

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of Asseco Poland S.A.

**Audit report on the annual financial statements**

### Opinion

We have audited the annual financial statements of Asseco Poland S.A. (the 'Company') located in Rzeszów at Olchowa 14 street containing: the statement of financial position as at 31 December 2018, the income statement and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2018 to 31 December 2018 and additional information to the financial statements (the 'financial statements').

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the period from 1 January 2018 to 31 December 2018 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

The opinion is consistent with the additional report to the Audit Committee, issued on 25 March 2019.

### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics') adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in our audit
<b><i>Recognition of revenue from contracts with customers</i></b>	
<p>The Company's revenue from contracts with customers for the year ended as at 31 December 2018 amounted to PLN 887,7m. Starting from 1 January 2018, the Company recognizes revenue resulting from the IT implementation contracts in accordance with the International Financial Reporting Standard No. 15 'Revenue from Contracts with Customers' ('IFRS 15'). As part of IT implementation contracts, the contracts amounting to PLN 831,5m are the contracts for which revenue is estimated based on the measurement of progress in satisfying the performance obligation using performance-based or input-based methods. The Company estimates the overall budgets of such contracts, including the specific costs necessary to complete the order and determining the</p>	<p>As part of the audit of the financial statements of Asseco Poland S.A. we have assessed the adopted accounting policies regarding the recognition and presentation of revenue from contracts with customers in terms of compliance with International Financial Reporting Standards ('IFRS'), in particular with IFRS 15.</p> <p>For significant revenue streams:</p> <ul style="list-style-type: none"> <li>▶ We have documented the operation of the identified processes and assessed the key control mechanisms of the Company. We performed test of controls for selected control mechanisms;</li> <li>▶ for a selected sample of sales agreements that include more than one performance obligation of the Company (i.e., providing more than one service and / or good), we analyzed the</li> </ul>

Key audit matters	How the matter was addressed in our audit
<p>overall result on the contract, and making the recognition or reversal of the provision for the onerous contracts dependent on the estimated result of the contract.</p> <p>In addition, a significant part of revenue from contracts with customers is recognized in relation to the contracts, which often include an obligation to provide more than one service or good. Estimation of the revenue value, allocation of transaction price to the performance obligations promised in the contract, determination of the moment of revenue recognition and appropriate presentation of revenue in the financial statements require a number of significant estimates and judgments from the Company's Management. In case of long-term contracts, the Company estimates the transaction price due to it under the contract and planned costs necessary to be incurred in order to deliver performance obligations and based on these estimates, using one of the above-mentioned methods to measure the progress, recognizes revenue from contracts with customers and related costs.</p> <p>The Company implemented IFRS 15 under retrospective method with the total effect of the first application of this standard being recognized on the day of its first application, i.e. from January 1, 2018.</p> <p>The method of revenue recognition from the above-mentioned contracts requires a significant degree of the Company Management's judgment with regard to identification of performance obligations as well as significant Management's estimates in relation to percentage of completion. Due to the fact that improper</p>	<p>contract, revenue and cost budgets, and on this basis we made an assessment of the transaction price allocation to individual performance obligations and assessed the correctness of revenue recognition over time or at a point in time;</p> <ul style="list-style-type: none"> <li>▶ for products and services for which revenue is recognized over time, on a selected sample of orders we have performed substantive testing of contract budgets, which formed the basis for progress measurement of contract completion, determination of the transaction price and revenue recognition, as well as setting budgets for contracts that formed the basis for calculation of onerous contract provisions;</li> <li>▶ we conducted a historical analysis of the realization of contract budgets for significant contracts completed in a current financial year in order to compare forecasts and budgets of contracts that have not been completed, and to compare existing trends in employees' costs, which significantly determine the estimate of remaining costs to complete the contract, comparing whether analogous trends are reflected in the tested sample of contracts;</li> <li>▶ we conducted discussions with the Company's Management and Managers of selected long-term contracts recognized over time, to discuss assumptions regarding budgets and risks and progress of contracts, probability of changes in contract profitability, and the need to recognise onerous contracts provisions;</li> <li>▶ through analytical procedures, transactional tests and analysis of journal reports prepared by us, we assessed the correctness of recognizing revenue over time and the correctness</li> </ul>

Key audit matters	How the matter was addressed in our audit
<p>estimate or judgement of the Company's Management in these areas may cause incorrect determination of revenues from contracts with customers, we consider this issue as a key audit matter.</p> <p>The accounting policy regarding the method of recognition of revenue from contracts with customers is described in the separate financial statements in the note IV.4.1. 'Structure of operating revenue', including required disclosures, including significant judgments and estimates. In Note V.5.7 'Assets from contracts with customers, trade and other receivables' and in Note V.5.15 'Liabilities from contracts with customers, trade payables and other liabilities', the Company disclosed accounting policies and significant elements of estimates and judgments, as well as required disclosures regarding assets and liabilities from contracts with customers and trade receivables. In addition, in note II.2.5.i. the Company disclosed information regarding the impact of the implementation of IFRS 15 on the opening balance presented in the financial statements.</p>	<p>of the recognized revenue in individual periods.</p> <ul style="list-style-type: none"> <li>▶ we analyzed the implementation of IFRS 15 performed by the Company and assessed it as of the date of the initial application of this standard, i.e. on 1 January 2018.</li> </ul> <p>In addition, we assessed the adequacy of the presentation and disclosures in the financial statements regarding revenue from contracts with customers, including those related to the implementation of IFRS 15.</p>
<b><i>Impairment of investments in subsidiaries and associates</i></b>	
<p>The value of investments in subsidiaries and associates included in the balance sheet of the Company as at 31 December 2018 amounts to PLN 2 052,1m, and is the most significant item of the Company's assets, constituting over 39% of the total assets. These investments are recognized at historical cost, net of impairment losses. In accordance with International Accounting Standard No. 36 'Impairment of Assets' ('IAS 36'), the Management Board of Asseco Poland</p>	<p>As part of the audit of the Company's financial statements, in relation to impairment indicators and impairment tests of investments in subsidiaries performed by the Management, we performed the following procedures, among others:</p> <ul style="list-style-type: none"> <li>▶ we have made an assessment of the methodology and the arithmetical correctness of the model used to determine the value in use of the relevant cash-generating units;</li> </ul>

Key audit matters	How the matter was addressed in our audit
<p>S.A., in case of identification of impairment indicators, is required to carry out an asset impairment test. The impairment test of investments in subsidiaries and associates is carried out by determining the recoverable amount based on the value in use calculated with the discounted cash flows of the cash-generating unit over the five-year period and the residual value of the unit, and in case of companies listed on active markets by determining the market value based on the market capitalization of these entities or discounted cash flows of a given cash-generating unit during the five-year period and the residual value of that unit.</p> <p>The impairment test is a key matter of the audit due to the high value of investments in subsidiaries and a significant element of the Company's Management's judgment in the assumptions made to estimate the cash flow projections used in the model adopted to determine the value in use of cash-generating units.</p> <p>Areas of estimate and significant judgement of the Company's Management in relation to the applied impairment test model refer to the rate of change in revenues and the level of realized margin in the forecast period, that depend on the expected market conditions and the overall macroeconomic situation affecting each investment, as well as to the discount rate used to determine the present value of future cash flows.</p> <p>The Company presented disclosures regarding the impairment test in note V.5.4. 'Asset impairment test', where key assumptions and test results along with the sensitivity analysis were explained. The description of the accounting principles applied to the recognition of</p>	<ul style="list-style-type: none"> <li>▶ we have assessed the analysis of impairment indicators made by the Company's Management;</li> <li>▶ we have evaluated the discounted cash flow models in terms of their compliance with the relevant financial reporting standards;</li> <li>▶ we assessed the assumptions adopted by the Company's Management regarding cash flows in the form of budget assumptions, financial forecasts used in the model and their comparison to information obtained during other audit procedures, market information, and by comparison to the historical accuracy of forecasted financial results;</li> <li>▶ we have assessed the discount rate used in the model to calculate the present value of cash flows by assessing the relevant input data in the calculation of the weighted average cost of capital, with the support of our specialists in the field of valuations;</li> <li>▶ we obtained detailed statements of the Company's Management regarding the completeness and correctness of the data provided to us and significant assumptions;</li> <li>▶ we conducted an analysis of the sensitivity of the test results to changes in key input parameters such as the change in the discount rate and the level of changes in revenue and costs in the years of the forecast.</li> </ul> <p>In addition, we assessed the adequacy of the presentation and disclosures regarding impairment tests, including sensitivity analyzes, presented in Note V.5.4 'Impairment test of assets'.</p>

Key audit matters	How the matter was addressed in our audit
investments in subsidiaries and associates is included in note V.5.3 'Investments in subsidiaries and associates'.	
<b><i>Goodwill impairment</i></b>	
<p>Goodwill recognized in the Company's balance sheet as at 31 December 2018 amounts to PLN 1 932,5m. In accordance with IAS 36, the Management of Asseco Poland S.A. is required to perform, at least annually, an impairment test of a cash-generating unit or group of cash-generating units identified not higher than at the level of the operating segment to which goodwill is allocated. The goodwill impairment test is performed by determining the recoverable amount based on the value in use determined based on discounted cash flows that arise from detailed forecasts of the financial results of the cash-generating unit over the five-year period and the residual value of the unit.</p> <p>The impairment test is a key matter of the audit due to the high value of goodwill, and a significant element of the Company's Management's judgment in the allocation of goodwill to cash-generating units, as well as assumptions made to estimate cash flow projections used in the model adopted to determine the value in use of the cash-generating unit or groups of cash-generating units.</p> <p>The areas of estimates and significant judgement of the Company's Management with respect to the applied impairment test model relate, in particular, to the rate of change in revenue and the level of realized margin in the forecast period, that depend on the</p>	<p>As part of the audit of the Company's financial statements, we performed in relation to the goodwill impairment test conducted by the Company's Management, the following procedures, among others:</p> <ul style="list-style-type: none"> <li>▶ understanding the impairment test process and identifying the cash-generating units to which the goodwill was allocated;</li> <li>▶ we familiarized ourselves with the method of goodwill allocation to cash-generating units, not larger than operating segments;</li> <li>▶ we familiarized ourselves with the model used to determine the value in use of cash-generating units to which goodwill is allocated,</li> <li>▶ we have evaluated the discounted cash flow models in terms of their compliance with the relevant financial reporting standards;</li> <li>▶ we carried out an assessment of discounted cash flow models in terms of their arithmetical correctness;</li> <li>▶ we made an assessment of the assumptions made by the Company's Management with respect to cash flows in the form of budget assumptions and financial forecasts used in the model and compared them to information obtained during the performance of other testing procedures, market information, and also by comparison to the historical accuracy of the projected financial results;</li> <li>▶ we assessed the discount rate applied</li> </ul>

Key audit matters	How the matter was addressed in our audit
<p>expected market conditions and the overall macroeconomic situation affecting each of the operating segments, as well as to discount rate used to determine the present value of future cash flows.</p> <p>The Company presented disclosures regarding the identification of cash-generating units, goodwill allocation and impairment tests in note V.5.4. 'Impairment test of assets', where key assumptions and test results along with their sensitivity analysis were explained. The description of the accounting principles applied to the recognition of goodwill is included in note V.5.2. 'Intangible assets'.</p>	<p>in the model to determine the present value of cash flows by assessing the relevant input data in the calculation of the weighted average cost of capital, with the support of our specialists in the field of valuations;</p> <ul style="list-style-type: none"> <li>▶ we obtained detailed statements of the Company's Management regarding the completeness and correctness of the data provided to us and significant assumptions;</li> <li>▶ we analyzed the sensitivity of test results to changes in key input parameters such as change in the discount rate and changes in revenue and expenses in the forecast years and growth rate for the residual period.</li> </ul> <p>In addition, we assessed the adequacy of the presentation and disclosures regarding impairment tests, including sensitivity analyzes, presented in note V.5.4 'Assets impairment tests'.</p>
<b><i>Receivables related to the sale of shares in subsidiaries</i></b>	
<p>In 2017 and in previous years, the Company carried out sale transactions of shares in related companies, as a result of which it recognized mostly long-term receivables that were secured on sold shares. Part of those receivables as a result of the Company's Management's judgment was covered by write-offs in the accounting books in previous years. The net value of the above receivables included in the balance sheet as at 31 December 2018 was PLN 82,0m. In case of those receivables, the repayment of a significant part of those balances is to take place in years 2020-2024 in accordance with the sales contracts. The value of those receivables is a significant component of the Company's assets and is</p>	<p>As part of the audit of the Company's financial statements, we assessed the recoverability of receivables, in particular:</p> <ul style="list-style-type: none"> <li>▶ we agreed the value of receivables from the sale of shares and their terms disclosed in the financial statements to signed contracts, including collateral for repayment of such receivables;</li> <li>▶ we assessed the appropriateness of write-offs;</li> <li>▶ we assessed the results of the companies whose shares constitute collateral for loans granted and, as a consequence, debt repayment due to the sale of these shares.</li> </ul>

Key audit matters	How the matter was addressed in our audit
<p>based on the judgment of the Company's Management, therefore we consider this issue as a key audit matter.</p> <p>The Company in note V.5.7. 'Assets from contracts with customers, trade and other receivables' and V.5.18 'Transactions with related entities' disclosed information about the terms of repayment of receivables from the sale of shares and revaluation write-offs due to impairment.</p>	<p>In addition, we assessed the adequacy of the presentation and disclosures in the separate financial statements regarding these receivables included in the notes V.5.7. 'Assets from contracts with customers, trade and other receivables' and V.5.18. 'Transactions with related entities'.</p>

### **Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements**

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies and other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibility for the audit of the financial statements**

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

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements, and forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of Company's management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our independent auditor's report, however future events or conditions may cause the Company to cease to continue as a going concern,

- evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We provide the Audit Committee that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other information, including the Directors' Report**

The other information comprises the Directors' Report for the period from 1 January 2018 to 31 December 2018, the representation on the corporate governance and the representation on preparation of the statement on non-financial information mentioned in article 49b section 1 of the Accounting Act, as a separate element of the Directors' Report (jointly 'Other Information').

#### *Responsibilities of the Company's Management and members of the Supervisory Board*

The Company's Management is responsible for preparation Other Information in accordance with the law.

The Company's Management and members of the Supervisory Board are required to ensure that the Directors' Report (with separate elements) meet the requirements of the Accounting Act.

#### *Auditor's responsibility*

Our opinion on the financial statements does not include Other information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise seems materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's

report. Our responsibility, in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

#### *Opinion on the Directors' Report*

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

#### **Opinion on the corporate governance application representation**

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

#### **Information on non-financial information**

In accordance with the Act on Statutory Auditors, we inform that the Company did not publish a statement on non-financial information mentioned in article 49b section 9 of the Accounting Act as part of its Directors' Report. We inform that the Company has prepared such a separate report.

We have not performed any attestation procedures services in respect to the separate report on non-financial information and do not express any assurance in its respect.

#### **Representation on the provision of non-audit services**

To the best of our knowledge and belief, we represent that services other than audits of the financial statements which we have provided to the Company and its subsidiaries are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services which we have



provided to the Company and its subsidiaries in the audited period have been disclosed in the Directors' Report.

### **Appointment of the audit firm**

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Company's Supervisory Board of 11 August 2003 and reappointed based on the resolution of 21 December 2017. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended 31 December 2003; i.e. for the past 16 consecutive years.

Warsaw, 25 March 2019

Key Certified Auditor

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Robert Klimacki  
certified auditor  
no in the register: 90055

on behalf of  
Ernst & Young Audyt Polska spółka  
z ograniczoną odpowiedzialnością sp. k.  
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