



## TRANSLATORS' EXPLANATORY NOTE

Version dated 11.02.2021

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

# Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Wirtualna Polska Holding S.A.

## Report on the audit of financial statements

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### Our opinion

In our opinion, the attached annual financial statements Wirtualna Polska Holding S.A. ("the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2020 and its financial performance and the its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2021, item 217, as amended).

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

### What we have audited

We have audited the annual standalone financial statements of Wirtualna Polska Holding S.A. which comprise:

- the statement of financial position as at 31 December 2020;
- and the following prepared for the financial year from 1 January to 31 December 2020:
- the statement of profit or loss and other comprehensive income;
  - the statement of changes in equity;
  - the statement of cash flows and
  - the notes comprising a description of the significant adopted accounting policies and other explanations.

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## Basis for opinion

### Basis for opinion



We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors (“NSA”) and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the “Law on Registered Auditors” – Journal of Laws of 2020, item 1415).and the Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the “EU Regulation” – Journal of Laws EU L158). Our responsibilities under NSA are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

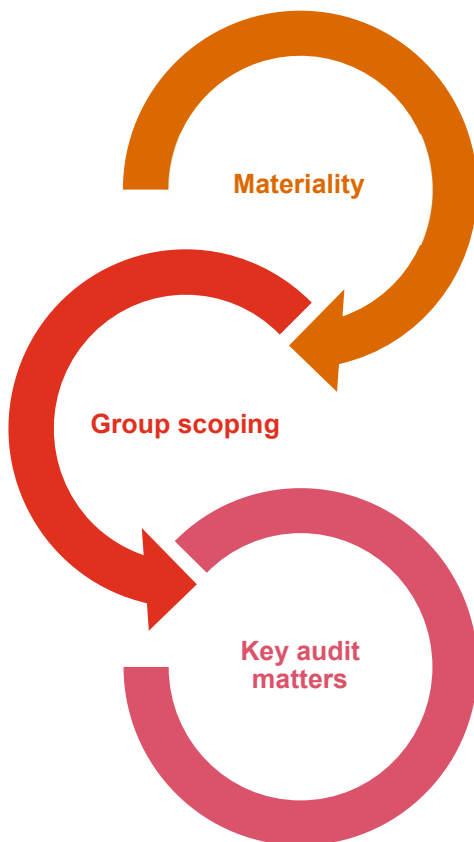
### Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

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## Our audit approach

### Overview



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- The overall materiality threshold adopted for the purposes of our audit was set at PLN 4 648 thousand, which represents 1% of total assets as determined during the planning phase.

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- We have audited the annual financial statement of the Company for the period ended 31 December 2020.

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- Impairment in respect of loans granted and the value of investments in subsidiaries.
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial

statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

#### Overall materiality

PLN 4 648 thousand (in 2019 PLN 5 147 thousand)

#### How we determined it

1 % of the Company's total assets as determined during the planning phase. We reviewed the materiality assessment during the audit, and found no indicators that overall materiality would require its reassessment, due to immaterial impact on the audit plan.

#### Rationale for the materiality benchmark applied

We have adopted total assets as the basis for determining materiality because, in our opinion, it is an indicator commonly used by the users of financial statements to evaluate the Company's operations and is a generally adopted benchmark. We adopted the materiality threshold at 1% because based on our professional judgement it is within the quantitative materiality thresholds acceptable by the auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above PLN 232 thousand, as

well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement

resulting from fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

#### Key audit matter

Impairment in respect of loans granted and the value of investments in subsidiaries and associates

#### How our audit addressed the key audit matter

Our audit procedures covered, in particular:

- understanding and evaluation of the process of calculating impairment losses on

As at the balance sheet date 31 December 2020, the Company recognized investment in subsidiaries in the amount of PLN 389,3 million and loan receivables in the amount of PLN 64,6 million. In the audited year, the Company recognized an impairment loss in relation to the value of investment in Domodi Sp. z o.o. in the amount of PLN 33,4 million. Disclosures in respect of loans granted and value of investments in subsidiaries are described in the Note 11 to the financial statements.

The correct determination of write-downs of loan receivables is an area which requires a material judgement of the Management Board. Identifying the evidence of impairment and determining recoverable amounts for receivables in respect of loans granted and the value of shares in subsidiaries require that the Management Board estimate, among other things, the expected future cash flows, market prices and the expected net realizable values. Using different valuation techniques and different assumptions may result in arriving at the estimates of write-downs of loans granted and the value of investments in subsidiaries which would differ materially.

The methodology of recognizing write-downs is described in the accounting policies, in Note 2 to the financial statements. The methodology for calculation impairment losses on loans is based on the expected credit loss model in accordance with IFRS9 while shares in subsidiaries are tested in accordance with IAS 36 (based on the discounted cash flows) in the event of impairment triggers.

Given the inherent risk of uncertainties over the material estimates made by the Management Board, we have concluded that this is a key matter for our audit.

- loans granted in accordance with the expected credit loss model;
- understanding and assessment of the process of identification by the Management Board of premises for impairment of investments in subsidiaries and making a critical assessment of the existence of premises for impairment for these investments;
- analysis of the calculation of impairment allowances made by the Management Board, in particular: (a) we analysed the forecasts regarding future cash flows from the operating activities of subsidiaries, (b) we considered the validity of the assumptions based on our knowledge, practice and experience, and compared the estimates with external evidence, if available, (c) we have verified the arithmetical correctness of the models used to conduct the tests and calculate the amount of write-off;
- evaluating the completeness and correctness of the disclosures about the write-downs of expected credit losses of loan receivables and impairment losses on investments in subsidiaries.

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## Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of the annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation

of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board 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 Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



The Company's Management Board and members of its Supervisory Board} are obliged to ensure that the financial statements comply with the

requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

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

The scope of the audit does not include an assurance on the Company's future profitability nor the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board's use of the

going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the 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 also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied}.

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.]

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## Other information, including the Report on the operations

### Other information

Other information comprises a Combined report on the Company's and Wirtualna Polska Holding Group S.A. ("Group"), in which the parent entity is Wirtualna Polska Holding S.A. for the financial year ended 31 December 2020 ("the Combined report on the operations") operations and the corporate governance statement and the statement on non-financial information referred to in Article 49b(1) of the Accounting Act which are separate parts of the Combined report on the operations, together "Other Information". Other information does not include the financial statements and our auditor's report thereon.

### Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for the preparation of the Other Information in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Combined report on the Company's operations including its separate parts complies with the requirements of the Accounting Law.

### Registered auditor's responsibility

Our opinion on the financial statements does not cover the 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 the Other Information is materially inconsistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in the Other Information, we are obliged to inform about it in our audit report.

In accordance with the requirements of the Law on the Registered Auditors, we are also obliged to issue an opinion on whether the Combined report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

Moreover, we are obliged to issue an opinion on whether the Company provided the required information in its corporate governance statement and to inform whether the Company prepared a statement on non-financial information.

### Opinion on the Combined report on the operations

Based on the work we carried out during our audit, in our opinion, the Report on the Company's operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2018, item 757);
- is consistent with the information in the financial statements.

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

### Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Company included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the financial statements.





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

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Company {Group} has prepared a statement on non-financial information referred to in Article

49b(1) of the Accounting Act as a separate section of the Report on the operations.

We have not performed any assurance work relating to the statement on non-financial information and we do not provide any assurance with regard to it.

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## **Report on other legal and regulatory requirements**

### **Information on compliance with prudential regulations**

audited period are disclosed in the note 23 to the financial statements.

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

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the applicable laws and regulations in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Law on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries during the

### **Appointment**

We were first appointed to audit the annual financial statements of the Company by resolution of the Supervisory Board dated 30 April 2014 and re-appointed by resolutions dated 15 February 2016 and 25 March 2019. We have been auditing the Company's financial statements without interruption since the financial year ended 31 December 2014, i.e. for 7 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Paweł Wesółowski.

Paweł Wesółowski  
Key Registered Auditor  
No. 12150

Warsaw, 29 March 2021