently transferred to the earlier established company (as described above) operating under the same name.

- ***Acquisition of PowWow, Inc.***

On 1 April 2019, Magic Software Enterprises Inc. acquired a new company called PowWow, Inc. The newly acquired company is a 100% owned subsidiary of Magic Software Enterprises Inc. This transaction has been described in detail in explanatory note 6.4 to these interim condensed consolidated financial statements.

- ***Acquisition of BA Microwave***

On 20 June 2019, CommIT Embedded Ltd. acquired a new company called BA Microwave. The newly acquired company is a 100% owned subsidiary of CommIT Embedded Ltd. This transaction has been described in detail in explanatory note 6.4 to these interim condensed consolidated financial statements.

- ***Dilution of Formula Systems' common stock upon conversion of bonds***

In the period from 1 January till 10 March 2019, the bondholders of Formula Systems converted bonds with a total face value of NIS 80.3 million (USD 20.5 million) into the company's shares. Due to such conversion of bonds, Formula Systems issued 544 thousand new shares. As a result of this transaction, the equity interest held by Asseco Poland S.A. in Formula Systems decreased from 26.29% to 25.35% as at 30 September 2019. As a result of this transaction, the Group recognized the amount of PLN 15.1 million in equity attributable to shareholders of the Parent Company.

This event has not changed the judgement of the Management of Asseco Poland S.A. regarding the existence of control over the company of Formula Systems. As at 30 September 2019, all the bonds disclosed in the statement of financial position of Formula Systems constitute ordinary debt securities which are not convertible into shares.

- ***Acquisition of NETEFFECTS INC***

On 30 June 2019, Coretech Consulting Group LLC. acquired the company NETEFFECTS INC. The newly acquired company is a 100% owned subsidiary of Coretech Consulting Group LLC. This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

- ***Acquisition of Calculo S.A.U.***

On 30 September 2019, Sapiens (UK) Ltd. acquired the company Calculo S.A.U. The newly acquired company is a 100% owned subsidiary of Sapiens (UK) Ltd. This transaction has been described in detail in explanatory note 6.4 to these interim consolidated financial statements.

4. Information on operating segments

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

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

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

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

Revenues from none of our clients exceeded 10% of total sales generated by the Group in the period of 9 months ended 30 September 2019.

Selected data from the income statement and the cash flow statement for the period of 9 months ended 30 September 2019, in a breakdown to operating segments:

9 months ended 30 Sept. 2019	Asseco Poland segment	Asseco International segment	Formula Systems segment	Eliminations	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Revenues from external customers	885.0	2,032.1	4,812.2	-	7,729.3
Inter-segment transactions	8.8	0.7	9.7	(19.2)	-
Total operating revenues of segment	893.8	2,032.8	4,821.9	(19.2)	7,729.3
Operating profit/loss of segment	125.6	239.0	349.4	0.7	714.7
Interest income ¹⁾	3.9	5.1	4.8	-	13.8
Interest expenses ²⁾	(7.1)	(6.2)	(50.8)	0.2	(63.9)
Corporate income tax	(22.8)	(52.2)	(67.8)	-	(142.8)
Non-cash items:					
Depreciation and amortization (as disclosed in the cash flow statement)	(69.0)	(108.7)	(292.6)	3.4	(466.9)
of which amortization of intangible assets recognized in purchase price allocation (PPA)	(12.6)	(7.1)	(137.9)	-	(157.6)
Costs of share-based payment transactions with employees (SBP)	-	(1.8)	(11.4)	-	(13.2)
Recognition/Reversal of impairment losses on segment's assets	(0.5)	(8.0)	(1.4)	-	(9.9)
Share of profits of associates and joint ventures	(1.0)	(3.0)	5.8	-	1.8
Net profit/loss attributable to shareholders of the Parent Company	93.7	119.9	23.6	1.0	238.2
Cash provided by (used in) operating activities	185.4	193.4	599.4	(4.9)	973.3

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

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

³⁾ Cash generated from operating activities before income tax paid

Selected data from the statement of financial position as at 30 September 2019, in a breakdown to operating segments:

30 Sept. 2019	Asseco Poland segment	Asseco International segment	Formula Systems segment	Eliminations	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Non-current assets	3,319.3	2,236.7	3,430.5	(17.0)	8,969.5
of which goodwill	2,260.6	1,443.2	922.6	-	4,626.4
Current assets	554.5	1,226.4	3,674.9	(8.2)	5,447.6
<i>including:</i>					
trade receivables and contract assets	340.1	579.6	1,926.2	(6.4)	2,839.5
cash and cash equivalents	137.7	406.2	1,393.5	(10.0)	1,927.4
Non-current liabilities	189.8	440.9	2,110.0	(15.1)	2,725.6
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	-	96.7	1,181.3	-	1,278.0
lease liabilities (IFRS 16)	67.3	154.6	316.8	(12.5)	526.2
Current liabilities	236.4	819.0	2,688.5	(8.8)	3,735.1
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	3.4	105.1	769.8	-	878.3
lease liabilities (IFRS 16)	36.7	52.5	136.5	(1.4)	224.3
trade payables and contract liabilities	108.2	391.0	914.2	(6.3)	1,407.1

Selected data from the income statement and the cash flow statement for the period of 9 months ended 30 September 2018, in a breakdown to operating segments:

9 months ended 30 Sept. 2018	Asseco Poland segment	Asseco International segment	Formula Systems segment	Eliminations	Total
	mPLN	mPLN	mPLN	mPLN	mPLN
Revenues from external customers	970.8	1,800.9	3,906.6	-	6,678.3
Inter-segment transactions	5.8	4.2	7.9	(17.9)	-
Total operating revenues of segment	976.6	1,805.1	3,914.5	(17.9)	6,678.3
Operating profit/loss of segment	173.1	182.8	201.4	1.4	558.7
Interest income ¹⁾	4.9	4.9	1.6	(0.3)	11.1
Interest expenses ²⁾	(5.7)	(2.8)	(31.5)	0.3	(39.7)
Corporate income tax	(41.5)	(44.4)	(39.5)	-	(125.4)
Non-cash items:					
Depreciation and amortization (as disclosed in the cash flow statement)	(61.5)	(79.8)	(205.0)	2.9	(343.4)
of which amortization of intangible assets recognized in purchase price allocation (PPA)	(13.0)	(5.9)	(152.1)	-	(171.0)
Costs of share-based payment transactions with employees (SBP)	-	(1.8)	(15.2)	-	(17.0)
Recognition/Reversal of impairment losses on segment's assets	1.3	(3.8)	(3.3)	-	(5.8)
Share of profits of associates and jointly controlled companies	(1.0)	(0.6)	(0.2)	-	(1.8)
Net profit/loss attributable to the Parent Company	124.6	96.3	12.8	1.6	235.3
Cash provided by (used in) operating activities ³⁾	226.0	165.8	184.6	10.0	586.4

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

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

³⁾ Cash generated from operating activities before income tax paid

Selected data from the statement of financial position as at 31 December 2018, in a breakdown to operating segments:

31 Dec. 2018	Asseco Poland segment	Asseco International segment	Formula Systems segment	Eliminations	Total
(restated)	mPLN	mPLN	mPLN	mPLN	mPLN
Non-current assets	3,248.2	1,914.0	2,492.0	(3.3)	7,650.9
of which goodwill	2,257.1	1,367.7	628.3	-	4,253.1
Current assets	766.9	1,239.0	3,000.6	(13.2)	4,993.3
<i>including:</i>					
trade receivables and contract assets	400.8	532.4	1,721.5	(7.7)	2,647.0
cash and cash equivalents	284.2	506.9	1,009.4	-	1,800.5
Non-current liabilities	171.7	238.5	1,452.5	(0.2)	1,862.5
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	38.8	88.9	955.2	-	1,082.9
finance lease liabilities (IAS 17)	23.9	8.2	-	-	32.1
Current liabilities	317.6	765.0	2,052.0	(15.1)	3,119.5
<i>including:</i>					
liabilities under bank loans, borrowings and debt securities	22.4	79.9	479.3	-	581.6
finance lease liabilities (IAS 17)	24.9	4.0	-	-	28.9
trade payables	147.8	447.8	803.2	(9.5)	1,389.3

5. Explanatory notes to the consolidated statement of income

5.1. Breakdown of operating revenues

Operating revenues generated during the periods of 3 and 9 months ended 30 September 2019 and in the comparable periods were as follows:

	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Operating revenues by type of products				
Proprietary software and services	2,245.9	6,319.9	1,853.5	5,453.8
Third-party software and services	193.4	551.7	127.4	442.1
Hardware and infrastructure	299.1	857.7	237.5	782.4
Total	2,738.4	7,729.3	2,218.4	6,678.3
Operating revenues by sectors				
Banking and Finance	1,004.4	2,985.1	930.6	2,652.2
General Business	1,093.9	2,936.7	806.9	2,602.0
Public Institutions	640.1	1,807.5	480.9	1,424.1
Total operating revenues	2,738.4	7,729.3	2,218.4	6,678.3

i. Breakdown of segment revenues by type of products

Operating revenues of individual segments generated by type of products during the period of 9 months ended 30 September 2019 and in the comparable period were as follows:

	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
9 months ended 30 Sept. 2019					
Proprietary software and services	781.4	1,403.8	4,148.3	(13.6)	6,319.9
Third-party software and services	78.1	250.3	229.6	(6.3)	551.7
Hardware and infrastructure	34.3	378.7	444.0	0.7	857.7
Total operating revenues	893.8	2,032.8	4,821.9	(19.2)	7,729.3

	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
9 months ended 30 Sept. 2018					
Proprietary software and services	822.7	1,209.6	3,426.4	(4.9)	5,453.8
Third-party software and services	94.4	221.5	135.5	(9.3)	442.1
Hardware and infrastructure	59.5	374.0	352.6	(3.7)	782.4
Total operating revenues	976.6	1,805.1	3,914.5	(17.9)	6,678.3

ii. Breakdown of segment operating revenues by sectors

Operating revenues of individual segments generated by sectors during the period of 9 months ended 30 September 2019 and in the comparable period were as follows:

	Asseco Poland segment mPLN	Asseco International segment mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total mPLN
9 months ended 30 Sept. 2019					
Banking and Finance	328.6	707.5	1,961.1	(12.1)	2,985.1
General Business	217.9	857.4	1,868.8	(7.4)	2,936.7
Public Institutions	347.3	467.9	992.0	0.3	1,807.5
Total operating revenues	893.8	2,032.8	4,821.9	(19.2)	7,729.3

	Asseco Poland segment mPLN	Asseco International segment (restated) mPLN	Formula Systems segment mPLN	Eliminations mPLN	Total (restated) mPLN
9 months ended 30 Sept. 2018					
Banking and Finance	356.5	617.2	1,687.8	(9.3)	2,652.2
General Business	243.1	821.4	1,544.5	(7.0)	2,602.0
Public Institutions	377.0	366.5	682.2	(1.6)	1,424.1
Total operating revenues	976.6	1,805.1	3,914.5	(17.9)	6,678.3

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

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Israel	2,979.6	2,323.6
USA	1,283.3	1,085.6
Poland	1,042.5	1,121.5
Spain	324.7	276.1
Slovakia	301.5	309.7
Czech Republic	232.9	176.0
Serbia	181.1	127.1
Germany	162.5	133.5
United Kingdom	155.6	145.5
Denmark	137.6	172.7
Other countries	928.0	807.0
Total operating revenues	7,729.3	6,678.3

iv. Revenues from contracts with customers within total operating revenues

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Revenues from contracts with customers recognized in accordance with IFRS 15, of which:	7,667.3	6,617.4
From goods and services transferred at a specific point in time	3,127.8	2,857.4
Asseco Poland segment	82.7	159.5
Asseco International segment	719.3	623.1
Formula Systems segment	2,325.8	2,074.8
From goods and services transferred over the passage of time	4,558.7	3,777.9
Asseco Poland segment	811.1	817.1
Asseco International segment	1,251.5	1,121.1
Formula Systems segment	2,496.1	1,839.7
Intragroup transactions*	(19.2)	(17.9)
Other operating revenues (mainly from leases)**	62.0	60.9
Total operating revenues	7,729.3	6,678.3

* Intragroup transactions include revenues from goods and services transferred at a specific point in time, as well as over the passage of time.

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

Other operating revenues disclosed in the table above, which are not recognized in accordance with IFRS 15, represent primarily revenues generated by Asseco South Eastern Europe Group from the provision of outsourcing services of ATMs and POS terminals. Such contracts are treated as lease contracts and revenues generated therefrom are recognized in accordance with IFRS 16.

5.2. Breakdown of operating costs

The table below presents operating costs incurred in the periods of 3 and 9 months ended 30 September 2019 and in the comparable periods.

Operating costs	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Cost of goods, materials and third-party services sold (COGS)	(425.8)	(1,190.1)	(319.1)	(1,046.9)
Employee benefits	(1,337.8)	(3,873.8)	(1,111.0)	(3,324.5)
Depreciation and amortization	(162.2)	(460.9)	(111.0)	(337.0)
Third-party services*	(390.3)	(1,044.1)	(312.7)	(904.4)
Other	(160.7)	(437.7)	(176.6)	(500.6)
Total	(2,476.8)	(7,006.6)	(2,030.4)	(6,113.4)
Cost of sales	(2,141.6)	(6,049.9)	(1,743.2)	(5,252.5)
Selling costs	(147.3)	(410.3)	(120.3)	(369.4)
General and administrative expenses	(184.7)	(538.8)	(161.8)	(486.2)
(Recognition)/Reversal of allowances for trade receivables	(3.2)	(7.6)	(5.1)	(5.3)
Total	(2,476.8)	(7,006.6)	(2,030.4)	(6,113.4)

* The costs of third-party services include the costs of human resources outsourcing as well as the costs of subcontractors involved in the execution of IT projects, in total amounting to PLN 767.2 million in the period of 9 months ended 30 September 2019, as compared with PLN 654.5 million incurred in the period of 9 months ended 30 September 2018.

In the period of 9 months ended 30 September 2019, other operating costs included primarily maintenance of property and company cars in the amount of PLN 239.5 million, as well as business trips in the amount of PLN 75.8 million. Whereas, in the comparable period other operating costs included primarily maintenance of property and company cars in the amount of PLN 336.7 million, as well as business trips in the amount of PLN 71.2 million. The decrease in the costs of maintenance of property and company cars in relation to the

comparable period resulted basically from transferring a large portion of property and car rental fees from other expenses (in 2018) to depreciation charges (in 2019) due to the implementation of IFRS 16 by the Group.

i. Costs of employee benefits

	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Salaries	(1,162.4)	(3,279.5)	(955.3)	(2,803.6)
Social insurance contributions	(71.4)	(228.2)	(70.8)	(211.6)
Retirement benefit expenses	(92.0)	(273.9)	(80.7)	(231.5)
Costs of share-based payment transactions with employees	(4.3)	(13.2)	(5.3)	(17.0)
Other costs of employee benefits	(7.7)	(79.0)	1.1	(60.8)
Total employee benefit expenses	(1,337.8)	(3,873.8)	(1,111.0)	(3,324.5)

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 25,373 persons, as compared with 23,516 persons in the comparable period.

The costs of equity-settled share-based payment transactions with employees correspond to stock option plans that were awarded to employees of companies incorporated within Formula Systems Group as well as managers of Asseco South Eastern Europe Group, all of which were described in the consolidated financial statements of Asseco Group for the year 2018 (in explanatory note 5.2 ii) that were published on 25 March 2019.

5.3. Financial income and expenses

Financial income earned during the periods of 3 and 9 months ended 30 September 2019 and in the comparable periods was as follows:

Financial income	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Interest income on investments in debt securities and bank deposits carried at amortized cost	4.7	12.2	2.9	9.3
Interest income on other investments in debt securities, leases and trade receivables	0.6	1.6	1.5	1.8
Other interest income	0.1	0.3	-	0.2
Positive foreign exchange differences	13.2	21.5	4.0	46.0
Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss	0.1	3.7	0.3	3.7
Gain on revaluation of deferred and conditional payments for controlling interests in subsidiaries	-	0.4	-	-
Gain on sale of subsidiaries and associates	-	0.2	-	-
Gain on revaluation of liabilities from the acquisition of non-controlling interests (put options)	0.2	1.5	(1.1)*	0.5
Other financial income	(0.6)*	2.3	1.3	1.9
Financial income	18.3	43.7	8.9	63.4
Reversal of impairment losses on financial instruments	0.2	0.2	-	-
Total financial income	18.5	43.9	8.9	63.4

* This negative value resulted from decreasing the amount of income earned in the third quarter.

Financial expenses incurred during the periods of 3 and 9 months ended 30 September 2019 and in the comparable periods were as follows:

Financial expenses	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Interest expenses on bank loans, borrowings, debt securities, leases and trade payables	(26.1)	(63.9)	(14.7)	(39.7)
Other interest expenses	(3.0)	(7.9)	(2.4)	(5.8)
Negative foreign exchange differences	(9.0)	(15.8)	(2.7)	(16.2)
Expenses related to obtaining control over subsidiaries	(2.1)	(2.6)	-	(1.7)
Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss	(5.0)	(7.3)	2.2*	(7.5)
Loss on revaluation of deferred and conditional payments for controlling interests in subsidiaries	-	(1.0)	(0.2)	(6.2)
Loss on revaluation of liabilities from the acquisition of non-controlling interests (put options)	(1.5)	(4.5)	(2.9)	(4.8)
Other financial expenses	(1.8)	(6.5)	2.2*	(3.7)
Total financial expenses	(48.5)	(109.5)	(18.5)	(85.6)

* This positive value resulted from decreasing the amount of costs incurred in the third quarter.

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.

5.4. Corporate income tax

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

	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Current income tax and prior years' adjustments	(59.0)	(165.6)	(47.7)	(149.6)
Deferred income tax	8.2	22.8	10.7	24.2
Income tax expense as disclosed in the income statement	(50.8)	(142.8)	(37.0)	(125.4)

During the period of 9 months ended 30 September 2019, our effective tax rate equalled 22.0%, as compared with 23.4% in the comparable period.

5.5. Earnings per share

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

	3 months ended 30 Sept. 2019	9 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	9 months ended 30 Sept. 2018
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	83,000,303	83,000,303	83,000,303	83,000,303
Net profit attributable to shareholders of the Parent Company for the reporting period (in millions of PLN)	78.5	238.2	78.0	235.3
Consolidated earnings per share for the reporting period (in PLN)	0.95	2.87	0.94	2.83

5.6. Information on dividends paid out

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

In 2018, the Parent Company paid out to its shareholders a dividend for the year 2017. On 25 April 2018, the General Meeting of Shareholders of Asseco Poland S.A. resolved that the whole amount of net profit for the financial year 2017, which equalled PLN 175.6 million, shall be distributed among Shareholders in the form of a dividend payment. Additionally, the General Meeting of Shareholders decided to increase such dividend payment by distributing a portion of prior years' retained earnings in the amount of PLN 74.2 million. This means that the total amount allocated to dividend payment reached PLN 249.8 million, translating into PLN 3.01 per share. The dividend record date was set for 21 May 2018; whereas, the dividend payment was scheduled for 7 June 2018.

6. Explanatory notes to the consolidated statement of financial position

6.1. Property, plant and equipment

The net book value of property, plant and equipment, during the period 9 months ended 30 September 2019 and in the comparable period changed as a result of the following transactions:

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Net book value of property, plant and equipment as at 1 January	828.4	849.1
Impact of the adoption of IFRS 16 on the opening balance	(79.3)	-
Additions, of which:	174.0	113.0
Purchases and modernization	148.2	95.6
Obtaining control over subsidiaries	18.5	2.6
Finance lease contracts (<i>IAS 17 in 2018</i>)	-	9.8
Other	7.3	5.0
Reductions, of which:	(114.3)	(116.6)
Depreciation charges for the reporting period	(101.4)	(107.0)
Loss of control over subsidiaries	(0.1)	-
Disposal and liquidation	(7.9)	(2.7)
Impairment losses	(1.4)	-
Other	(3.5)	(6.9)
Changes in presentation methods	0.1	(1.8)
Foreign exchange differences on translation of foreign operations	17.0	(5.3)
Net book value of property, plant and equipment as at 30 September	825.9	838.4

6.2. Intangible assets

The net book value of intangible assets, during the period of 9 months ended 30 September 2019 and in the comparable period changed as a result of the following transactions:

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Net book value of intangible assets as at 1 January (restated)	1,990.2	2,079.5
Additions, of which:	242.4	155.8
Purchases and modernization	20.9	10.3
Obtaining control over subsidiaries	147.9	86.5
Costs of development projects in progress	73.6	59.0
Reductions, of which:	(232.6)	(238.5)
Amortization charges for the reporting period	(226.4)	(238.3)
Disposal and liquidation	(2.9)	(0.2)
Loss of control over subsidiaries	(2.3)	-
Impairment losses	(1.0)	-
Changes in presentation methods	(1.1)	(4.9)
Foreign exchange differences on translation of foreign operations	166.5	45.0
Net book value of intangible assets as at 30 September	2,165.4	2,036.9

6.3. Right-of-use assets

As described in explanatory note 2.5 to these interim condensed consolidated financial statements, the Group has adopted the new IFRS 16 standard as of 1 January 2019. Following the adoption of this standard, the Group has introduced a new line in the statement of financial position, namely 'Right-of-use assets' reflecting the value of the rights to use underlying assets arising from lease contracts, rental and hire contracts, as well as other contracts of similar nature that meet the definition of a lease under IFRS 16. As a consequence of applying the modified retrospective approach, the Group has not restated the relevant data for the comparable period and such data are not presented.

	9 months ended 30 Sept. 2019
	mPLN
Net book value of right-of-use assets as at 1 January (after the adoption of IFRS 16)	690.4
Additions, of which:	160.5
Conclusion of new lease contracts	144.4
Modification of existing contracts (lease extension, interest rate change)	6.1
Obtaining control over subsidiaries	10.0
Reductions, of which:	(160.4)
Depreciation charges for the reporting period	(144.9)
Loss of control over subsidiaries	(0.5)
Early termination of contracts	(3.6)
Modification of existing contracts (lease shortening, interest rate change)	(11.3)
Other	(0.1)
Changes in presentation methods	0.2
Foreign exchange differences on translation of foreign operations	48.0
Net book value of right-of-use assets as at 30 September	738.7

6.4. Goodwill

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

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

The following table presents the amounts of goodwill as at 30 September 2019 and 31 December 2018, in a breakdown to operating segments:

	30 Sept. 2019	31 Dec. 2018
	mPLN	restated mPLN
Goodwill		
Asseco Poland segment, of which:	2,260.6	2,257.1
Goodwill allocated to individual cash-generating units	343.5	340.0
Asseco Data Systems S.A.	244.3	244.3
Gladstone Consulting Ltd. / GSTN Consulting Sp. z o.o.	36.3	36.3
ZUI Novum Sp. z o.o.	0.3	0.3
SKG S.A.	4.4	4.4
DahliaMatic Sp. z o.o.	54.7	54.7

ComCERT S.A.	3.2	-
Eversoft Poland Sp. z o.o.	0.3	-
Operating segments identified within the Parent Company	1,917.1	1,917.1
Goodwill allocated to the Banking and Finance segment	890.2	890.2
Goodwill allocated to the Public Administration segment	845.9	845.9
Goodwill allocated to the General Business segment	181.0	181.0
Asseco International segment, of which:	1,443.2	1,367.7
Asseco Central Europe Group	730.0	725.8
Asseco South Eastern Europe Group	575.6	509.7
Asseco Spain S.A.	18.6	18.3
Necomplus S.L. ³⁾	-	16.4
Sintagma UAB ¹⁾	0.7	0.6
Asseco Danmark ²⁾	33.1	32.5
Asseco PST Holding SGPS S.A. (former Exictos)	65.5	64.4
Tecnologia Sistemas y Aplicaciones (Tecsisa)	19.7	-
Formula Systems segment	922.6	628.3
Total goodwill	4,626.4	4,253.1

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

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

³⁾ Goodwill recognized on the acquisition of Necomplus SL has been presented within Asseco South Eastern Europe Group since 1 February 2019.

During the period of 9 months ended 30 September 2019, the following changes in goodwill arising from consolidation were observed (the table includes changed components only):

Goodwill as allocated to reportable segments:	Goodwill at the beginning of the period	Obtaining of control / Loss of control / Other changes in the structure	Foreign exchange differences	Goodwill at the end of the period
	mPLN	mPLN	mPLN	mPLN
Asseco International segment				
Asseco Central Europe Group	725.8	(2.1)	6.3	730.0
Asseco South Eastern Europe Group	509.7	58.3	7.6	575.6
Necomplus S.L.	16.4	(16.4)	-	-
Asseco Spain S.A.	18.3	-	0.3	18.6
Sintagma UAB	0.6	-	0.1	0.7
Asseco Danmark	32.5	-	0.6	33.1
Asseco PST Holding SGPS S.A.	64.4	-	1.1	65.5
Tecnologia Sistemas y Aplicaciones (Tecsisa)	-	19.7	-	19.7
Asseco Poland segment				
ComCERT S.A.	-	3.2	-	3.2
Eversoft Poland Sp. z o.o.	-	0.3	-	0.3
Formula Systems segment				
Formula Group	628.3	235.2	59.1	922.6

In the period of 9 months ended 30 September 2019, the balance of goodwill arising from consolidation was affected by the below described transactions. Foreign currency amounts disclosed for individual acquisitions in the tables below have been converted to Polish zlotys at the exchange rates effective as at the acquisition date, whereas in the aggregate table above, changes in goodwill have been converted to Polish zlotys at the average exchange rate for the reporting period.

i. Acquisition of Medatech by Matrix IT

On 20 February 2019, Matrix IT ERP Solutions Ltd. (a subsidiary of Matrix IT) acquired 100% of shares in the company Medatech Information Technology Ltd. based in Israel. The purchase price amounted to NIS 91.4 million (PLN 96.6 million), of which NIS 90.2 million (PLN 95.3 million) was paid in cash, and the remaining amount of NIS 1.2 million (PLN 1.3 million) constitutes a liability under put options.

Medatech Information Technology Ltd. is a provider of ERP solutions development, implementation and maintenance services primarily for manufacturing and distribution companies operating in the Israeli, American and British markets.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized partially in intangible assets in the amount of NIS 25.8 million (PLN 27.3 million), while the remaining amount of NIS 73.3 million (PLN 77.4 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at acquisition date mNIS	Provisional values as at acquisition date mPLN
Assets acquired		
Tangible assets	6.2	6.6
Intangible assets identified under purchase price allocation (PPA)	25.8	27.3
Trade receivables	38.1	40.3
Cash and cash equivalents	10.4	11.0
Other assets	8.5	9.0
Total assets	89.0	94.2
Liabilities acquired		
Bank loans and borrowings	20.1	21.2
Deferred tax liabilities	6.0	6.3
Trade payables	10.5	11.1
Other liabilities	33.9	36.0
Total liabilities	70.5	74.6
Net assets value	18.5	19.6
Value of non-controlling interests (within Medatech Group)	0.4	0.4
Equity interest acquired	100%	100%
Purchase price	91.4	96.6
Goodwill as at the acquisition date	73.3	77.4

ii. Acquisition of Dana Engineering by Matrix IT Group

On 6 February 2019, Aviv Engineering Management and Infrastructure Systems Ltd. (a subsidiary of Matrix IT) acquired 80% of shares in the company Dana Engineering Ltd. based in Israel. The purchase price amounted to NIS 78.4 million (PLN 81.7 million), of which NIS 52 million (PLN 54.2 million) was paid in cash.

All non-controlling interests are puttable and accounted for using the purchase method, whereby the value of put options is measured at purchase price amounting to NIS 26.4 million (PLN 27.5 million), while the carrying amount of non-controlling interests stands at 0. The acquisition agreement provides for bilateral call and put options for the remaining shares in that company, effective over a period of 2 years of the acquisition date.

Dana Engineering is a provider of project management services, covering especially large and complex infrastructure projects in the Israeli market.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of NIS 17.5 million (PLN 18.2 million), while the remaining amount of NIS 45.4 million (PLN 47.3 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mNIS	Provisional values as at the acquisition date mPLN
Assets acquired		
Intangible assets identified under purchase price allocation (PPA)	17.5	18.2
Trade receivables	45.1	47.0
Cash and cash equivalents	54.1	56.4
Other assets	4.5	4.7
Total assets	121.2	126.3
Liabilities acquired		
Deferred tax liabilities	3.0	3.2
Trade payables	42.3	44.1
Other liabilities	42.9	44.6
Total liabilities	88.2	91.9
Net assets value	33.0	34.4
Equity interest acquired	80%	80%
Purchase price	78.4	81.7
Goodwill as at the acquisition date	45.4	47.3

iii. Acquisition of OnTarget by Magic Group

On 28 February 2019, Magic Software Enterprises Ltd. (a company of Formula-Magic Group) acquired 100% of shares in OnTarget Group Inc. based in the United States. The purchase price amounted to USD 14.9 million (PLN 56.4 million), of which USD 6.0 million (PLN 22.6 million) was paid in cash, and the remaining amount constitutes a deferred payment, partially depending on the future operating results achieved by that company.

OnTarget is specialized in outsourcing of software development services.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 6.6 million (PLN 25.0 million), while the remaining amount of USD 9.6 million (PLN 36.3 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.1	0.4
Intangible assets identified under purchase price allocation (PPA)	6.6	25.0
Trade receivables	2.3	8.7
Other assets	0.1	0.4
Total assets	9.1	34.5
Liabilities acquired		
Bank loans and borrowings	0.3	1.1
Trade payables	1.5	5.8
Other liabilities	0.3	1.1
Deferred tax liabilities	1.7	6.4
Total liabilities	3.8	14.4
Net assets value	5.3	20.1
Equity interest acquired	100%	100%
Purchase price	14.9	56.4
Goodwill as at the acquisition date	9.6	36.3

iv. Acquisition of PowWow, Inc.

On 1 April 2019, Magic Software Enterprises Inc. (a company of Formula-Magic Group) acquired 100% of shares in PowWow, Inc. based in the United States. The purchase price amounted to USD 6.3 million (PLN 24.1 million) and it was fully paid in cash.

PowWow, Inc. is a provider of comprehensive solutions for integration and development of web applications as well as IT consulting services.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 2.9 million (PLN 11.1 million), while the remaining amount of USD 7.1 million (PLN 27.2 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Intangible assets identified under purchase price allocation (PPA)	2.9	11.1
Trade receivables	0.5	1.9
Other assets	0.2	0.8
Total assets	3.6	13.8
Liabilities acquired		
Deferred tax liabilities	0.8	3.1
Other liabilities	3.6	13.8
Total liabilities	4.4	16.9
Net assets value	(0.8)	(3.1)
Equity interest acquired	100%	100%
Purchase price	6.3	24.1
Goodwill as at the acquisition date	7.1	27.2

v. Acquisition of TechTop by Matrix Group

On 7 April 2019, Matrix IT Integration and Infrastructures Ltd. (a subsidiary of Formula-Matrix Group) acquired assets of the company TechTop Marketing Ltd. meeting the definition of a business. The purchase price amounted to NIS 15.4 million (PLN 16.3 million) and it was fully paid in cash.

TechTop Marketing is a leading Israeli supplier of professional sound and lighting systems.

As part of the provisional purchase price allocation, the whole excess of the purchase price paid over the value of net assets acquired in the amount of NIS 7.8 million (PLN 8.2 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mNIS	Provisional values as at the acquisition date mPLN
Assets acquired		
Inventories	7.6	8.1
Total assets	7.6	8.1
Total liabilities	-	-
Net assets value	7.6	8.1
Equity interest acquired	100%	100%
Purchase price	15.4	16.3
Goodwill as at the acquisition date	7.8	8.2

vi. Acquisition of ComCERT S.A.

On 20 May 2019, Asseco Poland S.A. acquired 69.01% of shares in the company ComCERT S.A. based in Poland. The purchase price amounted to PLN 3.5 million and it was fully paid in cash. The remaining stake of shares (30.99%) has been covered by a conditional acquisition agreement which is to be finalized within the deadline of 30 September 2021.

ComCERT S.A. is engaged, among others, in the provision of cybersecurity through vulnerability analysis, monitoring, detection and protection against cyberattacks.

As part of the provisional purchase price allocation, the whole excess of the purchase price paid over the value of net assets acquired in the amount of PLN 3.2 million was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mPLN
Assets acquired	
Trade receivables	0.3
Other assets	0.3
Total assets	0.6
Liabilities acquired	
Trade payables	0.1
Other liabilities	0.1
Total liabilities	0.2
Net assets value	0.4
Value of non-controlling interests	0.1
Equity interest acquired	69.01%
Purchase price	3.5
Goodwill as at the acquisition date	3.2

vii. Acquisition of BA Microwave

On 20 June 2019, CommIT Embedded Ltd. (a subsidiary of Magic, Formula Group) acquired 56.66% of shares in the company BA Microwave based in the United States. The purchase price amounted to USD 0.5 million (PLN 1.9 million), of which USD 0.4 million (PLN 1.5 million) was paid in cash, and the remaining amount constitutes a deferred payment depending on the future operating results achieved by that company.

BA Microwave is engaged, among others, in the creation of multidisciplinary products (components, subsystems as well as RF and Microwave systems) used by various types of communication links.

As part of the provisional purchase price allocation, the whole excess of the purchase price paid over the value of net assets acquired in the amount of USD 0.1 million (PLN 0.4 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.3	1.1
Trade receivables	1.2	4.5
Cash and cash equivalents	0.7	2.6
Other assets	1.4	5.3
Total assets	3.6	13.5
Liabilities acquired		
Trade payables	0.4	1.5
Other liabilities	2.4	9.0
Total liabilities	2.8	10.5
Net assets value	0.8	3.0
Value of non-controlling interests	0.4	1.5
Equity interest acquired	56.66%	56.66%
Purchase price	0.5	1.9
Goodwill as at the acquisition date	0.1	0.4

viii. Acquisition of NetEffects

On 30 June 2019, Coretech Consulting Group LLC. (a subsidiary of Magic, Formula Group) acquired the company NetEffects Inc. The newly acquired company is a 100% owned subsidiary of Coretech Consulting Group LLC. The company is based in the United States and specializes in providing qualified IT specialists and their recruitment. The purchase price amounted to USD 12.5 million (PLN 46.7 million), of which USD 9.4 million was paid in cash, while the remaining portion constitutes a conditional payment.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 5.0 million (PLN 18.7 million), while the remaining amount of USD 7.4 million (PLN 27.6 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.1	0.4
Intangible assets (incl. those identified under purchase price allocation (PPA))	5.0	18.7
Trade receivables	5.7	21.3
Other assets	0.2	0.7
Total assets	11.0	41.1
Liabilities acquired		
Trade payables	0.1	0.3
Other liabilities	5.8	21.7
Total liabilities	5.9	22.0
Net assets value	5.1	19.1
Equity interest acquired	100%	100%
Purchase price	12.5	46.7
Goodwill as at the acquisition date	7.4	27.6

ix. Acquisition of Tecsisa

On 23 July 2019, Asseco International, a.s. acquired 51% of shares in the company Tecnología Sistemas y Aplicaciones S.L. (hereinafter "Tecsisa") based in Spain. The purchase price of these shares amounted to EUR 7.2 million (PLN 30.9 million), of which EUR 4.9 million (PLN 21.2 million) was paid in cash, and the remaining amount constitutes a conditional payment depending on the future operating results achieved by that company.

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

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of EUR 2.3 million (PLN 9.8 million), while the remaining amount of EUR 4.6 million (PLN 19.8 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mEUR	Provisional values as at the acquisition date mPLN
Assets acquired		
Intangible assets (incl. those identified under purchase price allocation (PPA))	6.2	26.6
Trade receivables	1.2	5.1
Cash and cash equivalents	0.9	3.9
Other assets	0.4	1.7
Total assets	8.7	37.3

Liabilities acquired		
Bank loans and borrowings	2.0	8.6
Trade payables	0.4	1.7
Other liabilities	0.3	1.3
Deferred tax liabilities	0.8	3.4
Total liabilities	3.5	15.0
Net assets value	5.2	22.3
Value of non-controlling interests	2.6	11.2
Equity interest acquired	51%	51%
Purchase price	7.2	30.9
Goodwill as at the acquisition date	4.6	19.8

x. Acquisition of Basilichi CEE d.o.o.

On 30 July 2019, Payten d.o.o. Belgrade acquired 100% of shares in the company Basilichi CEE d.o.o. based in Serbia. The transaction price amounted to EUR 1 and the net assets value as at the acquisition date amounted to EUR -0.6 million (PLN -2.7 million).

Basilichi CEE d.o.o. Belgrade is primarily a provider of services for online payments processing.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of EUR 0.3 million (PLN 1.4 million), while the remaining amount of EUR 0.6 million (PLN 2.7 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company.

xi. Acquisition of B Services d.o.o. Podgorica

On 31 July 2019, Payten d.o.o. Podgorica acquired 100% of shares in the company B Services d.o.o. Podgorica, based in Montenegro. The transaction price amounted to EUR 0.4 million (PLN 1.8 million) and the net assets value as at the acquisition date amounted to EUR 0.1 million (PLN 0.4 million). As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired in the amount of EUR 0.3 million (PLN 1.4 million) was allocated to goodwill.

Basilichi CEE d.o.o. Belgrade is primarily a provider of services for online payments processing.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company.

xii. Acquisition of Mobven Teknoloji A.S.

On 9 August 2019, Payten Teknoloji A.S. acquired 100% of shares in the company Mobven Teknoloji A.S. based in Turkey. The purchase price amounted to USD 7.3 million (PLN 28.0 million), of which USD 1.9 million (PLN 7.6 million) was paid in cash, and the remaining amount constitutes a deferred payment depending on the future operating results achieved by that company.

Mobven Teknoloji A.S. is mainly engaged in the commercialization of technological solutions.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 0.2 million (PLN 0.9 million), while the remaining amount of USD 6.4 million (PLN 24.5 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.2	0.9
Intangible assets (incl. those identified under purchase price allocation (PPA))	0.2	0.9
Right-of-use assets	0.1	0.5
Trade receivables	0.4	1.5
Cash and cash equivalents	0.3	1.0
Other assets	0.1	0.2
Total assets	1.3	5.0
Liabilities acquired		
Lease liabilities	0.1	0.5
Other liabilities	0.3	1.0
Total liabilities	0.4	1.5
Net assets value	0.9	3.5
Equity interest acquired	100%	100%
Purchase price	7.3	28.0
Goodwill as at the acquisition date	6.4	24.5

xiii. Acquisition of SONET Spol. s.r.o. and SONET Slovakia s.r.o.

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

Both SONET Spol. s.r.o. and SONET Slovakia s.r.o. are primarily engaged in the provision of services for online payments processing.

As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of EUR 0.2 million (PLN 1.0 million), while the remaining amount of EUR 2.3 million (PLN 10.1 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mEUR	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.4	1.8
Intangible assets (incl. those identified under purchase price allocation (PPA))	0.2	1.0
Right-of-use assets	0.2	0.9
Trade receivables	1.1	4.8
Cash and cash equivalents	2.1	8.9
Other assets	0.1	0.6
Total assets	4.1	18.0
Liabilities acquired		
Bank loans and borrowings	0.0	0.2
Lease liabilities	0.2	0.9
Trade payables	0.4	1.6
Other liabilities	0.2	1.0
Total liabilities	0.8	3.7
Net assets value	3.3	14.3
Equity interest acquired	100%	100%
Purchase price	5.6	24.4
Goodwill as at the acquisition date	2.3	10.1

xiv. Obtaining control over SCS

On 30 September 2019, Asseco Solutions AG (Germany) purchased an additional stake of 55% of shares in the company SCS Smart Connected GmbH, thereby obtaining control over that entity. SCS used to be an associated company before. The purchase price of these shares amounted to EUR 27.5 thousand.

As part of the provisional purchase price allocation, the whole excess of the purchase price paid over the value of net assets acquired in the amount of EUR 3 million (PLN 13.1 million) was allocated to intangible assets (no goodwill was recognized).

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company.

xv. Acquisition of Calculo S.A.U.

On 30 September 2019, Sapiens (UK) Ltd. (a subsidiary of Sapiens Group) acquired 100% of shares in the company Calculo S.A.U. based in Spain. The purchase price amounted to USD 6.2 million (PLN 24.7 million), of which USD 1.36 million (PLN 6.3 million) was paid in cash. Calculo S.A.U. is a provider of IT solutions in the fields of artificial intelligence and laboratory data analysis. As part of the provisional purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of USD 0.8 million (PLN 3.2 million), while the remaining amount of USD 0.8 million (PLN 3.2 million) was allocated to goodwill.

Until 30 September 2019, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over that company. The provisional values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mUSD	Provisional values as at the acquisition date mPLN
Assets acquired		
Property, plant and equipment	0.2	0.7
Intangible assets (incl. those identified under purchase price allocation (PPA))	0.8	3.2
Trade receivables	1.3	5.1
Cash and cash equivalents	4.1	16.2
Other assets	0.2	1.2
Total assets	6.6	26.4
Liabilities acquired		
Trade payables and other liabilities	1.2	4.9
Total liabilities	1.2	4.9
Net assets value	5.4	21.5
Equity interest acquired	100%	100%
Purchase price	6.2	24.7
Goodwill as at the acquisition date	0.8	3.2

xvi. Accounting for the acquisition of PVBS by Matrix IT

As described in the interim condensed consolidated financial statements for the period of 3 months ended 31 March 2018, on 13 March 2018, Xtivia Technologies Inc. (a subsidiary of Matrix IT Group) acquired 100% of shares in PVBS LLC based in the United States.

The purchase price amounted to NIS 36.6 million (PLN 36.3 million), of which NIS 26.7 million (PLN 26.5 million) was paid in cash, and the remaining amount constitutes a deferred payment depending on the future operating results achieved by that company.

PVBS LLC is engaged, among others, in the implementation and integration of ERP systems for government agencies as well as for providers of services to state institutions operating in the US market.

Under the final purchase price allocation, the excess of the purchase price paid over the value of net assets acquired was recognized in intangible assets in the amount of NIS 6.4 million (PLN 6.3 million), while the remaining amount of NIS 27.4 million (PLN 27.2 million) was allocated to goodwill.

The process of purchase price allocation was completed by the Group in the first quarter of 2019. The fair values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mNIS	Provisional values as at acquisition date mPLN	Fair values as at acquisition date mNIS	Fair values as at the acquisition date mPLN
Assets acquired				
Intangible assets identified under purchase price allocation (PPA)	11.7	11.6	6.4	6.3
Trade receivables	2.8	2.8	2.8	2.8
Cash and cash equivalents	7.4	7.3	7.4	7.3
Other assets	0.7	0.7	0.7	0.7
Total assets	22.6	22.4	17.3	17.1
Liabilities acquired				
Deferred tax liabilities	3.2	3.2	1.8	1.8
Trade payables	1.4	1.4	1.4	1.4
Other liabilities	5.0	5.0	4.9	4.8
Total liabilities	9.6	9.6	8.1	8.0
Net assets value	13.0	12.8	9.2	9.1
Equity interest acquired	100%	100%	100%	100%
Purchase price	38.0	37.7	36.6	36.3
Goodwill as at the acquisition date	25.0	24.9	27.4	27.2

xvii. Accounting for the acquisition of DWC by ACE Group

As described in the consolidated financial statements for the year ended 31 December 2018, on 21 June 2018, Asseco Central Europe a.s. (Slovakia) acquired 66% of shares in DWC Slovakia a.s., based in Slovakia, thereby obtaining control over that company. The purchase price of these shares amounted to EUR 5.1 million (PLN 22.1 million) and it was fully paid in cash.

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

As part of the final purchase price allocation, the excess of the purchase price paid over the value of net assets acquired in the amount of EUR 1.2 million (PLN 5.2 million) was recognized in intangible assets, while the remaining amount of EUR 4.0 million (PLN 17.3 million) was allocated to goodwill.

The process of purchase price allocation was completed by the Group in the first half of 2019. The fair values of identifiable assets and liabilities of the acquired company as at the acquisition date are presented below:

	Provisional values as at the acquisition date mEUR	Provisional values as at acquisition date mPLN	Fair values as at acquisition date mEUR	Fair values as at the acquisition date mPLN
Assets acquired				
Intangible assets identified under purchase price allocation (PPA)	1.0	4.2	1.2	5.2
Trade receivables	2.3	10.0	2.3	10.0
Cash and cash equivalents	1.1	4.8	1.1	4.8
Deferred tax assets	-	-	0.3	1.3
Other assets	1.1	4.8	1.1	4.8
Total assets	5.5	23.8	6.0	26.1
Liabilities acquired				
Provisions	-	-	1.3	5.6
Trade payables	1.8	7.8	1.8	7.8
Liabilities to the state and local budgets	0.5	2.2	0.5	2.2
Deferred tax liabilities	0.2	0.9	0.3	1.3
Other liabilities	0.5	2.2	0.5	2.2
Total liabilities	3.0	13.1	4.4	19.1
Net assets value	2.5	10.7	1.6	7.0
Value of non-controlling interests	0.8	3.5	0.5	2.2
Equity interest acquired	66%	66%	66%	66%
Purchase price	5.1	22.1	5.1	22.1
Goodwill as at the acquisition date	3.4	14.9	4.0	17.3

xviii. Accounting for the acquisition of Alius Corp, Integrity and Cambium

In the first quarter of 2019, the Group also completed the purchase price allocation of Alius Corp., Integrity Software 2011 Ltd. and Cambium Ltd. (all of which being companies of Matrix Group included in the Formula Systems segment). The fair values of identifiable assets and liabilities of all these three companies as at acquisition date were equal to their provisional values presented in explanatory note 6.4 to the consolidated financial statements for the year ended 31 December 2018.

xix. Loss of control within ACE Group

On 14 April 2019, ACE Group lost control over the company Prosoft s.r.o. The company's net assets as at the date of losing control amounted to EUR 0.4 million (PLN 1.8 million), and due to the loss of control, the Group recognized the amount of EUR 40 thousand (PLN 0.2 million) in equity attributable to shareholders of the Parent Company. From the date of losing control, Prosoft s.r.o. has been treated as a joint venture and accounted for using the equity method.

6.5. Associates and joint ventures

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

Financial data of associates and joint ventures	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN
Non-current assets	245.8	176.5
Current assets	217.2	176.5
Non-current liabilities	91.8	34.9
Current liabilities	142.4	108.6
Net assets	228.8	209.5
Book value of investments	139.6	111.5

Financial data of associates and joint ventures	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Revenues	301.0	248.2
Operating profit	1.9	2.9
Net profit (loss)	4.8	(0.1)
Share of profits of associates and joint ventures	1.8	(1.8)

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

The increase in individual amounts presented above in comparison to those reported for respective comparable periods is attributable, among others, the acquisition of shares in new companies, such as Nextbank Software Sp. z o.o. and Prosoft s.r.o.

The largest among our companies consolidated using the equity method is TSG IT Advanced Systems Ltd. (included in the Formula Systems segment) which is a jointly controlled company. Other companies with the largest carrying value of investment include: Nextbank Software Sp. z o.o. (the Asseco Poland segment) as well as Prvni Certifikační Autorita a.s., Prosoft s.r.o. and EdgeCom s.r.o. (all from ACE Group, the Asseco International segment).

6.6. Entities with significant non-controlling interests

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

In the Management's opinion, the entities with significant individual non-controlling interests are: Matrix IT Group, Magic Software Enterprises Group, Sapiens International Group, Asseco South Eastern Europe Group, as well as Asseco Central Europe Group, among others including Asseco Business Solutions. In the case of

other entities with non-controlling interests, individual non-controlling interests do not exceed 2% of total non-controlling interests therein, hence they have not been considered as entities with significant non-controlling interests.

The tables below present the selected financial data of entities with significant individual non-controlling interests for the period of 9 months ended 30 September 2019 and as at 30 September 2019, 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	30 Sept. 2019	31 Dec. 2018
Matrix IT Ltd. *	87.61%	87.06%
Magic Software Enterprises Ltd. *	88.50%	88.11%
Sapiens International Corp. NV *	87.83%	87.36%
ASEE Group	48.94%	48.94%
ACE Group	8.67%	7.19%

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

Group name	Carrying value of non-controlling interests* 30 Sept. 2019	31 Dec. 2018
Formula Group**	1,620.8	1,374.0
ASEE Group	396.7	375.6
ACE Group (including ABS)	193.0	192.3
Other individually insignificant	0.6	2.6
Total	2,211.1	1,944.5

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

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

Group name	Net profit attributable to non-controlling interests 9 months ended		Dividends paid out to non-controlling interests 9 months ended	
	30 Sept. 2019	30 Sept. 2018	30 Sept. 2019	30 Sept. 2018
Matrix IT Ltd.	101.2	61.7	(58.6)	(54.0)
Magic Software Enterprises Ltd.	54.6	48.5	(39.9)	(34.0)
Sapiens International Corp. NV	45.0	3.9	(21.2)	(0.2)
ASEE Group	30.7	22.2	(13.7)	(13.6)
ACE Group (including ABS)	30.2	26.3	(33.7)	(29.7)
Other individually insignificant	8.2	11.4	(49.6)	(24.1)
Total	269.9	174.0	(216.7)	(155.6)

	Matrix IT Ltd.	Magic Software Enterprises Ltd.	Sapiens International Corp. NV	ASEE Group	ACE Group
30 Sept. 2019					
Non-current assets	1,721.3	623.5	1,219.1	806.4	849.0
Current assets	1,831.3	809.3	615.4	416.7	442.0
of which cash and cash equivalents	403.6	307.6	292.6	149.7	95.9
Non-current liabilities	639.6	210.8	493.3	139.5	162.0
Current liabilities	1,734.3	377.8	463.0	277.3	369.3
31 Dec. 2018					
Non-current assets	1,465.0	740.0	1,178.0	628.4	724.1
Current assets	1,480.0	793.0	553.0	361.9	464.7
of which cash and cash equivalents	306.0	328.0	243.0	164.8	154.1
Non-current liabilities	530.0	120.0	339.0	22.1	91.5
Current liabilities	1,112.0	309.0	376.0	202.3	341.9

	Matrix IT Ltd.	Magic Software Enterprises Ltd.	Sapiens International Corp. NV	ASEE Group	ACE Group
Period of 9 months ended 30 September 2019					
Cash provided by (used in) operating activities	220.2	136.5	214.6	68.1	115.0
Net cash provided by (used in)	(128.3)	(86.8)	(55.3)	(65.9)	(26.7)

investing activities					
Net cash provided by (used in) financing activities	51.3	(79.3)	(105.4)	(15.5)	(128.8)
Period of 9 months ended 30 September 2018					
Cash provided by (used in) operating activities	24.7	90.2	69.5	68.0	77.0
Net cash provided by (used in) investing activities	(71.1)	(20.1)	(23.0)	(37.0)	(46.2)
Net cash provided by (used in) financing activities	22.3	62.9	(6.2)	(23.8)	(29.0)

6.7. Other financial assets

Both as at 30 September 2019 and 31 December 2018, 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.

	30 Sept. 2019		31 Dec. 2018	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Financial assets carried at fair value through profit or loss, of which:				
Currency forward contracts	2.3	0.3	2.4	1.8
Corporate and Treasury bonds	4.4	-	4.3	-
Shares in companies quoted in an active market	0.7	0.1	0.8	-
Other assets	10.8	-	10.3	-
	18.2	0.4	17.8	1.8
Financial assets carried at fair value through other comprehensive income, of which:				
Shares in companies not quoted in an active market	12.6	-	29.0	-
Corporate bonds	-	26.3	-	32.9
	12.6	26.3	29.0	32.9
Financial assets carried at amortized cost, of which:				
Promissory notes	-	3.3	-	3.2
Other debt securities	5.1	-	4.8	0.1
Loans, of which:				
granted to related parties	12.6	4.7	18.4	1.3
granted to employees	1.0	2.7	0.3	2.6
granted to other entities	98.2	22.6	104.3	16.5
term cash deposits	5.2	45.2	0.5	80.9
	122.1	78.5	128.3	104.6
Total	152.9	105.2	175.1	139.3

Changes in the fair value measurement of financial instruments carried at fair value, and changes in the classification of financial instruments

In the period of 9 months ended 30 September 2019, the Group did not change its methods for measuring the fair value of financial instruments carried at fair value nor did it transfer any instruments between individual levels of the fair value hierarchy.

Both as at 30 September 2019 and 31 December 2018, the fair values of financial assets were not significantly different from their book values.

As at 30 September 2019	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial assets carried at fair value through profit or loss				
Currency forward contracts	2.6	-	2.6	-
Corporate and Treasury bonds	4.4	4.4	-	-
Shares in companies quoted in an active market	0.8	0.8	-	-
Other assets	10.8	-	10.8	-
Total	18.6	5.2	13.4	-
Financial assets carried at fair value through other comprehensive income				
Shares in companies not listed on regulated markets	12.6	-	-	12.6
Corporate bonds	26.3	-	26.3	-
Total	38.9	-	26.3	12.6

- i. fair value determined on the basis of quoted prices offered in active markets for identical assets;
- ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;
- iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

As at 31 December 2018	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial assets carried at fair value through profit or loss				
Currency forward contracts	4.2	-	4.2	-
Treasury and corporate bonds (quoted in an active market)	4.3	4.3	-	-
Shares in companies quoted in an active market	0.8	0.8	-	-
Other assets	10.3	-	10.3	-
Total	19.6	5.1	14.5	-
Financial assets available for sale				
Shares in companies not listed on regulated markets	29.0	-	-	29.0
Treasury and corporate bonds	32.9	-	32.9	-
Total	61.9	-	32.9	29.0

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

6.8. Prepayments and accrued income

As at 30 September 2019 and 31 December 2018, prepayments and accrued income included the following items:

	30 Sept. 2019		31 Dec. 2018	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Prepaid services, of which:	73.6	220.4	58.1	149.6
<i>maintenance services and license fees</i>	71.3	171.3	52.0	125.0
<i>rents</i>	0.2	2.3	5.1	3.3
<i>insurances</i>	0.2	8.4	0.1	4.0
<i>other services</i>	1.9	38.4	0.9	17.3
Expenses related to services performed for which revenues have not been recognized yet	0.3	16.0	1.1	4.2
Other prepayments and accrued income	-	18.2	-	14.7
Total	73.9	254.6	59.2	168.5

6.9. Receivables and contract assets

The table below presents receivables and assets from contracts with customers as at 30 September 2019 as well as at 31 December 2018.

	30 Sept. 2019		31 Dec. 2018	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Trade receivables, of which:				
Invoiced receivables	10.0	2,097.5	15.0	2,118.6
from related parties	-	4.0	-	4.5
from other entities	10.0	2,093.5	15.0	2,114.1
Uninvoiced receivables	2.4	531.9	4.6	381.7
from related parties	-	0.3	-	0.3
from other entities	2.4	531.6	4.6	381.4
Receivables from operating leases	-	10.0	-	8.8

Allowances for trade receivables	-	(86.3)	-	(76.4)
Total trade receivables	12.4	2,553.1	19.6	2,432.7
Corporate income tax receivable	-	66.3	-	47.6
Receivables from the state and local budgets	-	35.4	-	37.3
Value added tax	-	21.3	-	19.9
Other	-	14.1	-	17.4
Other receivables	111.3	68.1	107.9	38.9
Other receivables	111.3	82.2	107.9	51.6
Allowances for other doubtful receivables (-)	-	(14.1)	-	(12.7)
Total receivables	123.7	2,722.9	127.5	2,556.5

Receivables from valuation of IT contracts result from the excess of the percentage of completion of implementation contracts over invoices issued.

					30 Sept. 2019		31 Dec. 2018	
					Long-term	Short-term	Long-term	Short-term
					mPLN	mPLN	mPLN	mPLN
Contract assets (receivables from valuation of IT contracts)								
from related parties					-	0.3	-	1.5
from other entities					-	286.1	-	212.8
Total contract assets					-	286.4	-	214.3

Related party transactions have been presented in explanatory note 6.19 to these interim condensed consolidated financial statements.

Changes in the amount of allowances for trade receivables during the period of 9 months ended 30 September 2019 and in the comparable period are presented in the table below:

Allowances for trade receivables	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
As at 1 January	(76.4)	(82.1)
Recognized during the reporting period	(27.1)	(32.2)
Utilized during the reporting period	3.1	10.0
Reversed during the reporting period	19.5	27.4
Acquisition of subsidiaries	(2.6)	-
Loss of control over subsidiaries	0.2	-
Foreign exchange differences	(3.0)	(1.5)
As at the end of the reporting period	(86.3)	(78.4)

6.10. Inventories

The table below presents inventories as at 30 September 2019 and in the comparable period:

Inventories	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN
Computer hardware, third-party software licenses and other goods for resale	124.7	92.8
Computer hardware, spare parts and other materials intended for the performance of repair/maintenance services	19.2	19.7
Impairment losses on inventories	(19.8)	(18.2)
Total	124.1	94.3

Changes in the amount of impairment losses on inventories during the period of 9 months ended 30 September 2019 and in the comparable period are presented in the table below:

Impairment losses on inventories	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
As at 1 January	(18.2)	(15.5)
Recognized during the reporting period	(3.6)	(2.7)
Utilized during the reporting period	0.8	0.2
Reversed during the reporting period	3.3	1.4
Acquisition of subsidiaries	(1.9)	-
Foreign exchange differences	(0.2)	(0.1)
As at the end of the reporting period	(19.8)	(16.7)

6.11. Cash and cash equivalents

The table below presents cash and cash equivalents as at 30 September 2019 and in the comparable period:

	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN
Cash at bank accounts	1,255.1	1,208.0
Cash at split payment accounts	1.1	1.9
Cash on hand	0.7	0.6
Short-term bank deposits (up to 3 months)	670.0	589.1
Other cash equivalents	0.5	0.9
Total cash and cash equivalents as disclosed in the statement of financial position	1,927.4	1,800.5
Bank overdraft facilities utilized for current liquidity management	(48.4)	(33.0)
Total cash and cash equivalents as disclosed in the cash flow statement	1,879.0	1,767.5

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

6.12. Lease liabilities

As at 30 September 2019, assets used under lease contracts where the Group is a lessee, included:

- office buildings,
- cars,
- IT hardware.

The table below presents the amounts of lease liabilities as at 30 September 2019 as well as at 31 December 2018. Figures reported as at 31 December 2018 have been disclosed in accordance with IAS 17 (as described in explanatory note 2.5 to these interim condensed consolidated financial statements) and they represent finance lease liabilities. Whereas, lease liabilities reported as at 30 September 2019 include all liabilities arising from contracts that used to be accounted for as finance leases and operating leases in accordance with IAS 17, as well as liabilities arising from contracts for perpetual usufruct of land that also meet the definition of a lease under IFRS 16.

Lease liabilities	30 Sept. 2019 (IFRS 16)		31 Dec. 2018 (IAS 17)	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Leases of real estate	490.7	204.1	20.3	22.9
Leases of transportation vehicles	27.8	14.7	8.7	4.8
Leases of IT hardware	7.7	5.5	3.1	1.2
Total	526.2	224.3	32.1	28.9

6.13. Bank loans, borrowings and debt securities

The table below presents the Group's debt outstanding as at 30 September 2019 and 31 December 2018.

	30 Sept. 2019		31 Dec. 2018	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Bank loans	539.0	786.0	650.7	366.1
- overdraft facilities	-	506.6	-	46.4
- non-revolving loans	539.0	279.4	650.7	319.7
Bonds	735.8	86.6	432.0	209.9
Borrowings	3.2	5.7	0.2	5.6
Total	1,278.0	878.3	1,082.9	581.6

The Group's total liabilities under all bank loans and borrowings obtained and debt securities issued aggregated at PLN 2,156.3 million as at 30 September 2019, as compared with PLN 1,664.5 million outstanding as at 31 December 2018. Our total debt increased mainly due to transactions conducted within the Formula Systems segment, including loans obtained within Matrix IT Group and issuance of bonds by Formula Systems (1985).

Bank overdraft facilities outstanding as at 30 September 2019 and 31 December 2018 are presented in the tables below.

Loan currency	Effective interest rate	Actual amount of debt as at 30 September 2019 mPLN	Maximum debt limit available mPLN	Unused amount of loan facilities mPLN
EUR	EURIBOR + margin	7.9	82.6	74.7
	Fixed interest rate	2.5	36.2	33.7
NIS	Prime (Israel) + margin	454.8	454.8	-
PLN	WIBOR + margin	4.5	684.7	680.2
USD	Fixed interest rate	5.9	5.9	-
MKD	Fixed interest rate	-	0.2	0.2
DKK	Fixed interest rate	13.7	13.7	-
HUF	BUBOR + margin	5.9	5.9	-
CHF	Fixed interest rate	0.3	0.4	0.1
PEN	Fixed interest rate	-	0.6	0.6
COP	Fixed interest rate	11.1	11.1	-
		506.6	1,296.1	789.5

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

RON	EURIBOR + margin	6.6	12.8	6.2
		46.4	826.6	780.2

Non-revolving bank loans outstanding as at 30 September 2019 and 31 December 2018 are presented in the table below.

Loan currency	Effective interest rate	30 Sept. 2019		31 Dec. 2018	
		Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
EUR	EURIBOR + margin	31.2	22.9	14.0	12.3
	Fixed interest rate	47.1	24.4	63.7	22.4
HRK/EUR	EURIBOR + margin	11.9	3.2	4.3	2.9
	Fixed interest rate	3.1	1.7	-	-
NIS	Fixed interest rate	445.5	218.1	516.1	249.2
PLN	WIBOR + margin	-	-	45.5	19.6
USD	Fixed interest rate	0.2	0.2	7.1	3.3
RON	EURIBOR + margin	-	8.8	-	10.0
COP	Fixed interest rate	-	0.1	-	-
		539.0	279.4	650.7	319.7

On 13 March 2019, Asseco Poland S.A. terminated two investment loan agreements concluded on 20 September 2010 and on 29 May 2013 and, at the same time, informed about its intention to make an early repayment of both the loans along with all interest due. As a consequence, in the first half of 2019, the Parent Company paid off all of investment loans along with interest and thus, as at the date of publication of these interim condensed consolidated financial statements, Asseco Poland S.A. has no debt under any investment loans.

The Group's liabilities under debt securities are attributable to bonds issued by Formula Systems and Sapiens International. This debt has been described in detail in explanatory note 6.16 to the Group's consolidated financial statements for the year 2018.

Moreover, on 31 March 2019, Formula Systems issued a new tranche of series C bonds with a total face value of NIS 300 million. The newly issued bonds have been secured by pledging shares in the subsidiaries of Formula Systems. The issued bonds bear a fixed interest rate of 2.29% per annum, with semi-annual interest capitalization.

As at 30 September 2019, liabilities of Formula Systems arising from the issuance of bonds amounted to PLN 545.3 million.

Division into short- and long-term portion	Series	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN	Effective interest rate	Currency
long-term portion	Series A	159.5	174.1	2.38%	NIS
	Series C	341.2	-	2.54%	NIS
short-term portion	Series A	40.6	37.2	2.38%	NIS
	Series B	-	130.5	3.65%	NIS/USD
	Series C	4.0	-	2.54%	NIS
		545.3	341.8		

As at 30 September 2019, liabilities of Formula Systems under series B bonds were lower than those reported as at 31 December 2018 as a result of redemption of these bonds for the amount of PLN 43.0 million, as well as conversion of the remaining portion of these bonds into ordinary shares of that company.

In 2017, Sapiens International issued series B bonds under a public offering and private placement with a total value of NIS 280 million. The table below presents liabilities arising from these bonds as at 30 September 2019.

Division into short- and long-term portion	Series	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN	Effective interest rate	Currency
long-term portion	Series B	235.1	257.9	3.69%	NIS/USD
short-term portion	Series B	42.0	42.2	3.69%	NIS/USD
		277.1	300.1		

Borrowings outstanding as at 30 September 2019 and 31 December 2018 are presented in the table below.

Loan currency	Effective interest rate	Repayment date	30 Sept. 2019		31 Dec. 2018	
			Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
EUR	Fixed interest rate	2020	-	0.8	0.1	-
		2021	1.0	0.6	0.1	-
		2022	1.4	0.5	-	-
		2030	0.8	-	-	-
NIS	fixed interest rate	not specified	-	-	-	1.9
		2020	-	2.1	-	-
PLN	fixed interest rate	2019	-	0.5	-	3.7
		2020	-	1.2	-	-
			3.2	5.7	0.2	5.6

Assets serving as collateral for bank loan facilities:

Category of assets	Net value of assets		Utilized amount of bank loans secured with assets	
	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN
Land and buildings	110.9	205.4	3.5	56.7
Other tangible assets	9.0	1.1	8.8	10.0
Shares in subsidiaries	1,388.4	768.7	403.7	320.4
Other financial assets	3.0	-	2.0	-
Inventories	2.7	3.3	-	-
Current and future receivables	34.0	42.1	-	-
Total	1,548.0	1,020.6	418.0	387.1

Some loans obtained from banks come with the so-called covenants which impose an obligation to maintain certain financial ratios at the levels required by the bank. In the event a company carrying such a covenanted loan fails to satisfy the said requirements, the bank may apply a sanction in the form of a higher credit margin. Should the bank deem the new level of a ratio to be unacceptable, the bank may also in certain cases exercise its rights in the collateral provided. Both as at 30 September 2019 and 31 December 2018, Asseco Group companies did not infringe any covenants defined in their loan agreements.

Fair value of financial liabilities

In the period of 9 months ended 30 September 2019, the Group did not transfer any debt instruments between individual levels of the fair value hierarchy. Both as at 30 September 2019 and 31 December 2018, the fair values of bank loans and debt securities issued were not significantly different from their book values.

As at 30 September 2019	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Interest-bearing bank loans and debt securities issued				
Bank loans	1,325.0	-	-	1,325.0
- overdraft facilities	506.6	-	-	506.6
- non-revolving loans	818.4	-	-	818.4
Bonds	822.4	822.4	-	-
Borrowings	8.9	-	-	8.9
Total	2,156.3	822.4	-	1,333.9

- i. fair value determined on the basis of quoted prices offered in active markets for identical assets;
ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;
iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

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

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

6.14. Other financial liabilities

Other financial liabilities	30 Sept. 2019		31 Dec. 2018 <i>restated</i>	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Dividend payment liabilities	-	7.7	-	15.8
Liabilities under deferred and/or conditional payments for controlling interests	80.7	65.1	20.7	27.4
Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	219.3	193.6	157.8	154.8
Other financial liabilities	5.1	0.4	0.3	1.1
	305.1	266.8	178.8	199.1

Both as at 30 September 2019 and 31 December 2018, dividend payment liabilities comprised basically dividends payable to non-controlling shareholders in subsidiaries and indirect subsidiaries of the Parent Company.

As at 30 September 2019 and 31 December 2018, the Group carried estimated liabilities arising from deferred and/or conditional payments for controlling interests. The amounts of the above-mentioned liabilities have been measured using the price calculation formula as defined in the controlling interest acquisition agreements, which usually corresponds to a given company's profit for the contractual term multiplied by a predetermined coefficient. The table below presents liabilities arising from deferred and/or conditional payments for controlling interests in subsidiaries as at 30 September 2019 and 31 December 2018:

Liabilities under deferred and/or conditional payments for controlling interests	30 Sept. 2019	31 Dec. 2018 <i>restated</i>
	mPLN	mPLN
Liabilities from acquisitions made by Asseco Poland S.A. in international market	2.8	-
Liabilities from acquisitions made within the Asseco International segment	52.0	6.0
Liabilities from acquisitions made within the Formula Systems segment	91.0	42.1
	145.8	48.1

As at 30 September 2019 and 31 December 2018, the Group had liabilities arising from the acquisition of non-controlling interests in subsidiaries (put options). The amounts of such liabilities have been estimated using the formula for calculation of the exercise price of options that the Group granted to non-controlling shareholders, which corresponds to a given company's profit for the contractual term multiplied by a predetermined coefficient.

The table below presents liabilities arising from put options granted to non-controlling shareholders in subsidiaries as at 30 September 2019 and 31 December 2018:

Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	30 Sept. 2019 mPLN	31 Dec. 2018 mPLN
Liabilities of companies within the Asseco Poland segment	61.3	57.3
Liabilities of companies within the Asseco International segment	74.4	45.4
Liabilities of companies within the Formula Systems segment	277.2	209.9
	412.9	312.6

Both as at 30 September 2019 and 31 December 2018, the fair values of financial liabilities were not significantly different from their book values.

As at 30 September 2019	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial liabilities				
dividend payment liabilities	7.7	-	-	7.7
liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	145.8	-	-	145.8
liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	412.9	-	-	412.9
other financial liabilities	5.5	-	5.5	-
Total	571.9	-	5.5	566.4

i. fair value determined on the basis of quoted prices offered in active markets for identical assets;

ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;

iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

As at 31 December 2018 <i>restated</i>	Carrying value mPLN	Level 1 ⁱ⁾ mPLN	Level 2 ⁱⁱ⁾ mPLN	Level 3 ⁱⁱⁱ⁾ mPLN
Financial liabilities				
dividend payment liabilities	15.8	-	-	15.8
liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	48.1	-	-	48.1
liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	312.6	-	-	312.6
other financial liabilities	1.4	-	1.4	-
Total	377.9	-	1.4	376.5

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

6.15. Trade payables, state budget liabilities and other liabilities

The table below presents the structure of the Group's liabilities outstanding as at 30 September 2019 and 31 December 2018:

	30 Sept. 2019		31 Dec. 2018	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Trade payables, of which:	3.0	801.0	7.5	938.2
Invoiced payables	1.5	503.9	-	736.0
from related parties	-	1.3	-	2.1
from other entities	1.5	502.6	-	733.9
Uninvoiced payables	1.5	297.1	7.5	202.2
from related parties	-	0.6	-	0.1
from other entities	1.5	296.5	7.5	202.1
Corporate income tax payable	-	70.8	-	73.7
Liabilities to the state and local budgets	-	168.8	-	204.8
Value added tax (VAT)	-	74.1	-	119.6
Personal income tax (PIT)	-	40.5	-	41.6
Social insurance	-	44.0	-	35.1
Withholding income tax	-	4.3	-	2.5
Other	-	5.9	-	6.0
Other liabilities	5.4	338.1	5.6	314.3
Liabilities to employees (including salaries payable)	-	303.2	-	284.6
Other liabilities	5.4	34.9	5.6	29.7
Total	8.4	1,378.8	13.1	1,531.0

Trade payables are non-interest bearing. Related party transactions have been presented in explanatory note 6.19 to these interim condensed consolidated financial statements.

6.16. Contract liabilities

The table below presents the structure of the Group's liabilities from contracts with customers as at 30 September 2019 and 31 December 2018:

	30 Sept. 2019		31 Dec. 2018	
	Long-term mPLN	Short-term mPLN	Long-term mPLN	Short-term mPLN
Liabilities from valuation of IT contracts, of which:	-	24.6	-	32.2
From related parties	-	-	-	-
From other entities	-	24.6	-	32.2
Deferred income from IT projects, of which:	41.6	581.5	32.3	418.9
Maintenance services and license fees	41.6	532.4	32.3	367.6
Other prepaid services	-	49.1	-	51.3
Total contract liabilities	41.6	606.1	32.3	451.1

6.17. Provisions

Changes in the amount of provisions during the period of 9 months ended 30 September 2019 and in the comparable period are presented in the table below:

	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018
	mPLN	mPLN
As at 1 January	113.3	124.6
Restatement of the opening balance due to the adoption of IFRS 15 in 2018 and IFRS 16 in 2019	0.1	(15.3)
Obtaining control over subsidiaries	6.2	0.2
Provisions created during the reporting period	14.2	17.0
Discount change and actuarial gains/losses	3.1	1.1
Provisions utilized during the reporting period	(15.8)	(8.1)
Provisions reversed during the reporting period	(5.4)	(19.6)
Changes in presentation methods	(0.1)	(1.4)
Foreign exchange differences on translation of foreign operations	7.1	1.3
As at the end of the reporting period, of which:	122.7	99.8
Short-term	42.9	35.7
Long-term	79.8	64.1

6.18. Accruals and deferred income

	30 Sept. 2019		31 Dec. 2018	
	Long-term	Short-term	Long-term	Short-term
	mPLN	mPLN	mPLN	mPLN
Accruals, of which:				
Accrual for unused holiday leaves	-	151.2	-	120.4
Accrual for employee and management bonuses	1.7	175.7	1.5	154.2
	1.7	326.9	1.5	274.6
Deferred income, of which:				
Grants related to assets	41.8	7.2	43.2	7.4
Other	0.2	3.9	-	0.4
	42.0	11.1	43.2	7.8

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

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

6.19. Related party transactions

Asseco Group's sales to related parties:		9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018
Name of entity	Transaction type	mPLN	mPLN
Transactions with associates			
Postdata S.A.	<i>sale of goods and services related to implemented IT projects</i>	3.2	5.0
Multicard d.o.o.	<i>sale of goods and services related to implemented IT projects</i>	-	0.2
První Certifikační Autorita A.S.	<i>sale of goods and services related to implemented IT projects</i>	3.6	-
eDocu, a.s.	<i>sale of goods and services related to implemented IT projects</i>	-	1.5

	<i>projects</i>		
SCS Smart Connected Solutions GmbH	<i>sale of goods and services related to implemented IT projects</i>	-	1.2
Total		6.8	7.9
Transactions with entities or individuals related through the Group's Key Management Personnel			
Decsoft S.A. ¹⁾	<i>sale of goods and services related to implemented IT projects</i>	-	0.3
Alior Bank S.A. ²⁾	<i>sale of goods and services related to implemented IT projects</i>	1.3	1.6
iPay SEE d.o.o. ³⁾	<i>sale of goods and services related to implemented IT projects</i>	0.2	0.2
Konferenta UAB ⁴⁾	<i>sale of goods and services related to implemented IT projects and other activities</i>	0.1	0.1
Bassilichi CEE d.o.o. ⁵⁾	<i>sale of goods and services related to implemented IT projects and other activities</i>	1.1	-
Other	<i>sale of services related to implemented IT projects and other activities</i>	-	0.1
Total		2.7	2.3
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.			
		-	-
Transactions with Members of Management and Supervisory Boards and Commercial Proxies of other companies of the Group			
		-	1.5
Total related party transactions		9.5	11.7

Asseco Group's purchases from related parties:		9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018
Name of entity	Transaction type	mPLN	mPLN
Transactions with associates			
Postdata S.A.	<i>purchase of goods and services related to implemented IT projects</i>	0.1	0.2
SCS Smart Connected Solutions GmbH	<i>purchase of services related to implemented IT projects</i>	-	0.3
Total		0.1	0.5
Transactions with entities or individuals related through the Group's Key Management Personnel			
Top Fin Sp. z o.o. ⁶⁾	<i>rental of apartments (including reception, cleaning and security services, etc.) with parking lot spaces for the accommodation of employees on business trips</i>	-	1.2
MHM d.o.o. ⁷⁾	<i>rental of office space</i>	0.5	1.5
UAB Linkas ⁸⁾	<i>rental of office space; purchase of services related to other activities</i>	1.2	1.0
Magna Virtus Consulting SA ⁹⁾	<i>purchase of services related to other activities</i>	-	1.6
Gestso-Soc. De Gestao ¹⁰⁾	<i>purchase of services related to other activities rental of office space</i>	-	0.5
Leaven Advisory and Services Lda ¹¹⁾	<i>purchase of services related to other activities</i>	1.3	-
Bassilichi CEE d.o.o. ¹²⁾	<i>purchase of services related to other activities</i>	0.2	-
Other entities related through the key management personnel		0.5	2.2
Total		3.7	8.0
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.			
Dariusz Brzeski	<i>purchase of advisory services</i>	2.0	1.2
Andrzej Gerlach	<i>purchase of advisory services</i>	0.6	0.5
Total		2.6	1.7
Transactions with Members of Management and Supervisory Boards and Commercial Proxies of other companies of the Group			
		6.3	1.7
Total related party transactions		12.7	11.9

Name of entity	Trade receivables and other receivables as well as contract assets as at		Trade payables and other liabilities as at	
	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019	31 Dec. 2018
	mPLN	mPLN	mPLN	mPLN
Associates				
Postdata S.A.	0.8	2.4	-	-
Multicard d.o.o.	-	0.4	-	-
eDocu, a.s.	1.8	1.8	-	-
SCS Smart Connected Solutions GmbH	-	1.0	-	0.8
První Certifikační Autorita A.S. CR	-	-	-	0.3
Total	2.6	5.6	-	1.1
Transactions with entities or individuals related through the Group's Key Management Personnel				
Alior Bank S.A.	0.5	0.5	-	-
UAB Linkas	-	-	0.8	0.3
MagnaVirtus Consulting SA	-	0.1	-	-
Leaven Advisory and Services Lda	-	-	0.2	0.2
Kiuk, Spol. s.r.o. ¹³⁾	6.1	-	-	-
Bassilichi CEE d.o.o.	1.5	-	0.2	-
Other	0.1	0.1	-	0.3
Total	8.2	0.7	1.2	0.8
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.				
Dariusz Brzeski	-	-	0.6	0.1
Andrzej Gerlach	-	-	0.1	0.1
Total	-	-	0.7	0.2
Transactions with Members of Management and Supervisory Boards and Commercial Proxies of other companies of the Group				
Managers of ASEE Group ¹⁴⁾	18.1	20.0	-	-
Managers of ACE Group ¹⁵⁾	16.8	20.7	-	-
CEO of Formula Systems – Guy Bernstein ¹⁶⁾	40.8	37.1	-	-
Yuri Otrachevsky ¹⁷⁾	2.2	2.1	-	-
Other	0.6	0.8	10.7	0.1
Total	78.5	80.7	10.7	0.1
Total related party transactions	89.3	87.0	12.6	2.2

Name of entity	Loans granted		Borrowings	
	30 Sept. 2019	31 Dec. 2018	30 Sept. 2019	31 Dec. 2018
	mPLN	mPLN	mPLN	mPLN
Associates				
Galvaniho 5 s.r.o.	12.6	9.1	-	-
eDocu a.s.	1.2	1.2	-	-
SCS Smart Connected Solutions GmbH	-	9.3	-	-
LittleLane a.s.	0.2	0.1	-	-
Prosoft, s.r.o. Košice	1.2	-	-	-
R-Style Softlab	2.0	-	-	-
Total	17.2	19.7	-	-

Transactions with entities or individuals related through the Group's Key Management Personnel				
Manager of CommIT Holding	-	-	2.1	1.8
Dana Baiymykhanova	-	-	-	0.1
Adefolu Majekodunmi	-	-	-	0.1
Tomasz Chlebowski	-	-	0.3	-
Total	-	-	2.4	2.0
Total related party transactions	17.2	19.7	2.4	2.0

The table reference notes are presented below:

- ¹⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, Mr. Jacek Duch, Chairman of the Supervisory Board of the Parent Company, served as Chairman of the Supervisory Board of Decsoft S.A.
- ²⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, Mr. Artur Kucharski, Member of the Company's Supervisory Board, served as Member of the Supervisory Board of Alior Bank S.A.
- ³⁾ 65% of shares in the company iPay SEE d.o.o. are held by I4 Invention d.o.o., which is 100% owned by Miodrag Mirčetić, Member of the Management Board of Asseco SEE d.o.o., Belgrade as well as Member of the Management Board of ASEE S.A. in the period of 9 months ended 30 September 2019 and in the comparable period.
- ⁴⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, Mr. Albertas Sermokas, a shareholder in UAB Konferenta, was a non-controlling shareholder in our subsidiaries UAB Sintagma and Asseco Lietuva. Furthermore, he served as member of the managerial staff of UAB Sintagma and Asseco Lietuva.
- ⁵⁾ The amounts of sales and receivables from related parties increased as a result of transactions carried out by the newly acquired Basilichi company with Basilichi CEE d.o.o. Podgorica and Basilichi CEE d.o.o. Banja Luka. These companies are related through a common Member of the Management Board.
- ⁶⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, Mr. Andrzej Gerlach, the Company's Commercial Proxy, was a partner in the company Top Fin Sp. z o.o. Moreover, during the analyzed period, Mrs. Ewa Góral, the wife of Mr. Adam Góral, President of the Company's Management Board, was a partner in the company Top Fin Sp. z o.o.; whereas, Mrs. Jolanta Wiza, the wife of Mr. Artur Wiza, Vice President of the Company's Management Board, was the President and a partner in the company Top Fin Sp. z o.o. In addition, since July 2013, Mr. Adam Góral, President of the Company's Management Board, has been the owner of business premises rented out to Top Fin Sp. z o.o.
- ⁷⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, shareholders in MHM d.o.o. served as members of the managerial staff at subsidiaries of Asseco South Eastern Europe.
- ⁸⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, Mr. Albertas Sermokas, a shareholder in UAB Linkas, was a non-controlling shareholder in our subsidiaries UAB Sintagma and Asseco Lietuva. Furthermore, he served as member of the managerial staff of UAB Sintagma and Asseco Lietuva.
- ⁹⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, Mr. Miguel Lucio served as Member of the Management Board of Magna Virte and Asseco PST Holding SGPS SA.
- ¹⁰⁾ In the period of 9 months ended 30 September 2019 as well as in the comparable period, Mr. Jose Rocha, a shareholder in Gestso, served as Member of the Management Board of Asseco PST Holding SGPS SA.
- ¹¹⁾ In the period of 9 months ended 30 September 2019, Mr. Miguel Lúcio, Member of the Management Board of Asseco PST Holding SGPS S.A. was a shareholder in the company Leaven Advisory and Services Lda.
- ¹²⁾ The amounts of sales and receivables from related parties increased as a result of transactions carried out by the newly acquired Basilichi company with Basilichi CEE d.o.o. Podgorica and Basilichi CEE d.o.o. Banja Luka. These companies are related through a common Member of the Management Board.
- ¹³⁾ In the period of 9 months ended 30 September 2019, Mr. Jozef Klein, the owner of Kiuk, Spol. s.r.o., served as President of the Management Board of Asseco Central Europe a.s.
- ¹⁴⁾ Receivables from the sale of shares in Asseco South Eastern Europe S.A. concern the following managers of ASEE Group companies or their related entities: Mr. Piotr Jeleński, Mr. Miljan Mališ, Mr. Miodrag Mirčetić, Mr. Marcin Rulnicki, as well as other managers.
- ¹⁵⁾ Receivables from the sale of shares in Asseco Central Europe, a.s. concern the following managers of ACE Group companies or their related entities: Mr. Jozef Klein, Mr. Branislav Tkáčik, Mr. Marek Grác, Mr. David Stoppani, and Mr. Markus Haller.
- ¹⁶⁾ Receivables from the sale of shares in Formula Systems (1985) Ltd. concern Mr. Guy Bernstein, CEO of Formula Systems as well as his related entity.
- ¹⁷⁾ In the period of 9 months ended 30 September 2019 and in the comparable period, Mr. Yuri Otrasevsky served as Chairman of the Board of Directors of R-Style Softlab JSC.

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

As at 30 September 2019, receivables from related parties comprised trade receivables amounting to PLN 4.6 million, as compared with PLN 6.3 million outstanding as at 31 December 2018.

As at 30 September 2019, liabilities to related parties comprised trade payables amounting to PLN 1.9 million, as compared with PLN 2.2 million outstanding as at 31 December 2018.

X. Explanatory notes to the consolidated statement of cash flows

7.1. Cash flows – operating activities

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

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Change in inventories	(17.1)	(19.7)
Change in receivables and non-financial assets	104.0	(4.6)
Change in liabilities	(299.7)	(242.3)
Change in prepayments and accruals	(7.3)	(33.8)
Change in provisions	(4.2)	(20.9)
Total	(224.3)	(321.3)

7.2. Cash flows – investing activities

In the period of 9 months ended 30 September 2019, the amount of cash flows from investing activities was affected primarily by acquisitions of property, plant and equipment and intangible assets, as well as by expenditures for development projects:

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Acquisition of property, plant and equipment	(148.8)	(98.0)
Acquisition of intangible assets	(18.9)	(10.1)
Expenditures for development projects	(72.4)	(59.0)
Acquisition of investment property	(0.8)	(0.4)
Total	(240.9)	(167.5)

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

for the period of 9 months ended 30 September 2019	Acquisition of subsidiaries mPLN	Cash in subsidiaries acquired mPLN
Acquisitions made within the Asseco Poland segment	(2.6)	(0.7)
Acquisitions made within the Asseco International segment	(43.5)	4.8
Acquisitions made within the Formula Systems segment	(297.3)	93.8
Total	(343.4)	97.9

for the period of 9 months ended 30 September 2018	Acquisition of subsidiaries mPLN	Cash in subsidiaries acquired mPLN
Acquisitions made within the Asseco Poland segment	(11.0)	1.8
Acquisitions made within the Asseco International segment	(37.2)	6.2
Acquisitions made within the Formula Systems segment	(139.2)	14.7
Total	(187.4)	22.7

The following table presents detailed cash flows relating to loans during the period of 9 months ended 30 September 2019:

for the period of 9 months ended 30 September 2019	Loans collected	Loans granted
	mPLN	mPLN
Loans for employees	1.4	(4.5)
Loans for related parties	-	(6.6)
Loans for other entities	17.1	-
Term cash deposits with original maturities exceeding 3 months	22.2	(2.5)
Total	40.7	(13.6)

for the period of 9 months ended 30 September 2018	Loans collected	Loans granted
	mPLN	mPLN
Loans for employees	1.6	(1.2)
Loans for related parties	-	(5.2)
Loans for other entities	21.3	(0.3)
Term cash deposits with original maturities exceeding 3 months	11.4	(14.1)
Total	34.3	(20.8)

7.3. Cash flows – financing activities

In the period of 9 months ended 30 September 2019 as well as in the comparable period, the amount of cash flows from financing activities was affected primarily by the following transactions:

- Proceeds from bank loans and borrowings:

Proceeds from bank loans and borrowings	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018
	mPLN	mPLN
Bank loans and borrowings obtained within the Asseco Poland segment	2.5	-
Bank loans and borrowings obtained within the Asseco International segment	73.6	77.9
Bank loans and borrowings obtained within the Formula Systems segment	399.8	190.0
Total	475.9	267.9

Proceeds from issuance of debt securities in the amount of PLN 318.7 million resulted from series C bonds issued by Formula Systems in the first half of 2019.

- Repayments of bank loans and borrowings:

Repayments of bank loans and borrowings	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018
	mPLN	mPLN
Bank loans repaid within the Asseco Poland segment	(56.1)	(23.4)
Bank loans repaid within the Asseco International segment	(75.7)	(26.6)
Bank loans repaid within the Asseco International segment	(210.6)	(116.2)
Total	(342.4)	(166.2)

In addition, in the period of 9 months ended 30 September 2019, Formula Group redeemed its previously issued bonds. In the first 9 months of 2019, cash outflows for this purpose amounted to PLN 118.8 million (of which PLN 80.7 million were spent by Formula Systems and PLN 38.1 million by Sapiens Group).

The increase in payments of lease liabilities in the first 9 months of 2019 in relation to the comparable period of the previous year is a consequence of the implementation of IFRS 16 by the Group as of 1 January 2019 which resulted in the recognition of rental fees paid for rented and leased assets as payments of lease liabilities under financing activities.

XI. Other explanatory notes

8.1. Off-balance-sheet liabilities

The table below presents our contingent liabilities as at 30 September 2019 and 31 December 2018:

Contingent liabilities	30 Sept. 2019	31 Dec. 2018
	mPLN	mPLN
Liabilities from guarantees of due performance of contracts		
Liabilities falling due within 3 months	23.6	15.7
Liabilities falling due within 3 to 12 months	39.6	60.2
Liabilities falling due within 1 to 5 years	126.5	79.6
Liabilities falling due after 5 years	18.2	12.1
Total	207.9	167.6
Liabilities arising from bank guarantees and guarantee bonds		
Liabilities falling due within 3 months	0.9	0.1
Liabilities falling due within 3 to 12 months	1.4	2.9
Liabilities falling due within 1 to 5 years	1.6	1.7
Liabilities falling due after 5 years	-	-
Total	3.9	4.7
Other contingent liabilities	1.0	0.7

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

None of the above-described guarantee obligations meet the definition of a financial guarantee under IFRS 9, and therefore they are not recognized as liabilities in the statement of financial position of the Group as at 30 September 2019 and 31 December 2018.

In the period reported, none of the Group's companies granted any new significant guarantees and/or sureties. As at 30 September 2019, the value of the surety granted by Asseco Poland S.A. in favour of SG Equipment Leasing Polska Sp. z o.o. in order to secure the repayment of a loan by Asseco Lietuva, as described in the Group's annual report, amounted to PLN 2.6 million.

Disputes in litigation as at the end of the reporting period

As at 30 September 2019, the Parent Company was party to two court proceedings initiated by the same claimant, in which the total value of the subject in dispute amounted to approx. PLN 13.3 million. The Parent Company's Management assessed the validity of claims brought in court and considered them to be groundless, and consequently assessed the risk of an outflow of economic benefits from the Parent Company to be so small that there was no need to create any provision. In the said disputes, the claimant makes unjustified demands upon the Parent Company to transfer proprietary software copyrights and extend the licenses granted.

During the reporting period, one of the Parent Company's court disputes, as described in the financial statements for the year ended 31 December 2018, was settled. The Parent Company signed a settlement agreement. The provision, which was recognized in respect of this dispute in the prior reporting periods, was higher than the amount the Parent Company agreed to pay under the settlement.

In the reporting period, Asseco Data Systems S.A. was party to taxation proceedings. On 18 September 2017, tax authorities began to examine the company's value added tax treatments under transactions involving intra-Community supply of goods conducted with a contractor from Germany. On 30 January 2019, the Head of the Pomeranian Tax Office in Gdańsk submitted an unfavourable inspection report to the company. In the opinion of the Management Board of Asseco Data Systems S.A., this company was used by external entities as part of a VAT extortion mechanism, which resulted in questioning the correctness of VAT treatments relating to the examined transactions. However, the Tax Office did not indicate what legal and tax effects may result from

the inspection findings. The company raised its objections to the report, but in response the Tax Office maintained its standpoint and concurrently informed that the evidence collected during the inspection will be used for the purposes of another ongoing inspection, due to the fact that a comprehensive treatment of value added tax for the month in which the said transactions took place may be achieved only by performing a tax inspection of the entire settlement period. During the period covered by these financial statements, the parties exchanged further arguments while the examination activities were conducted and finalized by submitting the final inspection report on 30 August 2019. Considering the legal and tax analysis carried out by the company that was supported by opinions of independent experts, and based on the judgment given by the Management Board of Asseco Data Systems S.A., the Management Board of Asseco Poland S.A. believes that Asseco Data Systems S.A. exercised due diligence when concluding the examined transaction.

In the third quarter of 2019, having received the final tax inspection report, but still upholding its view of exercising due diligence and remaining convinced of the correctness of its tax treatments, Asseco Data Systems S.A. nonetheless decided to correct its tax filings and to pay the full amount of tax arrears and accrued interest determined by the Tax Office in the final inspection report, in the total amount of PLN 8.9 million (including PLN 6.5 million of tax liabilities and PLN 2.4 million of interest). Such decision was taken in order to reduce the company's exposure to risk and to avoid the accumulation of statutory interest accrued on the amount indicated by the Tax Office.

In the reporting period, ASEE Group (the Asseco International segment) was party to court proceedings in which the total amount in dispute was PLN 6.6 million. In the second quarter of 2019, an amicable settlement was reached in one of the disputes whose value was PLN 1.3 million. As a result of this settlement, ASEE Group paid PLN 0.4 million in compensation. As far as the second dispute is concerned, during the reporting period, the court of second instance rejected the appeal filed by the claimant against the verdict of the first instance court which dismissed their claims for compensation. The claimant did not appeal against such decision of the court of second instance, hence the dismissal of their claims for compensation has become final and binding.

During the reporting period, ACE Group (the Asseco International segment) was party to a dispute regarding a delay in delivery of an IT system to a customer in Slovakia. The Group has created a provision against the potential contractual penalty in the amount of PLN 5.9 million.

In the reporting period, Matrix IT Group (the Formula Systems segment) was party to court proceedings where the total amount in dispute was PLN 12.6 million. The Group believes it has created a sufficient amount of provisions for ongoing court cases.

In the reporting period, Magic Group (the Formula Systems segment) was party to court proceedings where the total amount in dispute was approx. PLN 36 million. The Group believes it has created a sufficient amount of provisions for ongoing court cases.

Except for those described above, during the reporting period, no significant proceedings were instituted or pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of Asseco Group companies.

8.2. Seasonal and cyclical nature of business

The Group's sales revenues are subject to some seasonality in individual quarters of the year. The fourth quarter revenues tend to be somewhat higher than in the remaining periods, as bulk of such turnover is generated from the sale of IT services for large enterprises and public administration. Such entities often decide to make higher purchases of hardware and licenses in the last months of a year.

8.3. Employment

Number of employees in the Group companies as at	30 Sept. 2019	31 Dec. 2018
Management Board of the Parent Company	10	10
Management Boards of the Group companies	167	142
Production departments	23,164	21,047
Sales departments	1,367	1,288
Administration departments	1,872	1,815
Total	26,580	24,302

Number of employees in the Group companies as at	30 Sept. 2019	31 Dec. 2018
Asseco Poland segment	3,444	3,421
Asseco Poland S.A.	2,311	2,374
Asseco Data Systems S.A.	847	816
DahliaMatic Sp. z o.o.	52	51
ZUI Novum Sp. z o.o.	71	70
SKG S.A.	38	35
Park Wodny Sopot Sp. z o.o.	54	52
Podkarpacki Fundusz Nieruchomości Sp. z o.o.	1	-
Gdyński Klub Koszykówki "Arka" S.A.	8	7
Asseco Resovia S.A.	6	4
GSTN Consulting Sp. z o.o.	4	3
Eversoft sp. z o.o.	45	9
ComCERT S.A.	7	-
Asseco International segment	6,793	6,398
Asseco Central Europe Group	3,117	3,052
Asseco South Eastern Europe Group	2,723	1,655
Asseco International, a.s.	6	6
Asseco Western Europe Group	140	964
Tecnologia Sistemas y Aplicaciones (Tecsisa)	41	-
Asseco Danmark A/S	30	33
Peak Consulting ApS	47	39
Asseco PST Holding SGPS Group (former Exictos)	438	423
Sintagma UAB	167	148
Asseco Georgia LLC	56	49
Asseco Kazakhstan LLP	-	8
Asseco Software Nigeria Ltd.	20	21
Asseco Central Asia	8	-
Formula Systems segment	16,343	14,483
Formula Systems Group	16,343	14,483
Total	26,580	24,302

8.4. Significant events after the reporting period

▪ **Merger of companies within ASEE Group**

On 1 October 2019, Payten d.o.o. Beograd (the taking-over company) merged with Multicard d.o.o. (the acquired company).

▪ **Signing a conditional agreement to acquire shares in Monri Group d.o.o. within ASEE Group**

On 8 October 2019, Payten d.o.o. Sarajevo concluded a conditional agreement to acquire 80% of shares in Monri Group d.o.o. for the total consideration of EUR 1.96 million. On 15 November 2019, Payten d.o.o. Sarajevo effectively acquired these shares and obtained control over the company of Monri.

▪ **Formula Group – acquisition of shares in Unique Software Industries Ltd.**

As the Group already informed in its semi-annual report published on 26 August 2019, Michpal Micro Computers (1983) Ltd. signed an agreement to acquire 100% of shares in Unique Software Industries Ltd. on 12 August 2019. However, due to the fact that the Group was waiting for the consent from the Israeli Antitrust Authority, this acquisition became effective on 18 November 2019. For the acquisition of Unique

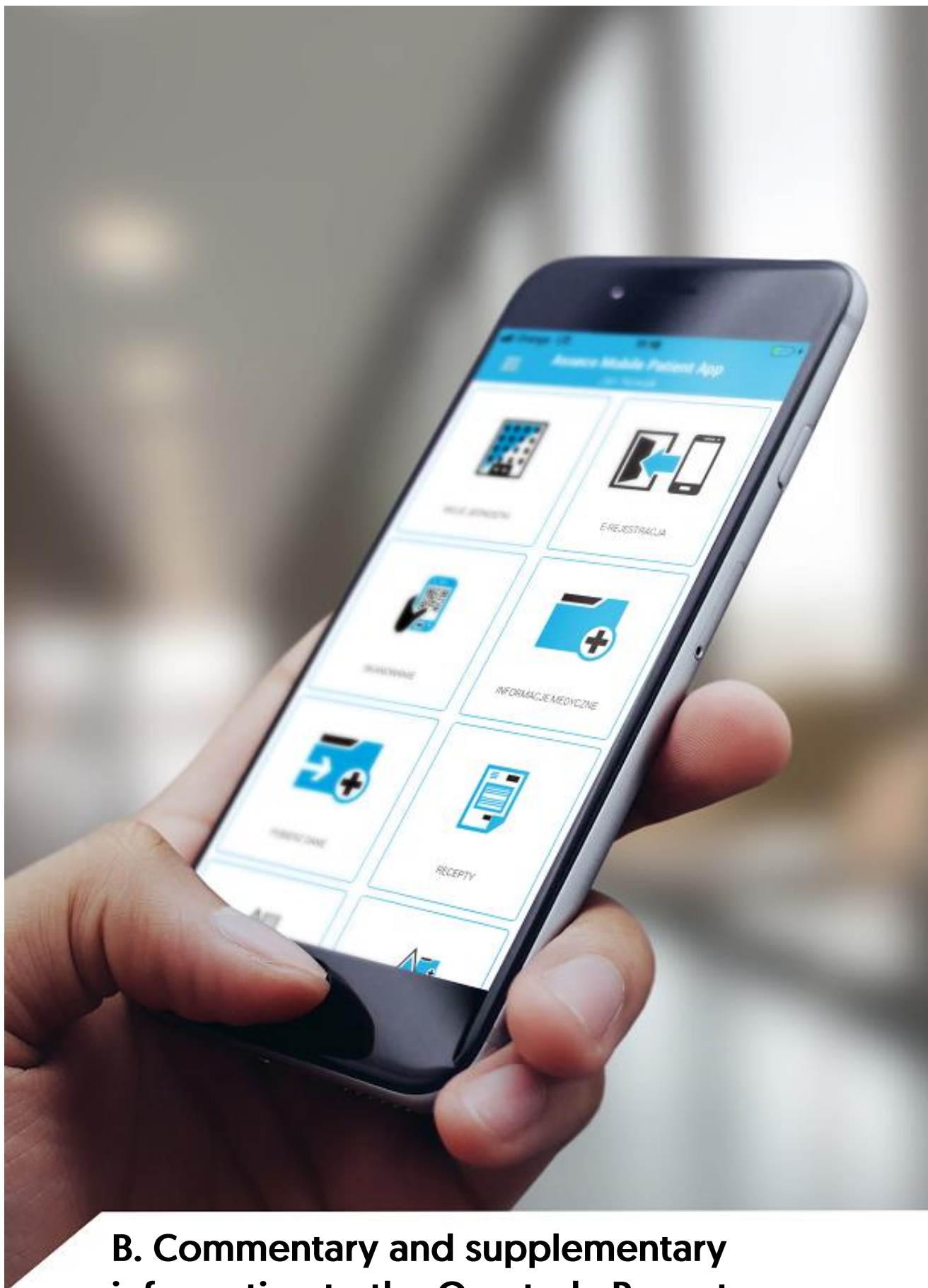
Software, which is a provider of software and HR services, Michpal Micro Computers paid NIS 49 million in cash, while an additional amount of NIS 12 million constitutes a conditional payment depending on the future financial results achieved by Unique Software.

▪ ***Declaration of dividend payment by Formula Systems***

On 19 November 2019, Formula Systems declared payment of a dividend in the total amount of NIS 24.5 million (PLN 27.5 million) or NIS 1.6 (PLN 1.8) per share. The dividend record date was set for 24 December 2019; whereas, the dividend payment was scheduled for 8 January 2020.

8.5. Significant events related to prior years

Until the date of preparing these interim condensed consolidated financial statements for the period of 9 months ended 30 September 2019, we have not observed any significant events related to prior years, which have not but should have been included in these financial statements.



B. Commentary and supplementary information to the Quarterly Report of **Asseco Group**

Non-IFRS data presented below have not been audited or reviewed by any independent certified auditors. Non-IFRS data do not constitute financial data in accordance with IFRS as endorsed by the European Union. There is no uniform definition or calculation method for non-IFRS data and, consequently, they may not be comparable to such data presented by other entities, including entities operating in the same industry as Asseco Group. These financial data should be analyzed as additional information only, and not as a substitute for financial data prepared in accordance with EU IFRS. Non-IFRS data should not be considered more significant than measurements resulting directly from the Consolidated Financial Statements.

1. Selected financial data for the period of 9 months ended 30 September 2019 [non-IFRS]

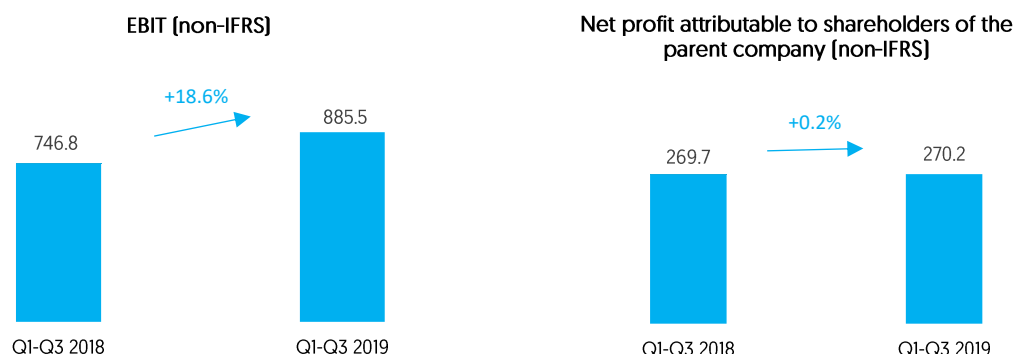
Financial and operational summary:

- The Group's revenues reached **PLN 7,729.3 million** growing by **15.7%**.
- Increase in non-IFRS EBIT by **18.6%** to the level of **PLN 885.5 million**.
- Non-IFRS net profit attributable to shareholders of the parent company stabilized at **PLN 270.2 million**.
- Non-IFRS operating profit margin expanded along with a double-digit increase in sales.
- Continued strong revenue growth in the segments of Asseco International and Formula Systems – **88.7%** of foreign market sales.

Consolidated financial highlights for the first 3 quarters of 2019 (non-IFRS)

Key financial data published on a non-IFRS basis provide crucial information for assessing the financial position and business development of Asseco Group. They are complementary to data reported in accordance with IFRS standards.

Non-IFRS figures include adjustments for amortization charges on intangible assets recognized in purchase price allocation (PPA), for the costs of share-based payment transactions with employees (SBP), as well as for financial income and expenses recognized in accounting for company acquisitions (M&A) and disposals (inclusive of the related tax effects).



Consolidated financial results of Asseco Group (non-IFRS)

mPLN	Q3 2019	Q3 2018	Change (%)	Q1-Q3 2019	Q1-Q3 2018	Change (%)
Revenues	2,738.4	2,218.4	23.4%	7,729.3	6,678.3	15.7%
Proprietary software and services	2,245.9	1,853.5	21.2%	6,319.9	5,453.8	15.9%
Non-IFRS EBIT	320.8	247.0	29.9%	885.5	746.8	18.6%
PPA & SBP	59.7	59.5	0.34%	170.8	188.1	(9.2%)
Non-IFRS net profit attributable to shareholders of the Parent Company	90.4	88.4	2.3%	270.2	269.7	0.2%
PPA & SBP & M&A	11.9	10.4	14.4%	32.0	34.4	(7.0%)
EBITDA	424.8	301.3	41.0%	1,181.6	902.1	31.0%

EBITDA = EBIT + depreciation and amortization

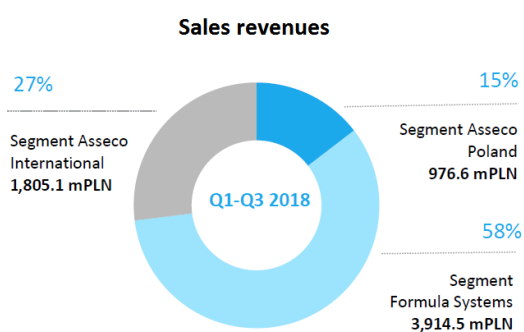
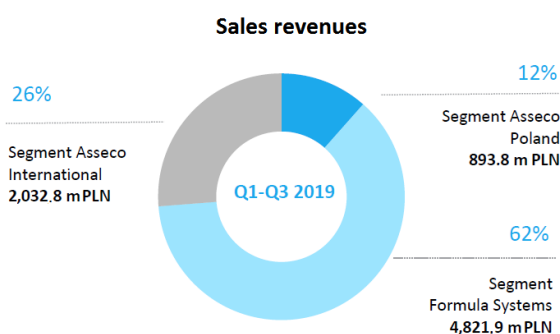
2. Summary and analysis of financial results of Asseco Group for the period of 9 months ended 30 September 2019

Revenue structure in the first 3 quarters of 2019

Asseco Group segments

The table below presents sales revenues generated by individual operating segments in the periods of 3 and 9 months ended 30 September 2019 as well as in the comparable periods last year:

Sales revenues by segments	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3'19 / Q3'18	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018
Asseco Poland segment	290.1	308.2	(5.9%)	893.8	976.6	(8.5%)
Formula Systems segment	1,768.6	1,327.8	33.2%	4,821.9	3,914.5	23.2%
Asseco International segment	686.6	586.8	17.0%	2,032.8	1,805.1	12.6%
Eliminations	(6.9)	(4.4)	5.7%	(19.2)	(17.9)	7.3%
Total	2,738.4	2,218.4	23.4%	7,729.3	6,678.3	15.7%

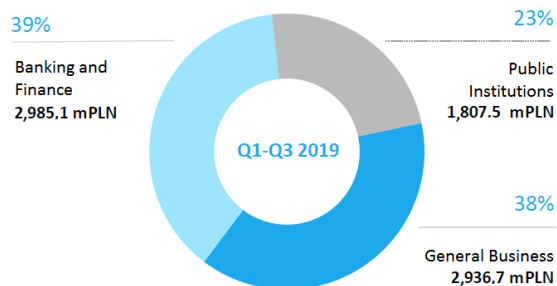
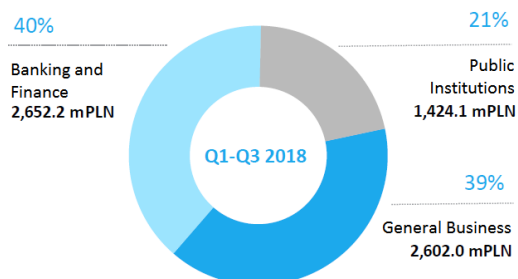


Figures including intersegment sales.

Business sectors

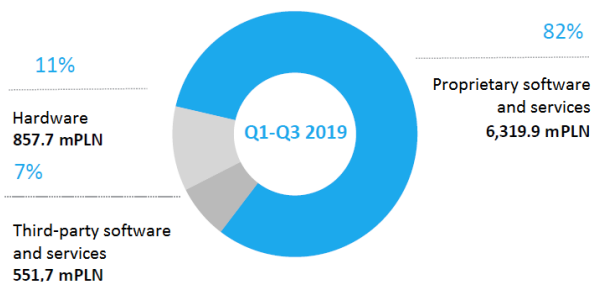
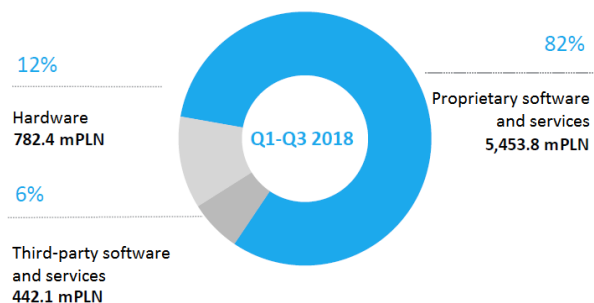
The table below presents sales revenues generated in particular business sectors in the periods of 3 and 9 months ended 30 September 2019 as well as in the comparable periods last year:

Sales revenues by sectors	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018
Banking and Finance	1,004.4	930.6	7.9%	2,985.1	2,652.2	12.6%
General Business	1,093.9	806.9	35.6%	2,936.7	2,602.0	12.9%
Public Institutions	640.1	480.9	33.1%	1,807.5	1,424.1	26.9%
Total	2,738.4	2,218.4	23.4%	7,729.3	6,678.3	15.7%

Sales revenues

Sales revenues

Products

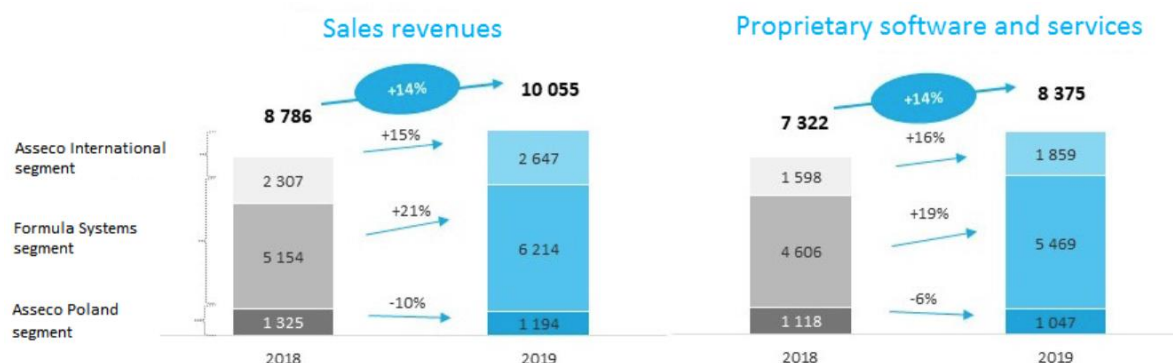
The table below presents sales revenues achieved from particular types of products in the periods of 3 and 9 months ended 30 September 2019 as well as in the comparable periods last year:

Sales revenues by type of products	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018
Proprietary software and services	2,245.9	1,853.5	21.2%	6,319.9	5,453.8	15.9%
Third-party software and services	193.4	127.4	51.8%	551.7	442.1	24.8%
Hardware and infrastructure	299.1	237.5	25.9%	857.7	782.4	9.6%
Total	2,738.4	2,218.4	23.4%	7,729.3	6,678.3	15.7%

Sales revenues

Sales revenues


Consolidated order backlog for 2019

In comparison to the order backlog presented in November 2018



If the 2019 backlog was translated at the same currency exchange rates as the 2018 backlog, the respective changes would be +10% for total sales revenues and +9% for proprietary software and services. Value of the order backlog for 2019 as at 15 November 2019; value of the order backlog for 2018 as at 15 November 2018.

The consolidated financial results of Asseco Group for the periods of 3 and 9 months ended 30 September 2019 as well as for the comparable periods last year are presented in the table below:

mPLN	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018 (%)	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1- Q3 2018 (%)
Revenues	2,738.4	2,218.4	23.4%	7,729.3	6,678.3	15.7%
Proprietary software and services	2,245.9	1,853.5	21.2%	6,319.9	5,453.8	15.9%
Gross profit (loss) on sales	593.6	470.1	26.3%	1,671.8	1,420.5	17.7%
Selling costs	(147.3)	(120.3)	22.4%	(410.3)	(369.4)	11.1%
General and administrative expenses	(184.7)	(161.8)	14.2%	(538.8)	(486.2)	10.8%
Other operating activities	(0.5)	(0.4)	25.0%	(8.0)	(6.2)	29.0%
Operating profit	261.1	187.6	39.2%	714.7	558.7	27.9%
Net profit attributable to Shareholders of the Parent Company	78.5	78.0	0.6%	238.2	235.3	1.2%
EBITDA	424.8	301.3	41.0%	1,181.6	902.1	31.0%

EBITDA = EBIT + depreciation and amortization.

Profitability ratios

The table below presents the key profitability ratios achieved by the Group in the periods of 3 and 9 months ended 30 September 2019 and in the comparable periods:

	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018 pp	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018 pp
Gross profit margin	21.7%	21.2%	0.5 pp	21.6%	21.3%	0.3 pp
EBITDA margin	15.5%	13.6%	1.9 pp	15.3%	13.5%	1.8 pp
Operating profit margin	9.5%	8.5%	1.0 pp	9.2%	8.4%	0.8 pp
Net profit margin	6.6%	6.4%	0.2 pp	6.6%	6.1%	0.5 pp

Gross profit margin = gross profit on sales / sales

EBITDA margin = EBITDA / sales

Operating profit margin = operating profit / sales

Net profit margin = net profit / sales

In the period of the first nine months of 2019, both the EBITDA margin and EBIT margin increased in relation to the comparable period last year, respectively by 1.8 pp to the level of 15.3% and by 0.8 pp to the level of 9.2%. Whereas, the net profit margin expanded by 0.5 pp and reached 6.6% for the first 3 quarters of 2019.

Our EBITDA margin increased, to a large extent, due to the adoption of the new accounting standard IFRS 16 as of 1 January 2019. Detailed information concerning the impact of this newly adopted standard on the Group's consolidated financial statements has been provided in explanatory note 2.5.

Improvement in the operating profit margin was achieved in particular in the Formula Systems segment by 2.1 pp to the level of 7.2%, as well as in the Asseco International segment by 1.7 pp to 11.8%.

Liquidity ratios

As at the end of September this year, our key liquidity ratios remained at similar levels as at the end of the previous year and at the end of the third quarter of 2018. In comparison to the end of September last year, our working capital increased due to a more dynamic growth in current assets than in the level of current liabilities.

The current liquidity ratio remains stable and is in the middle of the 1.2-2.0 range that is commonly considered as safe. Likewise, our quick liquidity ratio significantly exceeds the level of 1.0 which is considered to be trustworthy.

The cash conversion rate (measuring the coverage of non-IFRS EBIT with free cash flows) was higher at the end of the third quarter of 2019 than at the end of the comparable period in the previous year. At the end of September 2019, this ratio equalled 66%, as compared with 56% at the end of September last year.

The table below presents the key liquidity ratios achieved by the Group as at 30 September 2019 and in the comparable periods:

	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Working capital (in millions of PLN)	1,711.0	1,862.9	1,612.8
Current liquidity ratio	1.5	1.6	1.6
Quick liquidity ratio	1.4	1.5	1.5
Absolute liquidity ratio	0.5	0.6	0.6
Cash conversion rate	66%	89%	56%

Working capital = current assets – current liabilities

Current liquidity ratio = current assets / current liabilities

Quick liquidity ratio = (current assets – inventories – prepayments) / current liabilities

Absolute liquidity ratio = (cash + short-term bank deposits) / current liabilities

Cash conversion rate = (FCF) / (non-IFRS EBIT)

Debt ratios

The table below presents the key debt ratios achieved by the Group as at 30 September 2019 and in the comparable periods:

	30 Sept. 2019	31 Dec. 2018	30 Sept. 2018
Total debt ratio	44.8%	39.4%	38.5%
Debt/equity ratio	36.5%	22.5%	23.6%
Debt/(debt + equity) ratio	26.8%	18.4%	19.1%

Total debt ratio = (long-term liabilities + short-term liabilities) / assets

Debt/equity ratio = (interest-bearing bank loans + debt securities + lease liabilities) / equity

Debt/(debt + equity) ratio = (interest-bearing bank loans + debt securities + lease liabilities) / (interest-bearing bank loans + debt securities + lease liabilities + equity)

At the end of the third quarter of 2019, the total debt ratio stood at 44.8% as compared with 39.4% at the end of last year and 38.5% at the end of the third quarter of 2018.

The increase in the debt/equity ratio as well as in the debt/(debt + equity) ratio resulted primarily from the adoption of the new accounting standard IFRS 16 as of 1 January 2019. Detailed information concerning the impact of this newly adopted standard on the Group's consolidated financial statements has been provided in explanatory note 2.5.

The levels of our total debt ratio as well as debt-to-equity ratio should be considered very safe in relation to global standards. This reflects the conservative financial policy applied by the Group's Management.

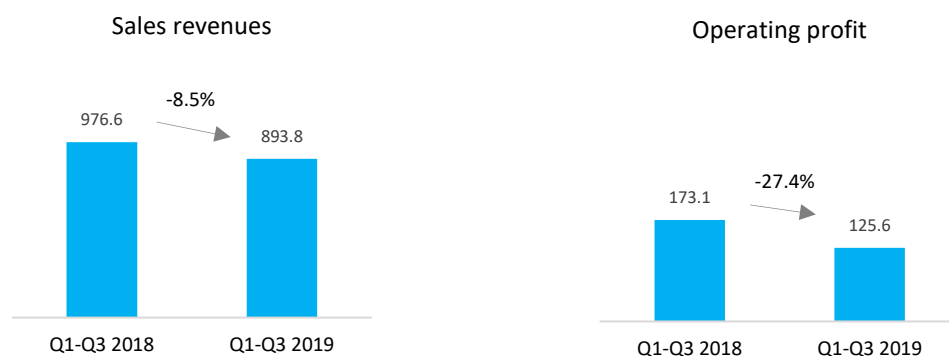
Currency structure of sales revenues

Presented below is the foreign currency structure of our sales revenues in the periods of 3 and 9 months ended 30 September 2019 as well as in the comparable periods last year:

	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018
NIS (Israeli new shekel)	40.5%	33.7%	6.8 pp	38.6%	34.5%	4.1 pp
USD (US dollar)	18.6%	20.1%	(1.5) pp	18.2%	18.5%	(0.3) pp
EUR (euro)	15.9%	16.2%	(0.3) pp	16.4%	17.4%	(1.0) pp
PLN (Polish zloty)	12.3%	16.6%	(4.3) pp	13.4%	16.8%	(3.4) pp
CZK (Czech crown)	2.1%	2.1%	-	2.7%	2.2%	0.5 pp
GBP (British pound)	1.9%	2.7%	(0.8) pp	2.2%	2.5%	(0.3) pp
RSD (Serbian dinar)	2.5%	1.9%	0.6 pp	2.1%	1.5%	0.6 pp
RON (new Romanian leu)	0.9%	1.2%	(0.3) pp	1.0%	1.3%	(0.3) pp
other currencies	5.3%	5.5%	(0.2) pp	5.4%	5.3%	0.1 pp
	100.0%	100.0%		100.0%	100.0%	

3. Major factors and events with impact on our financial performance

3.1 Asseco Poland segment



The table below presents the selected financial data of the Asseco Poland segment for the periods of 3 and 9 months ended 30 September 2019 as well as for the comparable periods:

mPLN	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018 (%)	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018 (%)
Sales revenues*	290.1	308.2	(5.9%)	893.8	976.6	(8.5%)
EBIT	38.2	52.6	(27.4%)	125.6	173.1	(27.4%)
<i>EBIT margin</i>	<i>13.2%</i>	<i>17.1%</i>	<i>(3.9) pp</i>	<i>14.1%</i>	<i>17.7%</i>	<i>(3.6) pp</i>
Non-IFRS EBIT	42.4	57.2	(25.9%)	138.2	186.1	(25.7%)
<i>Non-IFRS EBIT margin</i>	<i>14.6%</i>	<i>18.6%</i>	<i>(4.0) pp</i>	<i>15.5%</i>	<i>19.1%</i>	<i>(3.6) pp</i>
EBITDA	61.0	74.4	(18.0%)	194.6	234.6	(17.1%)
<i>EBITDA margin</i>	<i>21.0%</i>	<i>24.1%</i>	<i>(3.1) pp</i>	<i>21.8%</i>	<i>24.0%</i>	<i>(2.2) pp</i>
CFO BT	90.4	67.2	34.5%	185.4	226.0	(18.0%)
CAPEX	(32.6)	(19.8)	90.4%	(67.7)	(41.1)	77.1%
Lease expenditures	(8.1)	(6.3)	28.6%	(26.4)	(18.2)	45.1%
FCF	49.7	41.1	8.5%	91.3	166.7	(48.3%)
Cash conversion rate	117.2%	71.9%	33.3 pp	66.1%	89.6%	(27.2) pp
Cash and cash equivalents (comparable data as at 31 December 2018)	-	-	n/a	137.7	284.2	(51.5%)
Interest-bearing debt (comparable data as at 31 December 2018)	-	-	n/a	(107.4)	(110.0)	(2.4%)
<i>of which bank loans, borrowings and bonds issued</i>	<i>-</i>	<i>-</i>	<i>n/a</i>	<i>(3.4)</i>	<i>(61.2)</i>	<i>(94.4%)</i>
<i>of which leases</i>	<i>-</i>	<i>-</i>	<i>n/a</i>	<i>(104.0)</i>	<i>(48.8)</i>	<i>113.1%**</i>

* Revenues from sales to external customers as well as inter-segment sales

** Significant increase resulting from the adoption of the new IFRS 16 standard

EBIT = operating profit

Non-IFRS EBIT = EBIT+PPA+SBP, where PPA means amortization charges on intangible assets recognized in purchase price allocation, and SBP means the costs of share-based payment transactions with employees

EBITDA = EBIT + depreciation and amortization

CFOBT = cash generated from operating activities (before income tax paid)

CAPEX = segment's capital expenditures for non-current assets

FCF = |CFOBT| - |CAPEX| - lease expenditures

Cash conversion rate = (FCF) / (non-IFRS EBIT)

In the first three quarters of 2019, sales revenues generated by the Asseco Poland segment reached PLN 893.8 million as compared with PLN 976.6 million reported in the comparable period of the previous year. Operating profit amounted to PLN 125.6 million as compared with PLN 173.1 million earned in the first three quarters of 2018. The Asseco Poland segment accounted for 12% of the Group's total sales in the first 9 months of 2019.

In the first three quarters of 2019, we observed a high base effect of the results reported by the Asseco Poland segment for the comparable period of 2018. The last year's financial performance was extremely strong due to significant regulatory changes enforced in Poland and the European Union. In that period, much higher sales were generated mainly in the banking sector as a result of the implementation of IT system modifications for our customers in connection with the introduction of regulations such as the General Data Protection Regulation, Internal Revenue ICT System or Split Payment. In addition, many of our customers decided to upgrade their IT systems on this occasion.

In the banking sector, Asseco Poland focuses on boosting the sales of its proprietary software, including comprehensive banking systems, omnichannel solutions, such as Asseco Customer Banking Platform (Asseco CBP), or Asseco Enterprise Banking Platform (Asseco EBP), as well as transaction processing systems. During the first three quarters of 2019, Asseco Poland gained several new customers for whom we executed projects involving the implementation of Asseco EBP system. During the period reported, we made further efforts to expand the sales of our Polish products in foreign markets. Over several recent quarters, the Company successfully executed projects for the implementation of Polish-made banking systems in Gibraltar, Vietnam and Georgia. During the past three quarters, the Company's sales force engaged in activities aimed at acquiring more foreign projects. In connection with the development of its innovative banking products for the financial sector and further expansion of international sales, the Company incurred higher expenditures for the development of the banking system "Bank out of the Box".

Asseco Poland also continues its long-term cooperation with PKO BP, which is the largest bank in the region. The Company is engaged in the development and maintenance of the main IT system that handles transactions of bank clients, interbank settlements system, as well as debit card management and clearing system at PKO BP.

The cooperative banking market is another important business area for Asseco Poland. The Company supports over 100 cooperative banks by providing them with a modern cloud-based e-banking solution. Thinking of cooperative banks, Asseco launched CUI.Insurance which is an omnichannel platform for selling and administration of insurance policies. It is both a convenient tool for insurance advisors at bank branches, as well as a solution available to clients through online banking. The partner providing insurance products over this platform is AXA. Asseco also conducted the implementation of its flagship banking suite (def3000) for SGB-Bank Group. In the third quarter of this year, the Company signed new contracts for the implementation of systems supporting sales and management of customer relationships, as well as a software module related to the Internal Revenue ICT System, and its anti-money laundering system (Asseco AML).

Asseco Poland holds a leading position among providers of IT solutions for institutions operating in the Polish capital market. This year in March, the Company released its new ePROMAK NEXT system which is one of the most innovative trading platforms in this part of Europe. This new system of Asseco has been developed following the concept of Design Thinking and it provides investors with access to many new functions via an intuitive state-of-the-art interface. The system supports all financial instruments listed on stock markets that are offered by brokerage houses.

As part of R&D activities for products dedicated to the financial industry, we continued our projects within the Asseco Innovation Hub which is engaged in the development of innovative products and services for this sector. Asseco strives to meet the customer expectations and bears in mind the growing popularity of solutions based on self-learning algorithms (AI). Such solutions are being developed by teams that were among the winners of last year's hackathon CodePlay by Asseco. In October 2019, the second edition of this hackathon was held and its main subject was the use of artificial intelligence in data analysis. The teams that reached the final were invited to take part in the incubation program at Asseco Innovation Hub.

During the first three quarters of 2019, Asseco signed several significant contracts with public sector institutions. In February, Asseco Poland signed an agreement with the Social Insurance Institution (ZUS) whereby Asseco was contracted to provide maintenance services on the institution's mission-critical Comprehensive Information System (KSI). This task was taken over from our competitor that won the tender for KSI maintenance back in 2017. In February of 2019, bearing in mind the security and continuity of operation of this system which is of critical importance for the country, the Management Board of ZUS decided to partially terminate the contract with the previous contractor and, at the same time, to entrust the provision of essential services to Asseco again. In the third quarter of 2019, the Company gained two orders to render additional services under the KSI maintenance contract.

In addition, Asseco performs six execution contracts under the framework agreement for the modification and development of the KSI system software that was concluded in 2018, three of which were awarded in the third quarter of 2019. These execution contracts involve:

- adaptation of the KSI system to legislative changes as regards the taxation of benefits and administration of pension benefits;
- optimization of the process of enabling access to data on the institution's clients;
- modification related to the revaluation of pension benefits;
- preparation and implementation of an emergency solution for downloading and verification of statements from social security contribution accounts;
- adaptation of the KSI system to legislative changes resulting from amendments to the Act on veterans and some people being the victims of repression during the war and the post-war period and certain other laws, as well as introducing a functionality to handle one-off cash benefits;
- adaptation of the KSI system to legislative changes resulting from the draft Act on benefits for persons incapable of independent existence.

This year in July, the Company completed the deployment of a document exchange system at ZUS, which is to ensure cooperation with nearly 15 thousand social security institutions from 32 EU/EFTA countries. From the technological point of view, this was one of the largest IT system modifications conducted at ZUS.

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 ZUS Electronic Services Platform.

In June 2019, the Company concluded a significant contract for the development and maintenance of the Information System at the Agency for Restructuring and Modernization of Agriculture (ARiMR). It is the largest IT system used by this Agency, among others, for managing the payment of subsidies to farmers. The contract was made for 47 months and it is worth PLN 177.1 million (gross). Winning this tender means that, after a 3-year break, Asseco is again providing services for one of the most important IT systems in the country.

Asseco Poland also provides IT services to the Ministry of Justice under a framework agreement. In the third quarter, two execution contracts were signed as part of this cooperation.

In May 2019, Asseco Data Systems signed an agreement with the Agricultural Social Insurance Fund (KRUS) for the maintenance of their pension benefits system called "Farmer". This four-year contract is worth PLN 77.5 million (gross). This is another significant contract concluded with this institution. Asseco is also responsible for the maintenance and development of the Workflow system, which constitutes a core component of the Integrated Information System (ZSI) that handles the mission-critical business processes at KRUS, as well as for providing comprehensive support for IT systems that handle insurance and short-term benefits at this institution.

The Company also implemented the contract with the National Healthcare Fund for maintenance and development of the NHF Operations Support System that was signed in the first quarter of 2019. This contract was concluded in a consortium with Kamsoft for a period of 4 years, with the possibility of being extended by a year or two. The contract is worth PLN 153.5 million. Under this contract, the consortium is responsible not only for subscriptions and maintenance of the IT system, but also for delivery of new services to enable data integration and migration processes. These services will ultimately be used during the NHF's transition from their legacy IT system to a new one.

Asseco has consistently strengthened its presence in the healthcare market. Regulatory changes and the imposed 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 third quarter of 2019, Asseco won further tenders for the implementation of e-Services related to patient service and provision of electronic medical records by hospitals, among others, in Lublin Province and Opole Province. Under such agreements, Asseco implements software that is primarily intended to improve patient registration for appointments, make it easier for patients to check the results of examinations, as well as provide them with online access to medical records. New e-Services are fully integrated with the existing solutions operated at hospitals, including Hospital Information Systems (HIS) and unit management systems (ERP).

In Poland, doctor referrals will have to be issued in electronic form starting from 1 January 2021. As part of the ongoing pilot project, Asseco has provided software for issuance and execution of e-Referrals. Moreover, the Asseco Medical Management Solutions (AMMS) system is totally ready to handle electronic referrals.

In the third quarter of 2019, Asseco entered into cooperation with Medcover on a new model for delivery of healthcare services. Its objective is to build a platform that will facilitate communication and settlements between medical networks and partner institutions. What is important, it may also be used by other networks that would like to improve the quality and efficiency of their services. The first phase of the project is planned to be completed by the end of 2019, and the second phase by the middle of 2020.

Leveraging on many years of experience in the computerization of medical facilities, Asseco has developed an application dedicated to patients: Medical Information. It is just the first product of this kind in the Polish market. It enables convenient access and management of information which is made available by medical centers via a smartphone. The new solution is integrated with another Asseco application – Home Medicine Chest, which supports personal administration of medicines by patients.

This year in April, Asseco Poland and Asseco Data Systems entered into cooperation with the Domestic Cloud Operator. Under the framework agreements signed, they will provide integration services as well as their proprietary software. The Asseco Group companies were included in the group of five technological partners of the Domestic Cloud which announced the commencement of its operations.

In the general business sector, Asseco cooperates with major telecommunications and energy industry companies.

In the first half of this year, Asseco Poland completed the project of implementation of new billing systems for Orange Poland. It was one of the largest projects in both the Polish and European telecommunications market and it involved the migration of customers of Orange into two new billing systems, followed by a shut-down of the previous system. The change included also wholesale telecommunications operators and business customers. During the migration, data (including historical data) of several hundred thousand subscribers from the B2B sector and several dozen operators from the wholesale market, using a total of 1 million services, were transferred.

Asseco also continues its important cooperation with Cyfrowy Polsat, under which it participates in the project of implementation of a new, integrated IT environment for Cyfrowy Polsat Group and is responsible, among others, for the transformation of legacy systems and data migration to the new environment.

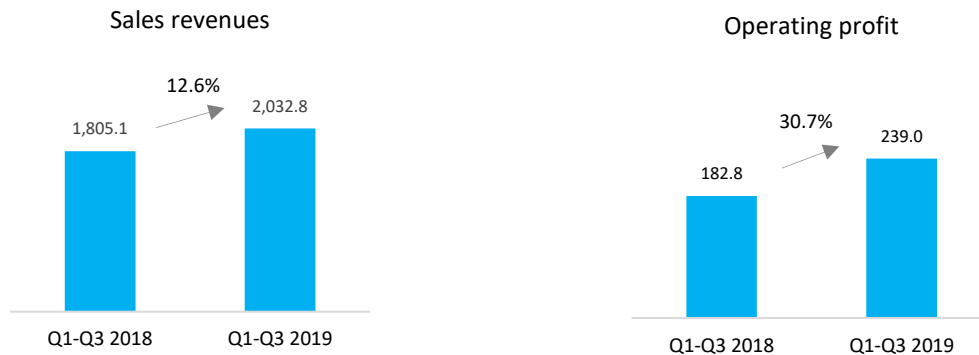
In March 2019, Asseco Poland and Oracle Corporation made an agreement, as a result of which Asseco's applications for the utilities sector will be distributed over the Oracle cloud. The products of Asseco Utility Management Solutions (AUMS) suite are dedicated for small and medium-sized enterprises as well as for corporate customers. Thanks to the concluded agreement, these solutions will be available in the SaaS model both in Poland and abroad.

During the first three quarters of 2019, the Company signed new contracts with customers of the utilities sector. The companies PGE Dystrybucja and PGE Systemy chose Asseco to provide maintenance and development services on their billing systems HandelMax and EnergOS. The total value of these contracts is PLN 13.4 million (gross), of which 20 percent will be allocated to adopting both systems to the required changes. The cooperation will last 3 years. Moreover, PGNiG Obrót Detaliczny concluded a contract with Asseco Poland for the development and implementation of the Central Billing System (CBS). This solution will improve the quality of services provided to the company's individual and small business clients, as well as shorten their service time. The system will be ready and supplied with data by mid-2022 at the latest.

The last three quarters were favourable also for other companies of Asseco Group operating in the Polish market. Asseco Data Systems expanded its sales of security and trust services (incl. electronic signature) as well as mass communication services, i.e. handling of correspondence and management of documents in paper and electronic form. In the first three quarters of 2019, this company entered into cooperation with the government of Togo and, as part of a joint venture, it will launch "Cyber Defense Africa" – the first institution responsible for cybersecurity in the Togolese Republic. The new organization is going to start its operations in 2020, and the investment cost will amount to approx. EUR 14 million. Asseco Data Systems is responsible for creating a comprehensive strategy for the new organization, providing the necessary ICT infrastructure, as well as for training its staff.

Asseco makes efforts to develop its competence in promising business areas. On 20 May 2019, Asseco Poland acquired 69.01% of shares in ComCERT S.A. based in Warsaw. Moreover, the Company signed a conditional agreement to purchase the remaining 30.99% of shares which are held by one shareholder. ComCERT S.A. is a provider of cybersecurity services, including the identification of threats and incidents in cyberspace as well as support for customers in the event of an emergency or security breach.

3.2 Asseco International segment



The table below presents the selected financial data of the Asseco International segment for the periods of 3 and 9 months ended 30 September 2019 as well as for the comparable periods:

mPLN	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018 (%)	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018 (%)
Sales revenues*	686.6	586.8	17.0%	2,032.8	1,805.1	12.6%
EBIT	88.2	58.9	49.7%	239.0	182.8	30.7%
<i>EBIT margin</i>	12.8%	10.0%	2.8 pp	11.8%	10.1%	1.7 pp
Non-IFRS EBIT	91.1	61.4	48.4%	247.9	190.5	30.1%
<i>Non-IFRS EBIT margin</i>	13.3%	10.5%	2.8 pp	12.2%	10.6%	1.6 pp
EBITDA	126.5	86.2	46.8%	347.7	262.6	32.4%
<i>EBITDA margin</i>	18.4%	14.7%	3.7 pp	17.1%	14.5%	2.6 pp
CFO BT	69.6	67.3	3.4%	193.4	165.8	16.6%
CAPEX	(18.7)	(22.4)	(16.5%)	(76.2)	(70.6)	7.9%
Lease expenditures	(12.3)	(1.3)	846.2%	(35.8)	(3.6)	894.4%
FCF	38.6	43.6	(11.5%)	81.4	91.6	(11.1%)
Cash conversion rate	42.4%	71.0%	(28.6) pp	32.8%	48.1%	(15.2) pp
Cash and cash equivalents (comparable data as at 31 December 2018)	-	-	n/a	406.2	506.9	(19.9%)
Interest-bearing debt (comparable data as at 31 December 2018)	-	-	n/a	(408.9)	(181.0)	125.9%
<i>of which bank loans, borrowings and bonds issued</i>	-	-	n/a	(201.8)	(168.8)	19.5%
<i>of which leases</i>	-	-	n/a	(207.1)	(12.2)	1,597.5%**

* Revenues from sales to external customers as well as inter-segment sales

** Significant increase resulting from the adoption of the new IFRS 16 standard

EBIT = operating profit

Non-IFRS EBIT = EBIT+PPA+SBP, where PPA means amortization charges on intangible assets recognized in purchase price allocation, and SBP means the costs of share-based payment transactions with employees

EBITDA = EBIT + depreciation and amortization

CFOBT = cash generated from operating activities (before income tax paid)

CAPEX = segment's capital expenditures for non-current assets

FCF = [CFOBT] - [CAPEX] - lease expenditures

Cash conversion rate = (FCF) / (non-IFRS EBIT)

In the first three quarters of 2019, the Asseco International segment generated PLN 2,032.8 million in sales revenues, achieving an increase by 12.6%. Operating profit improved by 30.7% and amounted to PLN 239.0 million. The segment's share in the consolidated sales reached 26%.

Asseco International Group generated stronger revenues across all major regions of its operations, this is in Central Europe, South Eastern Europe, and Western Europe.

Asseco Central Europe Group, which represents Asseco in the **Central European region**, recorded stronger sales and a significant improvement in profitability. This Group achieved very favourable results both through organic growth and acquisitions conducted last year.

Our companies operating in Slovakia and the Czech Republic also increased their sales in the first three quarters of 2019, owing to several important contracts gained in the public institutions sector in the previous year and in early 2019. In recent months, important projects were carried out for the Czech Ministry of the Interior, the Ministry of Labour and Social Policy, as well as in the area of e-Health where Asseco deals with the maintenance and development of the IT system, taking into account regulatory changes.

Whereas in the financial sector, the Group performed tasks related to the development and maintenance of StarBANK family solutions that were already deployed. In the third quarter, an important agreement was signed with one of the largest banks operating on the Slovak market in the field of development and maintenance of the bank's comprehensive IT system. These companies also made continued efforts to launch a new product, Asseco Digital Insurance Suite, integrated with the central IT systems from the StarINS family for insurance companies.

Asseco Central Europe Group has observed strong demand for ERP solutions that are marketed by Asseco Enterprise Solutions. Asseco Business Solutions, which specializes in enterprise management systems, reported robust sales and profits. However, its results remained under the pressure of last year's high base just as in the case of Asseco Poland. A year ago, this company recognized considerably stronger revenues from the sale of IT solutions related to factoring in connection with the implementation of the Split Payment regulation. The increase in revenues for the first three quarters of 2019 was achieved on the back of growing sales of proprietary software of Asseco Business Solutions and former Macrologic products, as well as stronger sales generated abroad. The company's product portfolio has reached more foreign markets. ABS's solutions have already been deployed in 50 countries worldwide, in regions such as Europe, Middle East, Asia, Australia and Latin America. In the first three quarters of 2019, the company's foreign sales increased by 4.4%.

Asseco Solutions companies operating in German-speaking countries, Czech Republic and Slovakia also improved their sales revenues.

Asseco South Eastern Europe Group, which operates in the **South Eastern European markets**, saw dynamic growth in the first three quarters of 2019. The Group improved its sales and operating profit across all business operations, with the payment solutions segment being the key growth engine.

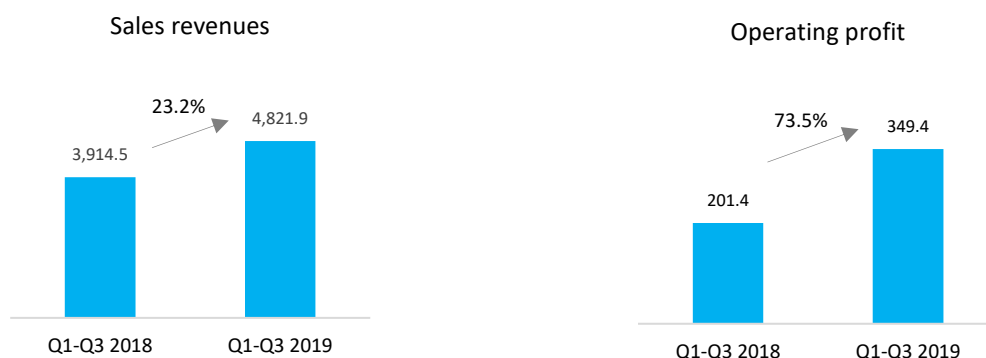
Such favourable results of ASEE were achieved due to stronger sales in the business line responsible for maintenance of POS terminals and ATMs, increasing revenues from e-Commerce solutions, higher sales of mobile and authentication solutions for the banking sector, as well as the consolidation of new subsidiaries. Owing to new acquisitions, the Group also strengthened its position in the payments processing market. During the first three quarters of 2019, the Group purchased a minority stake in Multicard Serbia, took over Necomplus at the beginning of the year, and subsequently acquired the companies of Bassilichi, B Services, as well as Sonet in the Czech Republic and Slovakia, just as Mobven in Turkey, thereby expanding its operations into new countries.

In the first three quarters of 2019, the Group generated higher revenues in the **Western European markets**. Asseco PST, which is present in Portugal and Portuguese-speaking countries in Africa, continued its cooperation with banks including the maintenance of core banking systems as well as large migration projects. The company presented its IT solutions at the industry conferences held in Mozambique and Angola: MozTech 2019 and ANGOTIC 2019.

Asseco Spain, a subsidiary of Asseco Western Europe, gained several new contracts for the supply of IT hardware, software and related services. The Company strengthened its cooperation with public institutions in the Spanish market, as well as with customers in the clothing and transportation industry. During the period reported, Asseco Lithuania carried out projects for the Lithuanian Museum of Art involving modernization of its IT system as well as development of new e-Services. For the Ministry of the Interior, the company implemented and developed an IT system for the monitoring of migration of the Lithuanian population. It also continued projects related to the development of advanced e-Services for the Ministry of the Environment. The company also signed several new contracts with public sector institutions. Peak Consulting, which operates in the Danish market, implemented, among others, projects for tax authorities in the area of systems for introducing tax information and calculations for taxpayers. This company also gained an important contract from the Regional Security Coordinator in Norway.

During the period reported, Asseco International pursued its strategy of development in international markets, and reinforced its competence in the power industry by making an acquisition in the Spanish market. The company acquired a 51% stake in Tecsisa, which is present in Spain, Mexico, Guatemala, Peru, and Argentina. This entity also has development prospects in other markets, including Portugal, Chile, Panama, Colombia, USA, Australia, and South Africa. Tecsisa provides native cloud and Big Data applications running on the technologically advanced Kommodo platform. This is the company's flagship product which has been used, among others, in the Italian energy industry group Enel and deployed in over a dozen countries. Asseco International acquired 51% of shares in Tecsisa for EUR 4.95 million. However, the consideration may increase up to a maximum of EUR 7.96 million, depending on the results generated by the Spanish company in the coming years.

3.3 Formula Systems segment



The table below presents the selected financial data of the Formula Systems segment for the periods of 3 and 9 months ended 30 September 2019 as well as for the comparable periods:

mPLN	3 months ended 30 Sept. 2019	3 months ended 30 Sept. 2018	Change Q3 2019 / Q3 2018 (%)	9 months ended 30 Sept. 2019	9 months ended 30 Sept. 2018	Change Q1-Q3 2019 / Q1-Q3 2018 (%)
Sales revenues*	1,768.6	1,327.8	33.2%	4,821.9	3,914.5	23.2%
EBIT	135.0	74.8	80.5%	349.4	201.4	73.5%
<i>EBIT margin</i>	7.6%	5.6%	2.0 pp	7.2%	5.1%	2.1 pp
Non-IFRS EBIT	187.7	127.0	47.8%	498.7	368.7	35.3%
<i>Non-IFRS EBIT margin</i>	10.6%	9.6%	1.0 pp	10.3%	9.4%	0.9 pp
EBITDA	239.1	140.7	69.9%	642.0	406.4	58.0%
<i>EBITDA margin</i>	13.5%	10.6%	2.9 pp	13.3%	10.4%	2.9 pp
CFO BT	245.7	55.1	345.9%	599.4	184.6	224.7%
CAPEX	(45.5)	(15.8)	188.0%	(91.9)	(55.4)	65.9%
Lease expenditures	(31.4)	-	0.0%	(88.9)	-	0.0%
FCF	168.8	39.3	329.5%	418.6	129.2	224.0%
Cash conversion rate	89.9%	31.1%	58.9 pp	83.9%	35.1%	48.8 pp
Cash and cash equivalents (comparable data as at 31 December 2018)	-	-	n/a	1,393.5	1,009.4	38.1%
Interest-bearing debt (comparable data as at 31 December 2018)	-	-	n/a	(2,404.4)	(1,434.5)	67.6%
<i>of which bank loans, borrowings and bonds issued</i>	-	-	n/a	(1,951.1)	(1,434.5)	36.0%
<i>of which leases</i>	-	-	n/a	(453.3)**	-	-

* Revenues from sales to external customers as well as inter-segment sales

** Significant increase resulting from the adoption of the new IFRS 16 standard

EBIT = operating profit

Non-IFRS EBIT = EBIT+PPA+SBP, where PPA means amortization charges on intangible assets recognized in purchase price allocation, and SBP means the costs of share-based payment transactions with employees

EBITDA = EBIT + depreciation and amortization

CFOBT = cash generated from operating activities (before income tax paid)

CAPEX = segment's capital expenditures for non-current assets

FCF = |CFOBT| - |CAPEX| - lease expenditures

Cash conversion rate = (FCF) / (non-IFRS EBIT)

In the first three quarters of 2019, revenues generated by the companies of Formula Systems Group reached PLN 4,821.9 million and were by 23.2% higher than in the corresponding period last year. Operating profit surged by 73.5% to the level of PLN 349.4 million.

The level of EBIT reported by the Formula Systems segment was negatively affected by additional amortization charges on intangible assets recognized in the purchase price allocation process (PPA) as well as by the costs of share-based payment transactions with employees (SBP). In the first three quarters of 2019, the impact of PPA and SBP reduced the segment's EBIT by a total of PLN 149.3 million.

The Formula Systems segment accounted for 62% of the Group's consolidated sales in the reporting period. In the first nine months of 2019, the Formula Group companies achieved significant growth in revenues and profitability.

Matrix IT, a leading IT company in Israel, recorded increases at all major levels of the income statement for the first three quarters of 2019. The company's sales were stronger owing to the improvement across all key business sectors as well as the consolidation of new subsidiaries, namely Dana Engineering and Medatech that were taken over in 2019. The revenue growth was accompanied by higher operating and net profit. In the period reported, Matrix IT improved its profitability. This group implemented further projects and developed new business areas. It also expanded the scale of its operations, primarily in the United States and Europe, which accounted for 12% of total revenues and 27% of operating profit.

Matrix IT continued its strategy of growth through acquisitions. During the first nine months of 2019, the group was joined by the companies of Medatech, TechTop, and Dana Engineering. Medatech is a provider of ERP software which is popular on the market. This was a very important transaction from the point of view of Matrix's development in the area of enterprise management software. The acquired company offers a high-quality solution, has a broad customer base, and is managed by an experienced and competent management. TechTop Marketing is a leading Israeli supplier of professional sound and lighting systems. Whereas, Dana Engineering is a provider of project management services, covering especially large and complex infrastructure projects in the Israeli market.

Sapiens International, a leading global provider of software and IT services for the insurance industry, in 2019 has focused on revenue growth and consistent improvement of profitability. It recorded higher sales especially in the sector of property and casualty insurance (P&C). The profit margins increased as a result of continuing expansion of foreign market sales along with improved economies of scale. Such strong results generated by the Group allowed Sapiens' Management to increase the guidance for 2019 full-year revenues to a range of USD 323 – 325 million.

Magic Software, a provider of technological solutions for the enterprise sector, reported record-high quarterly results, achieving a double-digit growth in revenues year over year. Such robust growth was achieved by focusing on continued long engagement cycles with customers and fruitful M&A activity. In the third quarter of 2019, Magic Software Group was joined by NetEffects Inc. that expanded the Group's software services portfolio. NetEffects, a US-based company, specializes in IT staffing and recruiting. This acquisition supports the Group's continuing efforts to upgrade its strong market position as a preferred one-stop-shop software services vendor. During the first three quarters of 2019, Magic Software Group was also joined by the following companies: OnTarget, specializing in outsourcing of software development services, as well as PowWow, managing a low-code SmartUX platform that allows to simplify the transfer of business processes through multi-platform web and mobile applications.

Very favourable results achieved by Magic Software for the first three quarters of 2019 prompted its Management to increase the guidance for 2019 full-year revenues to a range of USD 313 – 319 million, reflecting annual growth of 12% to 13%.

4. Non-recurring events with impact on our financial performance

During the period of 9 months ended 30 September 2019, the financial results achieved by Asseco Group were not affected by any one-time events.

5. Corporate officers of Asseco Poland S.A.

During the period of 9 months ended 30 September 2019, the Company's Management Board was composed of the following persons:

Management Board	Period of service
Adam Góral	01.01.2019 – 30.09.2019
Andrzej Dopierała	01.01.2019 – 30.09.2019
Tadeusz Dyrka	01.01.2019 – 30.06.2019
Krzysztof Grojecki	01.01.2019 – 30.09.2019
Rafał Kozłowski	01.01.2019 – 30.09.2019
Marek Panek	01.01.2019 – 30.09.2019
Paweł Piwowar	01.01.2019 – 30.09.2019
Zbigniew Pomianek	01.01.2019 – 30.09.2019
Sławomir Szmytkowski	01.07.2019 – 30.09.2019
Artur Wiza	01.01.2019 – 30.09.2019
Gabriela Żukowicz	01.01.2019 – 30.09.2019

On 25 March 2019, Mr. Tadeusz Dyrka filed a resignation from the position of Member and Vice President of the Company's Management Board with effect from 1 July 2019. Concurrently, on 25 March 2019, the Supervisory Board appointed Mr. Sławomir Szmytkowski as Vice President of the Company's Management Board, to serve during the five-year joint term of office running from 2017 to 2021, with effect from 1 July 2019.

During the period of 9 months ended 30 September 2019, the Company's Supervisory Board was composed of the following persons:

Supervisory Board	Period of service
Jacek Duch	01.01.2019 – 30.09.2019
Adam Noga	01.01.2019 – 30.09.2019
Izabela Albrycht	01.01.2019 – 30.09.2019
Piotr Augustyniak	01.01.2019 – 30.09.2019
Dariusz Brzeski	01.01.2019 – 30.09.2019
Artur Kucharski	01.01.2019 – 30.09.2019

Since 30 September 2019 till the publication of this report, i.e. till 20 November 2019, the compositions of the Supervisory Board and Management Board of Asseco Poland S.A. remained unchanged.

6. Shareholders structure of Asseco Poland S.A.

Shareholders as at 20 November 2019	Number of shares held / number of votes attached	Equity interest / percentage of total voting rights
Aviva Open Pension Fund ¹⁾	12,421,923	14.97%
Adam Góral, President of the Management Board ²⁾	8,083,000	9.74%
PZU Open Pension Fund ³⁾	4,281,040	5.16%
NN Open Pension Fund ⁴⁾	4,171,121	5.03%
Other shareholders	54,043,219	65.10%
	83,000,303	100%

1) In accordance with the regulatory filing no. 08/2019 of 8 July 2019

2) In accordance with the regulatory filing no. 51/2012 of 15 December 2012

3) In accordance with the regulatory filing no. 38/2010 of 2 June 2010

4) In accordance with the regulatory filing no. 21/2015 of 19 October 2015

As at 30 September 2019, the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders were as follows:

Shareholders as at 30 September 2019	Number of shares held / number of votes attached	Equity interest / percentage of total voting rights
Aviva Open Pension Fund ¹⁾	12,421,923	14.97%
Adam Góral, President of the Management Board ²⁾	8,083,000	9.74%
PZU Open Pension Fund ³⁾	4,281,040	5.16%
NN Open Pension Fund ⁴⁾	4,171,121	5.03%
Other shareholders	54,043,219	65.10%
	83,000,303	100%

Shareholdings in accordance with the above-mentioned regulatory filings.

As at the publication date of the prior report, this is on 26 August 2019, the shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the General Meeting of Shareholders were as follows:

Shareholders as at 26 August 2019	Number of shares held / number of votes attached	Equity interest / percentage of total voting rights
Aviva Open Pension Fund ¹⁾	12,421,923	14.97%
Adam Góral, President of the Management Board ²⁾	8,083,000	9.74%
PZU Open Pension Fund ³⁾	4,281,040	5.16%
NN Open Pension Fund ⁴⁾	4,171,121	5.03%
Other shareholders	54,043,219	65.10%
	83,000,303	100%

Shares held by the management and supervisory personnel

The table below discloses the numbers of Asseco Poland shares held by its management and supervisory staff as at the date of publication of this report and at the reporting date, as well as at the date of publication of the previous report and at the end of the previous financial year.

	20 Nov. 2019	30 Sept. 2019	26 Aug. 2019	31 Dec. 2018
Jacek Duch – Chairman of the Supervisory Board	31,458	31,458	31,458	31,458
Adam Góral – President of the Management Board	8,083,000	8,083,000	8,083,000	8,083,000
Tadeusz Dyrka – Vice President of the Management Board ¹⁾				3,710

1) Mr. Tadeusz Dyrka served as Vice President of the Management Board until 30 June 2019.

The remaining members of the Supervisory Board and Management Board did not hold any shares in Asseco Poland S.A. at any of the above-mentioned dates.

7. Other information

7.1. Issuance, redemption and repayment of non-equity and equity securities

During the reporting period, the Parent Company did not conduct any transactions of issuance, redemption or repayment of equity or debt securities.

7.2. Effects of changes in the organizational structure

Description of the organizational structure of Asseco Group and changes thereto is provided in explanatory note 3 to the condensed consolidated financial statements of the Group for the period of 9 months ended 30 September 2019.

7.3. Information on pending legal proceedings concerning liabilities or receivables of Asseco Poland or its subsidiaries

Asseco Group's disputes in litigation have been described in explanatory note 8.1 to the condensed consolidated financial statements of the Group for the period of 9 months ended 30 September 2019.

7.4. Related party transactions

Transactions with our related parties have been presented in explanatory note 6.19 to the interim condensed consolidated financial statements of the Group for the period of 9 months ended 30 September 2019. All transactions with related parties are carried out on an arm's length basis.

7.5. Bank loans, borrowings, sureties, guarantees and off-balance-sheet liabilities

Bank loans obtained, loans granted, sureties and guarantees granted, as well as off-balance-sheet liabilities have been described in explanatory notes 6.13 and 8.1 to the interim condensed consolidated financial statements of the Group for the period of 9 months ended 30 September 2019.

7.6. Changes in the Group management policies

During the period of 9 months ended 30 September 2019, the Group's management practices remained unchanged.

7.7. Agreements concluded by Asseco Group with its management personnel providing for payment of compensations if such persons resign or are dismissed from their positions

The Group companies did not conclude any agreements with their management officers that would provide for payment of compensations in the event such persons resign or are dismissed from their positions without substantial reason, or when they are dismissed as a result of a company merger by acquisition.

7.8. Information on the agreements known to the Issuer which may result in future changes of the equity interests held by the existing shareholders and bondholders

There are no agreements which may result in future changes of the equity interests held by the existing shareholders and bondholders.

7.9. Opinion on feasibility of the Management's financial forecasts for 2019

The Management Board of Asseco Poland S.A. did not publish any financial forecasts for the year 2019.

7.10. Monitoring of employee stock option plans

As at the date of preparation of this report, the Issuer did not run any share-based employee incentive scheme.

7.11. Factors which in the Management's opinion will affect the Group's financial performance at least in the next quarter

The Management Board of Asseco Poland S.A. believes the Group's current financial standing, production potential and market position pose no threats to its ability to continue as a going concern throughout the year 2019. However, there are numerous factors, of both internal and external nature, which may directly or indirectly affect the Group's financial performance.

External factors with a bearing on the future performance of Asseco Group include:

- development of the economic and political situation in Poland, European Union and other countries in which the Group conducts its business operations;
- inflation and currency exchange rate fluctuations (foremost of the dollar and euro, but also currencies of the countries where the Group operates);
- increased or decreased demand for IT solutions in the sectors of banking and finance, public administration, and enterprises;
- more and more severe competition both from Polish and international IT companies, which is observed especially when it comes to the execution of large and prestigious contracts,
- changes in the credit standing, financial liquidity and availability of debt financing for our customers;
- changes of official interest rates and lending margins applied by banks;
- opportunities and risks resulting from relatively rapid technological changes and innovations in the IT market;
- risk of postponing the IT spending decisions by potential clients;
- necessity to attract and support highly qualified employees and key personnel.

Internal factors with a bearing on the future performance of Asseco Group include:

- execution of complex information technology projects carried out under long-term agreements;
- implementation of the Group's business strategy involving organic growth and expansion into new foreign markets;

7.12. Other factors significant for the assessment of human resources, assets and financial position

Except for the information provided above, Asseco Group is not aware of any facts, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of the Group.



C. Interim Condensed Financial Statements of **Asseco Poland S.A.** for the period of 9 months ended 30 September 2019

Standalone Interim Statement of Income and Other Comprehensive Income

Asseco Poland S.A.

INCOME STATEMENT	3 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2019 mPLN	3 months ended 30 Sept. 2018 mPLN	9 months ended 30 Sept. 2018 mPLN
Operating revenues	191.7	596.8	211.0	641.8
Cost of sales	(133.3)	(417.5)	(133.3)	(417.8)
(Recognition)/Reversal of allowances for trade receivables	(0.5)	1.8	(1.1)	3.2
Gross profit on sales	57.9	181.1	76.6	227.2
Selling costs	(10.7)	(32.1)	(10.7)	(32.9)
General and administrative expenses	(19.8)	(60.1)	(18.9)	(58.4)
Net profit on sales	27.4	88.9	47.0	135.9
Other operating income	0.7	1.2	0.8	2.4
Other operating expenses	-	(1.0)	(0.2)	(1.2)
Operating profit	28.1	89.1	47.6	137.1
Financial income	12.0	117.3	0.6	24.6
Financial expenses	(6.0)	(9.8)	1.5	(8.9)
(Recognition)/Reversal of impairment losses on loans granted and other financial instruments	-	0.5	1.2	6.9
Pre-tax profit	34.1	197.1	50.9	159.7
Corporate income tax	(3.5)	(14.1)	(10.7)	(34.1)
Net profit for the reporting period	30.6	183.0	40.2	125.6
Earnings per share (in PLN):				
Basic earnings per share for the reporting period	0.37	2.20	0.48	1.51
Diluted earnings per share for the reporting period	0.37	2.20	0.48	1.51
Other comprehensive income:				
Net profit for the reporting period	30.6	183.0	40.2	125.6
Components that may be reclassified to profit or loss				
Components that will not be reclassified to profit or loss				
Amortization of intangible assets recognized directly in equity	-	(2.4)	(0.1)	(0.6)
Income tax relating to components of other comprehensive income	-	0.5	-	0.1
Total other comprehensive income	-	(1.9)	(0.1)	(0.5)
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	30.6	181.1	40.1	125.1

Standalone Interim Statement of Financial Position

Asseco Poland S.A.

ASSETS	30 Sept. 2019	31 Dec. 2018
	mPLN	mPLN
Non-current assets		
Property, plant and equipment	275.1	310.2
Intangible assets	2,216.6	2,213.2
<i>of which goodwill from business combinations</i>	<i>1,932.5</i>	<i>1,932.5</i>
Right-of-use assets	90.7	-
Investment property	0.4	0.4
Investments in subsidiaries and associates	2,073.9	2,052.1
Other receivables and trade receivables	78.9	82.7
Other financial assets	31.4	46.4
Prepayments and accrued income	9.6	6.0
	4,776.6	4,711.0
Current assets		
Inventories	3.3	2.6
Trade receivables	152.8	173.7
Contract assets	99.2	122.4
Corporate income tax receivable	0.2	-
Other receivables	22.1	17.4
Prepayments and accrued income	29.3	16.1
Other financial assets	3.5	3.0
Cash and short-term deposits	94.9	264.7
	405.3	599.9
Assets held for sale	-	6.0
	405.3	605.9
TOTAL ASSETS	5,181.9	5,316.9

Standalone Interim Statement of Financial Position

Asseco Poland S.A.

EQUITY AND LIABILITIES	30 Sept. 2019	31 Dec. 2018
	mPLN	mPLN
TOTAL EQUITY		
Share capital	83.0	83.0
Share premium	4,180.1	4,180.1
Retained earnings	606.0	686.7
	4,869.1	4,949.8
Non-current liabilities		
Bank loans, borrowings and debt securities	-	38.8
Lease liabilities	59.1	21.8
Other financial liabilities	7.4	2.2
Deferred tax liabilities	27.3	26.3
Contract liabilities	12.2	8.7
Other liabilities	0.1	0.5
Provisions	6.2	9.7
Deferred income	33.1	32.4
	145.4	140.4
Current liabilities		
Bank loans, borrowings and debt securities	0.5	15.2
Lease liabilities	32.4	23.6
Other financial liabilities	0.9	1.0
Trade payables	50.3	75.8
Contract liabilities	26.2	26.5
Corporate income tax payable	-	15.1
Other liabilities	19.5	22.6
Provisions	9.2	11.8
Accruals	27.2	33.8
Deferred income	1.2	1.3
	167.4	226.7
TOTAL LIABILITIES	312.8	367.1
TOTAL EQUITY AND LIABILITIES	5,181.9	5,316.9

Standalone Interim Statement of Changes in Equity

Asseco Poland S.A.

	Share capital	Share premium	Retained earnings and current net profit	Total equity
As at 1 January 2019	83.0	4,180.1	686.7	4,949.8
Impact of the adoption of IFRS 16 on the opening balance			(7.0)	(7.0)
As at 1 January 2019 (including impact of the adoption of IFRS 16)	83.0	4,180.1	679.7	4,942.8
Net profit	-	-	183.0	183.0
Total other comprehensive income	-	-	(1.9)	(1.9)
Dividend for the year 2018	-	-	(254.8)	(254.8)
As at 30 September 2019	83.0	4,180.1	606.0	4,869.1
As at 1 January 2018	83.0	4,180.1	772.6	5,035.7
Impact of the adoption of IFRS 15 and IFRS 9 on the opening balance	-	-	(1.9)	(1.9)
As at 1 January 2018 (including impact of the adoption of IFRS 15 and IFRS 9)	83.0	4,180.1	770.7	5,033.8
Net profit	-	-	125.6	125.6
Total other comprehensive income	-	-	(0.5)	(0.5)
Dividend for the year 2017	-	-	(249.8)	(249.8)
As at 30 September 2018	83.0	4,180.1	646.0	4,909.1

Standalone Interim Statement of Cash Flows

Asseco Poland S.A.

	9 months ended 30 Sept. 2019 mPLN	9 months ended 30 Sept. 2018 mPLN
Cash flows – operating activities		
Pre-tax profit	197.1	159.7
Total adjustments:	(76.0)	19.9
Depreciation and amortization	47.9	42.0
Changes in working capital	(14.9)	(1.4)
Interest income/expenses	0.4	-
Gain (loss) on foreign exchange differences	(5.0)	(0.2)
Dividend income	(108.0)	(15.6)
Other financial income/expenses	3.8	(4.1)
Gain (loss) on investing activities	(0.2)	(1.1)
Other adjustments	-	0.3
Net cash generated from operating activities	121.1	179.6
Corporate income tax (paid) / recovered	(25.5)	11.4
Net cash provided by (used in) operating activities	95.6	191.0
Cash flows – investing activities		
Inflows:		
Disposal of property, plant and equipment and intangible assets	8.5	1.4
Disposal of investments in related companies	7.3	9.8
Loans collected	1.8	11.4
Dividends received	103.8	10.9
Interest received	2.9	4.2
Other inflows	-	1.1
Outflows:		
Acquisition of property, plant and equipment and intangible assets	(33.2)	(21.5)
Expenditures for development projects in progress	(19.6)	(8.5)
Acquisition of shares in related companies	(3.6)	(18.0)
Loans granted	(3.4)	(4.0)
Net cash provided by (used in) investing activities	64.5	(13.2)
Cash flows – financing activities		
Inflows:		
Grants received	5.1	-
Outflows:		
Dividends paid out	(254.8)	(249.8)
Repayments of bank loans and borrowings	(53.3)	(30.8)
Payments of lease liabilities	(23.1)	(16.2)
Interest paid	(4.0)	(4.5)
Net cash provided by (used in) financing activities	(330.1)	(301.3)
Net change in cash and cash equivalents	(170.0)	(123.5)
Net foreign exchange differences	0.2	-
Cash and cash equivalents as at 1 January	264.7	308.0
Cash and cash equivalents as at 30 September	94.9	184.5



Approval for publication by the Management Board

These interim condensed consolidated financial statements of Asseco Group for the period of 9 months ended 30 September 2019 have been approved for publication by the Management Board of Asseco Poland S.A. on 20 November 2019.

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of the Management Board
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of the Management Board
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