

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

To the General Shareholders Meeting and Supervisory Board

The audit report on the annual financial statements

We have audited the accompanying annual financial statements for the year ended 31 December 2017 of Asseco South Eastern Europe S.A. ('the Company') located in Rzeszów at Olchowa 14, containing the income statement, the statement of comprehensive income for the period from 1 January 2017 to 31 December 2017, the statement of financial position as at 31 December 2017, the statement of changes in equity, cash flow statement for the period from 1 January 2017 to 31 December 2017 and the summary of significant accounting policies and other explanatory notes ('the accompanying financial statements').

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, and fair presentation of the financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission decrees and other applicable laws, as well as the Company's Statute. The Company's Management is also responsible for such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the Accounting Act of 29 September 1994 (the 'Accounting Act'), the Company's Management and the members of the Company's Supervisory Board are required to ensure that the accompanying financial statements meet the requirements of the Accounting Act.

Auditor's responsibility

Our objective was to express an opinion on whether the accompanying financial statements give a true and fair view¹ of the financial position and results of the operations of the Company in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations and adopted accounting policies.

¹ Translation of the following expression in Polish is 'rzetelny i jasny obraz'.

We conducted our audit of the accompanying financial statements in accordance with:

- Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight ('Act on Statutory Auditors'),
- National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 with subsequent amendments,
- 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 ("Regulation 537/2014").

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the accompanying financial statements are free from material misstatement.

The purpose of the audit is to obtain reasonable assurance as to whether the financial statements as a whole were prepared based on properly maintained accounting records and are free from material misstatement due to fraud or error, and to issue an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with the above mentioned standards will always detect material misstatements. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in aggregate, they could influence economic decisions of the users taken on the basis of these financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not recognizing a material misstatement due to an error, as fraud may involve collusion, falsification, deliberate omissions, misleading or circumventing internal control and may affect every area of law and regulation, not just this directly affecting the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The opinion is consistent with the additional report to the audit committee issued on the date of this report.

Independence

While conducting our audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the regulations of Act on Statutory Auditors, Regulation 537/2014 and principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

Based on our best knowledge and belief, we declare that we have not provided non-audit services, that are prohibited based on article 136 of the Act on Statutory Auditors and article 5, point 1 of Regulation 537/2014, to the Company.

Appointment of the audit firm

We were appointed to audit the accompanying financial statements based on the Company's Supervisory Board resolution dated 25 May 2017. We have been auditing the financial statements of the Company consecutively since the beginning of the financial year ended 31 December 2008; this is for 10 years.

Most significant assessed risks

In the course of our audit we have identified the below described most significant assessed risks of material misstatement (key audit matters), including due to fraud and we designed appropriate audit procedures in response to those risks. Where we considered to be relevant in order to understand the nature of the identified risk and audit procedures performed we have also included key observations arising with respect to those risks.

These matters were addressed in the context of our audit of the accompanying financial statements as a whole, and in forming our opinion thereon. Therefore we do not provide a separate opinion on these matters.

Description of the nature of the risk of material misstatement (key audit matters)	Audit procedures in response to the identified risk
<p>Impairment test of investments in subsidiaries</p> <p><i>Why the issue is a key audit matter</i></p> <p>The value of investments in subsidiaries included in the balance sheet of the Company as at 31 December 2017 amounts to PLN 571 101 thousand, which is individually the most significant item of the Company's assets, constituting over 90% of the total assets. In accordance with International Accounting Standard No. 36 "Impairment of Assets" ("IAS 36"), the Management Board of Asseco South Eastern Europe S.A. in case of identification of impairment indicators, is required to carry out an asset impairment test of a cash-generating unit. The impairment test of investments in subsidiaries is carried out by determining the recoverable amount based on the value in use determined by discounted cash flows, which result from detailed predictions of the financial results produced by the cash-generating unit in the five-year period and the residual value of the unit.</p> <p>The above described annual impairment test is a key audit matter due to a significant element of judgement of the Management Board in the area of assumptions impacting the cash-flow forecasts applied in the model used for determination of the value in use of the cash-generating units.</p> <p>Investments in subsidiaries were allocated to cash-generating units identified at the country level. The test was carried out by determining the value in use of each investment based on discounted cash flows resulting from detailed forecasts of a given cash-generating unit in the five-year period covered by the forecast and the residual value of the unit.</p> <p>The area of judgment and significant estimate of the Company's Management Board in relation to the applied model relates in particular to changes in revenues in the forecasted period, depending on the</p>	<p>As part of the audit of the standalone financial statements of the Company, we performed the following procedures, in relation to the impairment test of investment in subsidiaries performed by the Management Board:</p> <ul style="list-style-type: none"> • evaluation of the methodology and mathematical accuracy of the model used to determine the value in use of the relevant cash-generating units, to which investment in subsidiaries are assigned to in accordance with IAS 36, • evaluation of the primary assumptions adopted by the Management Board regarding cash flows in the form of budget assumptions and financial projections used in the model and comparing them to information obtained during other audit procedures, market information and by comparison to the historical realization of forecasted financial results, • evaluation of the accuracy of discount rate used in the model to calculate the present value of cash flows with the support of our valuation specialists, • sensitivity analysis of the test results subject to change of key input parameters such as the change in the discount rate and the change rate in revenues and costs in the years of the forecast. • assessment of the completeness of the disclosures in the financial statements regarding the IAS 36.

<p>expected market conditions and the overall macroeconomic situation affecting each investment, as well as the discount rate used to determine the present value of future cash flows.</p> <p><i>A reference to disclosure in the financial statements</i></p> <p>The Company made disclosures regarding the identification of cash-generating units and the impairment test in note 11 "Investment in subsidiaries", where key assumptions and test results along with the sensitivity analysis were explained.</p>	
<p>Correctness of sales revenue recognition</p> <p><i>Why the issue is a key audit matter</i></p> <p>The Company's sales revenue for the year ended 31 December 2017 amounted to PLN 39 404 thousand. The Company recognizes sales revenue on the basis of contracts with customers, which often include an obligation to provide more than one service or delivery of more than one good. Allocating revenue to a given performance obligation under the contract and the moment of recognizing revenues, determining the value of revenues as well as presentation of revenues in the financial statements resulting from this type of contracts require a number of significant estimates and judgments from the Management Board.</p> <p>Moreover the Company recognizes a part of revenues resulting from the long-term contracts in accordance with International Accounting Standard No. 11 "Construction Contracts" ("IAS 11"). In case of such agreements the Company estimates the total budgets of such contracts, detailed costs necessary to complete the order, and then based on percentage of completion of the planned costs, recognizes sales revenue. Such estimates constitute an important element of the Management Board's assessment and include the risk of incorrectly defining the scope or valuation of costs to be incurred and furthermore can trigger a mistake in appropriate recognition of sales revenue.</p>	<p>As part of the audit of the standalone financial statements of the Company, we performed an evaluation of applied accounting policies in relation to recognition and presentation of sales revenue in terms of compliance with International Financial Reporting Standards ("IFRS").</p> <p>For significant revenue streams:</p> <ul style="list-style-type: none"> • we have documented the operation of the identified processes and evaluated the adequacy of the key control mechanisms of the Company. • for selected sales contracts that include the Company's obligation to provide more than one service and/or delivery of more than one good, we assessed the accuracy of sales price allocation to each elements and the correctness of revenue recognition in appropriate period. • for products and services for which revenue is recognized over time, on a selected sample of orders we have performed detailed tests of reliability of contract budgets, which formed the basis for determining the level of completion and recognition of revenue, • we conducted discussions with the Management Board and Managers of selected significant long-term contracts, accounted for in accordance with IAS 11, in order to exclude the need to create provisions for losses.

<p><i>A reference to disclosure in the financial statements</i></p> <p>Accounting policy regarding the method of recognizing sales revenues is described in the financial statements in notes IV.8.xvii "Revenues" and note 1, 2 of additional notes and explanations.</p>	
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Opinion

In our opinion accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance for the year from 1 January 2017 to 31 December 2017 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and other applicable laws and the adopted accounting policies,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of Accounting Act,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute.

Report on other legal and regulatory requirements

Opinion on the Directors' Report

Our opinion on the financial statements does not include the Directors' Report.

The Company's Management is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition, the Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report meets the requirements of the Accounting Act.

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

Our responsibility was also to make a statement, on whether based on our knowledge about the Company and its environment obtained during the audit of the accompanying financial statements we have identified in the Director's Report any material misstatements and to indicate the nature of each of material misstatement.

In our opinion the Directors' Report was prepared in accordance with the relevant regulations and reconciles with the information derived from the accompanying financial statements. Moreover, based on our knowledge of the Company and its environment obtained during the audit of the accompanying financial statements, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

The Company's Management and members of the Company's Supervisory Board are responsible for preparation of the representation on application of corporate governance in accordance with the applicable laws.

In connection with the conducted audit of the accompanying financial statements, our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the issuer, obliged to present a representation on application of corporate governance, constituting a separate part of the Director's Report, included in the representation, information required by applicable laws and regulations the statement whether the related information is in accordance with applicable regulations and with the information included in the accompanying financial statements.

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 91, section 5, point 4, letter a, b, g, j, k and l of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of deeming information required by the regulations of a non-member country equal ('Regulation') Information stipulated in paragraph 91, section 5, point 4 letter c-f, h and letter i of the Regulation included in the representation on application of corporate governance is in accordance with applicable laws and information included in the accompanying financial statements.

Warsaw, 19 February 2018

Key Certified Auditor

Robert Klimacki
certified auditor
No. 90055

on behalf of
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odpowiedzialnością sp. k.
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