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REPORT
OF THE INDEPENDENT STATUTORY AUDITOR
ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT
OF LSI SOFTWARE S.A. GROUP
FOR THE PERIOD OF 1 JANUARY – 31 DECEMBER 2017
(the Report contains 7 pages)

REPORT OF THE INDEPENDENT STATUTORY AUDITOR ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

for the General Meeting of Shareholders

Report on the audit of the consolidated financial statement

Introduction

We have audited the accompanying annual consolidated financial statement of **LSI Software Group (hereinafter referred to as “Group”)** in which LSI Software S.A. with its registered office in Łódź at 176/178 Street is a **Dominant Entity (hereinafter referred to as “Dominant Entity”)** for the financial year from 1 January 2017 to 31 December 2017, consisting of the consolidated balance sheet as at 31 December 2017, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period from 1 January 2017 to 31 December 2017 and the additional information on applied accounting principles (policy) and other explanations.

The annual consolidated financial statement has been prepared in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations (**hereinafter referred to as “EU IFRS”**).

Responsibility of the Management and Supervisory Boards

The Management Board of the Company is responsible for the preparation and fair presentation of the annual consolidated financial statement in accordance with the EU IFRS and its compliance with applicable laws and the Dominant Entity’s Articles of Association. The Management Board of the Dominant Entity is also responsible for an internal control, which the Board assumes necessary for the preparation of the consolidated financial statement that is free from material misstatement, whether due to fraud or error.

According to the Accounting Act of 29 September 1994 (Journal of Laws of 2017, item 2342 as amended), the Management Board and Members of the Supervisory Board of the Dominant Entity are required to ensure that the annual consolidated financial statement is in compliance with the requirements set forth in the Accounting Act.

Statutory Auditor’s Responsibility

Our responsibility is to express an opinion and provide a report on this consolidated financial statement based on the audit performed.

We carried out the audit of the consolidated financial statement in accordance with the (i) National Standards of Auditing in the wording of the International Standards of Auditing adopted by resolution No 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015, as amended, in conjunction with resolution No 2041/37a/2018 of 5 March 2018 on national professional standards, (ii) the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089 as amended) (hereinafter referred to as “Statutory Auditors Act”) and (iii) 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 (OJ L 158 of 27.05.2014, p. 77 and OJ L 170 of 11.06.2014, p. 66) (hereinafter referred to as “Regulation 537/2014”).

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free from material misstatement.

The objective of the audit is to obtain reasonable assurance about whether the consolidated financial statement as a whole is 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 above 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial statement. 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 and may involve any area of law and regulation not just those directly affecting the consolidated financial statement.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statement. The audit procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control in terms of preparation and fair presentation of the consolidated financial statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Dominant Entity, as well as evaluating the overall presentation of the consolidated financial statement.

The scope of the audit does not include an assurance regarding the future profitability of the Group or the effectiveness of conducting business matters by the Dominant Entity’s Management Board, either at present or in the future.

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

In accordance with the Act on Statutory Auditors, we are also obliged to state in the opinion, whether the consolidated financial statement is in compliance, in respect of form and content, with applicable laws and Dominant Entity’s Articles of Association. Our statements in this regard are based on the works performed during the audit.

Most significant risks of material misstatement

Significant risks of material misstatement are the risks of material misstatement identified by us, which we believe require particular consideration during the audit. These risks have been addressed by us in the context of the audit of the consolidated financial statement as a whole and while formulating the opinion on this financial statement, we do not issue a separate opinion on matters identified as significant risks of material misstatement.

Significant risk	Procedures applied
Valuation of goodwill	
<p>In the consolidated financial statement prepared as at 31 December 2017, the Group presents the goodwill in the amount of PLN 6 949 thousand.</p> <p>The goodwill has been recognized as the key issue of the audit due to the significant value of this item for the consolidated financial statements, as well as in view of the element of the professional judgment of the Group’s management in assessing impairment loss.</p>	<p>Our procedures, in relation to the described key matter of the audit, included, among others:</p> <ul style="list-style-type: none"> - understanding of procedures, including the internal control environment, relating to the process of goodwill valuation, - assessment of compliance of the adopted accounting principles (policies) in terms of goodwill,

<p>The impairment tests performed by the Group's Management Board are based on multifaceted assumptions regarding future market and economic conditions, including, but not limited to, the Group's strategy, including projected revenues, costs, cash flow, weighted average cost of capital, projected growth rate and anticipated macroeconomic situation.</p> <p><i>Reference to disclosure in the financial statement</i></p> <p>The Group has made a disclosure regarding the identification of a cash-generating unit and an impairment test in note 15 "Goodwill", which explains the main assumptions and test results along with the sensitivity analysis.</p>	<ul style="list-style-type: none"> - we have carried out an assessment of the assumptions and estimates made by the Management Board, in particular the key macroeconomic assumptions such as discount rate and projected growth rate have been verified, - critical assessment of the assumptions adopted for cash flows determination, - mathematical correctness of the discounted cash flow model, - assessment of the completeness and the correctness of disclosures regarding goodwill in the consolidated financial statement. <p>On the basis of the executed procedures, we have assessed the adopted assumptions as rational and supported by the obtained documentation. As a result of the executed procedures, we have not identified the need for significant adjustments.</p>
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In our opinion, the attached annual consolidated financial statement of LSI Software Group:

- presents fairly and clearly, the financial position of the Company as at 31 December 2017 as well as its financial performance and cash flows for the financial year ended 31 December 2017 in accordance with the EU IFRS and applied accounting principles (policy),
- is consistent, in respect of form and content with the requirements of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2014, item 133 as amended), hereinafter 'the Regulation on current and periodic information', as well as with provisions of the Dominant Entity's Articles of Association.

Statement regarding other applicable laws and regulations

Other information included in the annual consolidated report

Other information includes financial and non-financial information other than consolidated financial statement and opinion and report on the audit. Our opinion on the consolidated financial statement does not cover mentioned other information, and, unless it has been unambiguously indicated in the *Statement regarding other applicable laws and regulations*, we do not express any form of assurance as to this other information. Furthermore, the scope of our works and the nature of our assurance are exclusively such as described by us.

Statement on business activities

The consolidated annual report contains the statement on business activities of the Group in the financial year ended 31 December 2017. The Management Board of the Dominant Entity is responsible for the preparation of this statement and for disclosing in this statement of a report on compliance with corporate governance rules. The Management Board and Members of the Supervisory Board of the Dominant Entity are obliged to ensure that statement on business activities of the Group is consistent with the requirements determined in the Regulation on current and periodic information and in the Accounting Act.

In accordance with the requirements arising from the Act on Statutory Auditors and the Regulation on current and periodic information, we are obliged to give an opinion whether the information contained in the statement on business activities of the Group takes account of the provisions of this Regulation and the provisions of the Accounting Act, and whether this information is consistent with the data included in the consolidated financial statement.

Additionally, we are obliged to form an opinion, whether in view of the information about the Group and its environment obtained during the audit, we have identified any significant misstatements in the statement on business activities of the Group, and in case of occurrence of such misstatements we are required to describe them.

Furthermore, we are obliged to form an opinion, whether the report on compliance with corporate governance rules, being a separate part of the statement on business activities of the Group, contains the relevant information as set forth in the Regulation, and in relation to particular information indicated in this Regulation, whether this information complies with applicable laws and with information presented in the consolidated financial statement.

We have reviewed the statement on business activities of the Group and the report on compliance with corporate governance rules. We have examined whether these documents contain information required under above mentioned laws and regulations, and verified whether the information contained therein is consistent with the data included in the consolidated financial statement.

In relation to particular information contained in the report on compliance with corporate governance rules, we have verified whether this information complies with applicable laws. Reading the statement on business activities of the Group, on the basis of our knowledge on the Group and its environment, we have considered whether this statement is free of material misstatement.

Opinion on statement business activities

In our opinion, based on the works performed during the audit of the annual financial statement, the attached statement on business activities of LSI Software Group for the financial year ended 31 December 2017, in all material respects, takes account of the provisions of the Regulation on current and periodic information and information referred to in art. 49 and Art 552 of the Accounting Act, while the information contained in this statement is consistent with the data included in the audited financial statement. Based on our knowledge of the Group and its environment acquired during the audit we have not identified any material misstatements in the statement on Group's business activities.

Opinion on report on compliance with corporate governance rules

In our opinion, based on the works performed during the audit of the consolidated financial statement:

- report on compliance with corporate governance rules contains information stipulated in Par. 91.5.4 items a, b, j, k and l of the Regulation on current and periodic information,
- information stipulated in Par. 91.5.4 items c-f, h and i of this Regulation included in the statement on compliance with corporate governance rules complies with applicable laws and is consistent with the information included in the audited annual consolidated financial statement.

Information and statements required under Regulation 537/2014

Independence

While conducting the audit PKF Consult Sp. z o.o. Sp. k. remained independent of the Group's entities in accordance with the provisions of the Act on Statutory Auditors, the Regulation 537/2014 and the principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

Non-audit services

Based on our knowledge and belief we hereby declare that the prohibited non-audit services referred to in

Article 5(1) of the Regulation 537/2014 were not provided in the periods indicated therein.

Date of the appointment and the period of total uninterrupted engagement

We were appointed for the audit of the annual consolidated financial statement of the Group by the Resolution 09/RN/2017 of the Supervisory Board of 30 May 2017. The Group's consolidated financial statements, in the period during which the Dominant Entity is a public interest entity, are audited by us in an uninterrupted manner for subsequent 5 years.

Consistency of the audit opinion with the additional report to the audit committee

We hereby confirm that that our audit opinion on the consolidated financial statement is consistent with the additional report to the audit committee referred to in Regulation 537/2014.

Marta Komorowska
Statutory Auditor no 11272

Key Statutory Auditor performing the audit on behalf of PKF Consult Sp. z o.o. Sp. k., entity authorised to audit financial statements no 477

Orzycka 6/1B St.
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Łódź, 28 April 2017