



# Independent Registered Auditor' Report

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

## Report on the audit of financial statements

### Our opinion

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

- give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance and 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 of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2018, item 395, 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 financial statements of Wirtualna Polska Holding S.A. which comprise:

- statement of financial position as at 31 December 2017;

and the following prepared for the financial year from 1 January to 31 December 2017:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows, and
- the notes comprising a description of the adopted accounting policies and other explanations

### Basis for opinion

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#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by Resolution no. 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015; International Standards on Auditing issued by IAASB (together "Auditing Standards") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089) and 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 those Auditing Standards 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 and ethics**

We are independent of the Company in accordance with the International Federation

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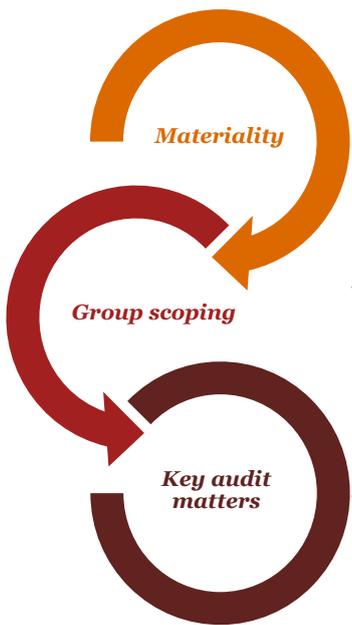


of Accountants' Code of Ethics for Professional Accountants ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these

requirements and the IFAC's 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}.

## Our audit approach

### Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 4.7 million, which represents 1% of total assets.
- We have audited the annual financial statement of the Company for the period ended 31 December 2017.
- Impairment in respect of loans granted and the value of investments in subsidiaries

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. 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 the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole 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, both individually and in aggregate on the financial statements as a whole.

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The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements

contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

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**Overall materiality**

PLN 4.7 million (PLN 4.9 million in 2016)

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**Basis for determination**

1% of the Company's total assets

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**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.

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We agreed with the Company's Audit Committee that we would report to them of misstatements identified during our audit of the financial

statements above PLN 162 thousand, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

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**Key audit matter****How our audit addressed the key audit matter**

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**Impairment of receivables in respect of loans granted and the value of investments in subsidiaries**

The correct determination of impairment 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 allowances of loans granted and the value of investments in subsidiaries which would differ materially. The methodology of recognizing impairment is described in the accounting policies, in Note 3 to the financial statements.

Given the inherent risk of uncertainties over

Our audit procedures covered, in particular:

- gaining an understanding of and evaluating the process of identification of the evidence of impairment of receivables in respect of loans granted and investments in subsidiaries by the Management Board;
- making a critical assessment of the existence of the evidence of impairment for material receivables in respect of loans granted and investments in subsidiaries;
- when the evidence of impairment was identified, we analysed the impairment tests performed by the Management Board, in particular: (a) we analysed the forecasts about future cash flows; (b) we considered the reasonableness of the assumptions made on the basis of our knowledge, practice and experience, and we compared the estimates with external evidence if it was available; (c) we verified the arithmetical correctness of the models used to carry out the tests;
- evaluating the completeness and correctness of the disclosures about the impairment of loan receivables and the value of investments in subsidiaries.

Based on the procedures performed, we have concluded that the assumptions made by the Management Board are

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the material estimates made by the Management Board, we have concluded that this is a key matter for our audit.

rational and supported by the documentation obtained, and that the disclosures in the financial statements meet the requirements of the standards.

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

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The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the 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.

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

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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 Auditing Standards 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 cover an assurance on the Company's future profitability or 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 the Auditing Standards, 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.

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- 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, 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 Report on the operations

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### Other information

Other information comprises a Report on the Company's and Wirtualna Polska Holding S.A. Group ("the Group") operations for the financial year ended 31 December 2017 ("the Combined report on the operations") and the corporate governance statement which is a separate part of the Combined report on the operations and a separate report on non-financial information, referred to in Articles 49b of the Accounting Act which are separated parts of Combined report on the operations.

### Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing the Combined report on the operations 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 operations including its separate parts complies with the requirements of the Accounting Act.

### Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover the Combined report on the operations.

In connection with our audit of the financial statements and the consolidated financial statement, our responsibility is to read the Combined report on the operation and, in doing so, consider whether it is materially consistent with the information in the financial statements, and the consolidated financial statement, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on

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the work performed, we identified a material misstatement in the Combined report on the operation, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act 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 and the Group provided the required information in its corporate governance statement and to inform whether the Company prepared a separate report on non-financial information.

#### **Opinion on the Report on the operations**

Based on the work we carried out during the audit, in our opinion, the Combined report on the operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 91 of the Regulation of the Minister of Finance dated 19 February 2009 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 2014, item 133, as amended

- is consistent with the information in the financial statements.

Moreover, based on the knowledge of the Company and the Group and their environment obtained during our audit, we have not identified any material misstatements in the Combined report on the operations.

#### **Opinion on the corporate governance statement**

In our opinion, in its corporate governance statement, the Company included information set out in paragraph 91(5)(4) (a), (b), (g), (j), (k) and (l) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 91(5)(4)(c)–(f) 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 and the Group have prepared a statement on non-financial information referred to in Article 49b(1) of the Accounting Act as a separate section of the Combined 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.

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

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#### **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 laws and regulations applicable 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 Act on Registered Auditors.

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

period are disclosed in note 22 to the financial statements

#### **Appointment**

We have been appointed for the first time to audit the annual financial statements of the Company by resolution of the Supervisory Board dated 30 April 2014 based on paragraph 20 of Company’s articles of association and subsequently by resolution of the Supervisory Board dated 15 February 2016. We have been auditing the Company’s financial statements without interruption since the financial year ended 31 December 2014, i.e. for 4 consecutive years.

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The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of Registered Audit Companies with the number 144, is Paweł Wesołowski

Paweł Wesołowski  
Key Registered Auditor  
No. 12150

Warsaw, 15 March 2018

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