



INDEPENDENT AUDITOR'S REPORT

To the General Meeting and Supervisory Board of MCI Capital S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of MCI Capital S.A. ("the Company"), located in Warsaw at Plac Europejski 1, containing: statement of financial position as at 31 December 2019, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the period from 1 January 2019 to 31 December 2019 and additional information to the financial statements including a summary of significant accounting policies and other explanatory notes ("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 2019 and its financial performance and cash flows for the period from 1 January 2019 to 31 December 2019, in accordance with the applicable International Financial Reporting Standards endorsed by the EU 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 Statutes,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act.

This opinion is consistent with the additional report to the Audit Committee issued on 22 April 2020.

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 EU Regulation”). Our responsibilities under those standards are further described in the *“Auditor’s responsibility for the audit of the financial statements”* section of our report.

We are independent of the Company, in accordance with the International Code of Ethics for Professional Accountants published by the International Federation of Accountants (“the IFAC Code of Ethics”), adopted by the National Council of Statutory Auditors, and in accordance with other ethical requirements applicable to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code of Ethics. While conducting the audit, the key certified auditor and the audit firm were independent of the Company, in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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 for the current reporting 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. We have summarised our response to these risks and, in cases where we deemed it necessary, we presented the most important observations related to these risks. We do not provide a separate opinion on these matters.

Key audit matter	How we addressed this matter during our audit
<i>Initial Audit</i>	
The Company's financial statements for the year ended 31 December 2019 were the first financial statements subject to our	Our audit procedures included, among others:

Key audit matter	How we addressed this matter during our audit
<p>audit. Taking into consideration the specific nature of the Company's operations as an investment entity under IFRS 10 <i>Consolidated Financial Statements</i>, and lack of preparation of consolidated financial statements as a result, our understanding of the Company's business and related processes was critical. Moreover, considering the corrections of prior period errors processed in 2019, we have considered our first-time audit of the Company's financial statements to be a key audit matter.</p> <p>During our audit of the financial statements, we conducted a number of additional procedures to understand and gain knowledge about:</p> <ul style="list-style-type: none"> (i) the Company's business profile and accompanying processes, (ii) specific risks related to private equity / venture capital investment activities, (iii) significant transactions that took place in prior reporting periods and which affect the Company's financial statements for the current financial year, (iv) corrections of prior period errors, (v) controls implemented by the Company as well as adopted accounting policies affecting the financial reporting of the Company. <p>These procedures allowed us to assess the audit risk, identify the risk of material misstatement, including the inherent audit risks and control risk, determine materiality levels as well as the scope of the audit procedures.</p>	<ul style="list-style-type: none"> • holding an initial meeting with the key client personnel responsible for the Company's financial reporting; • understanding controls implemented in the Company and testing selected controls in relation to specific identified significant processes; • understanding the Company's accounting policies and significant balances included in the financial statements based on professional judgment and estimates; • analysing the provisions of IFRS 10 for the Company's compliance with the definition of an investment entity that does not consolidate its subsidiaries, and the provisions of IAS 28 regarding the measurement of investments at fair value through profit or loss in accordance with IFRS 9; • communication and meetings with the key statutory auditor as well as the team of valuation experts acting on behalf of the previous audit firm, including discussions of their key audit issues and access to key audit documents from the prior period audit; • analysis and assessment of the key audit issues from the prior reporting period and their impact on the Company's financial statements for the current financial year and on the opening balances; • analysis of the correctness of adjustments made by the Company to opening balances;

Key audit matter	How we addressed this matter during our audit
<p>In addition, as part of the first-year audit of the financial statements, the purpose of our additional procedures was to determine whether the initial balances contained potential misstatements that significantly affected the financial statements for the current period and whether the accounting policies applied to the initial balances were used consistently in preparing the financial statements for the current period, or whether the changes that had been made to them were correctly accounted for and properly presented in accordance with the applicable IFRS reporting framework.</p> <p>A disclosure regarding corrections of prior period errors has been included in the note on "Adjustments to financial data relating to previous periods" included in the additional information to the financial statements.</p>	<ul style="list-style-type: none"> assessment and analysis of the scope and adequacy of disclosures made in the financial statements on adjustments to opening balances, in accordance with IAS 8 "<i>Accounting policies, changes in accounting estimates and errors</i>". <p>The results of our procedures as well as our audit strategy determined based on these results were presented to the Company's Management Board and the Supervisory Board's Audit Committee.</p>
<p><i>Valuation of investments in a subsidiary at fair value</i></p>	
<p>The value of the Company's investment in the MCI Fund Management Sp. z o.o. ("MCI FM") subsidiary, measured at fair value as at 31 December 2019, amounted to PLN 1,401 million and accounted for 97% of the Company's total assets. MCI FM presents, as the main component of its assets, investment certificates of closed-end investment funds of the MCI Group, measured at fair value based on the funds' net asset value.</p> <p>In 2019, the Company recognised a gain of PLN 137 million on the valuation of its 100% shares held in the MCI FM subsidiary.</p> <p>The Company provided detailed information on the valuation of MCI FM shares and the valuation of investment certificates held by</p>	<p>In the course of our audit, we have gained an understanding of the investment valuation process, including the design and implementation of internal controls for verifying the correctness and acceptance of the subsidiary's valuation.</p> <p>We have performed substantive tests to verify the correctness of valuation of the investment in the subsidiary, including:</p> <ul style="list-style-type: none"> verifying the mathematical (clerical) correctness of calculating the value of the investment in MCI FM and reconciling net assets used in the

Key audit matter	How we addressed this matter during our audit
<p>MCI FM in Note 8 of the additional information to the financial statements, and a description of the accounting policies applied to investments in subsidiaries in Note 33 "Description of major accounting policies used".</p> <p>Additional disclosures regarding the change in the valuation of that subsidiary, including disclosures relating to the valuation of MCI FM's investment certificates of the MCI.EuroVentures 1.0 and MCI.TechVentures 1.0 subfunds separated as part of MCI.PrivateVentures FIZ, which account for 96% of MCI FM's assets, and the impact of the said changes in valuation on the Company's result, are presented in Note 1a "Remeasurement of shares" of the additional information to the financial statements.</p> <p>The Company measures its investment in the subsidiary at fair value. The remeasurement of the fair value of the shares held in MCI FM as a result of the change in the valuation of the investment certificates held by MCI FM has a key impact on the amount of the Company's profit or loss.</p> <p>Shares in the subsidiary are measured at fair value based on the adjusted net asset value as at the balance sheet date. The adjusted net asset value reflects the fair value of investments in the subsidiary, which are primarily investment certificates of the funds of the MCI Group managed by MCI Capital TFI S.A.</p> <p>The net asset value of a fund is, in turn, the resultant of the fair value measurements of the portfolio companies that are part of the fund's investments. The application by the funds, for investments not listed in an active market, of incorrect methods or parameters used in valuation models, and - for</p>	<p>valuation of MCI FM to the year-end financial data of this entity,</p> <ul style="list-style-type: none"> • reconciling the valuation of investment certificates held by MCI FM to the audited financial statements of the MCI.EuroVentures 1.0 and MCI.TechVentures 1.0 subfunds, • reconciling the percentage share of the Company in MCI FM's shares to an excerpt from the National Court Register, and reconciling the investment certificates held by MCI FM to the register of participants in the MCI.PrivateVentures FIZ fund. <p>In addition, we evaluated the scope and adequacy of the disclosures in the financial statements regarding the valuation of the investment in the MCI FM subsidiary, i.e. whether they comply with the requirements of the relevant financial reporting standards.</p>

Key audit matter	How we addressed this matter during our audit
<p>investments listed in an active market - of incorrect valuation rates, may result in material misstatements in the funds' financial statements and, as a consequence, in the Company's financial statements, due to incorrect valuation of the shares held in the MCI FM subsidiary.</p> <p>Therefore, we have considered this issue to be a key audit matter.</p>	

Other matters

The financial statements for the previous financial year ended 31 December 2018 were audited by a certified auditor acting on behalf of another audit firm, who issued an unqualified opinion on these financial statements, dated 15 April 2019.

Responsibility of the Company's Management and members of the Supervisory Board for the financial statements

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

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

The Management of the Company and members of the Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. Members of the 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 of 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 is not a guarantee that an audit conducted in accordance with NAS will always detect 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 based on these 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 in 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 the effectiveness of conducting its 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 scepticism, 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 relevant to such 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or overriding 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 internal control of the Company,
- evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management of the Company,
- conclude on the appropriateness of the use of the going concern basis of accounting by the Management of the Company and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a 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 reflect the underlying transactions and events in a manner ensuring 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 with a declaration that we have complied with relevant ethical requirements regarding independence, and that we will communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards applied.

From the matters communicated to members of the Audit Committee, we determined those matters that were of most significance in the audit of the financial statements for the current reporting period and were, therefore, considered to represent key audit matters. We describe these matters in our auditor's report unless laws or regulations preclude 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

Other information comprises the Company's Directors' Report for the period from 1 January 2019 to 31 December 2019 ("Directors' Report"), together with the representation on applying corporate governance, which is a separate component of the Directors' Report (jointly "Other Information").

Responsibilities of the Management and members of the Supervisory Board

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

The Management of the Company and members of the Supervisory Board are required to ensure that the Directors' Report, together with the separate components thereof, meets 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 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 appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in 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 has been prepared in accordance with relevant laws and if it is consistent with the information contained in the financial statements.

In addition, we are required to issue an opinion on whether the Company has included the required information in the representation on the 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 Article 49 of the Accounting Act and § 70 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognising the information required by the laws of non-EU member states as equivalent ("the Regulation on current 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 any material misstatements in the Directors' Report.

Opinion on the representation concerning application of corporate governance

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

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

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that we have not provided the Company or any of its subsidiaries with services other than audit of financial statements, including any non-audit services that are prohibited under Article 5(1) of the EU Regulation and under Article 136 of the Act on Statutory Auditors.



Appointment of the audit firm

We were appointed to audit the Company's financial statements for the first time based on the resolution of the Supervisory Board of the Company dated 21 August 2019. We have audited the Company's financial statements for the first time.

Key Certified Auditor

Marcin Zieliński
Certified Auditor
No. 10402

on behalf of:
Ernst & Young Audyt Polska spółka
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Warsaw, 22 April 2020