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Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of Private Equity Managers S.A.

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the accompanying annual consolidated financial statements of Private Equity Managers S.A. Group (the "Group"), whose parent entity is Private Equity Managers S.A. (the „Parent Entity"), which comprise:

— the consolidated statement of financial position as at 31 December 2018,

and, for the period from 1 January to 31 December 2018:

— the consolidated statement of profit or loss and other comprehensive income;
— the consolidated statement of changes in equity;
— the consolidated statement of cash flows;

and

— notes comprising a summary of significant accounting policies and other explanatory information

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

— give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
— comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 17 April 2019.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

ul. Inflancka 4A, 00-189 Warszawa, tel. +48 (22) 528 11 11, fax +48 (22) 528 10 09, Email kpmg@kpmg.pl, Internet www.kpmg.pl

Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089 with amendments) (the “Act on certified 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 (Official Journal of the European Union L 158 from 27 May 2014, page 77 and Official Journal of the European Union L 170 from 11 June 2014, page 66) (the “EU Regulation”); and
- other applicable laws.

Our responsibilities under those standards are further described in the Auditor’s Responsibility for the audit of the consolidated 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 Group in accordance with the Code of Ethics for Professional Accountants (“IFAC Code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of the Group in accordance with requirements of the Act on certified auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Recognition of revenues from fund management

In 2018 the Group recognized revenues from fund management in the amount of PLN 52 005 thousand and PLN 47 652 thousand in 2017.

References to consolidated financial statements: note 1 “Revenues from fund management” and note 25 “Description of material accounting policies” point “Revenue from management”.

Key audit matter	*Our response*
Revenues from fund management (“Management fee”) constitute the main part of profit on operating activities of the Group, and in accordance with the relevant contractual provisions, they determine the level of distribution costs, which constitute the most significant item of the base business costs of the Group. Accordingly, the amount of management fee recognised	Our audit procedures included among others: — understanding and assessment of accounting policy of the Group with regard to recognition of management fee revenues with the requirements of the appropriate financial reporting standards;

in the financial year is a key position affecting the consolidated financial results and cash flows of the Group. In addition, the calculation of management fee has a comprehensive character, resulting among others from the fact of using input data from several sources as well as form differentiation of remuneration rates depending on the category of investment certificates and changes of the rates during the year. Due to the above reasons this area has been recognized by us as a key audit matter.	— evaluation of design and implementation of internal controls relevant to management fee calculation; — tests of details including among others: assessment of the correctness and completeness of parameters used for the calculation of management fees, including: o reconciliation of fund's net asset value of for a given day to confirmation received from the Custodian Bank; o reconciliation of the management fee rates to the statutes of managed funds and appropriate resolutions of the Management Board of MCI Capital TFI S.A., o independent recalculation of management fee, comparison of the results with the revenue recognized in financial statements of the Group and explanation for identified differences; — assessment of correctness and completeness of disclosures in the consolidated financial statements regarding the revenues from fund management required by the relevant financial reporting standards.

Goodwill – impairment assessment

The carrying value of goodwill amounted to PLN 83 969 thousand as at 31 December 2018 and to PLN 83 969 thousand as at 31 December 2017.

References to consolidated financial statements: note 6 "Goodwill" and note 25 "Description of material accounting policies" point "Goodwill"

Key audit matter	*Our response*
The value of goodwill disclosed in the consolidated statements of financial position relates to acquisition of MCI Capital TFI S.A. and PEM Asset Management Sp. z o.o. by the Group that occurred in previous years. In accordance with relevant financial reporting standards the Group performs a goodwill impairment test at least once a year. When performing the test goodwill is allocated to specific Cash Generating Units (CGUs) which in accordance with expectations shall benefit from synergies	Our audit procedures included among others: — evaluation of design and implementation of internal controls in the process adopted by the Group for testing impairment of goodwill, including in particular the timely manner of performing the goodwill impairment test and review and approval of the test results by authorized employees;

realised as a result of the merger. The carrying value of these CGUs is then compared with their recoverable amount, which is estimated generally based on the value in use of the CGUs, which represents the present value of estimated future cash flows.

Estimation of value in use is a complex process and requires significant judgments and assumptions regarding future cash flows, discount rates, including risk free rate, market risk premium, premium for the Company's size and growth rate in the residual period. Such forecasts are subject to significant risk of volatility due to changing economic conditions.

Due to the above reasons this area has been recognized by us as a key audit matter.

— assessment of appropriateness of the Group's assumptions regarding allocation of goodwill to selected CGUs;
— assessment, with support of our internal valuation specialists, whether the model used by the Group to estimate value in use of the given CGUs complies with requirements of the relevant reporting standards;
— critical review of the assumptions and estimates adopted by the Group for the purpose of calculation of value in use of the given CGUs, to which goodwill was allocated, including:
    - assessment of forecasted financial results by comparing them to historical results and the budget realization in previous periods;
    - evaluation of models used for calculation of value in use (in terms of mathematical accuracy and logical consistency) and assessment of the rationale of the macroeconomic assumptions adopted by the Group, including assumptions regarding the discount rate (risk free rate, market risk premium) premium for the Company's size and growth rate in the residual period;
— assessment of the accuracy and completeness of the disclosures included in the consolidated financial statements in terms of goodwill and goodwill impairment testing as required by the relevant financial reporting standards.

Responsibility of the Management Board and Supervisory Board of the Parent Entity for the consolidated financial statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the Group'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 of the Parent Entity either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the accounting act dated 29 September 1994 (Official Journal from 2019, item 351) (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 NSAs 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 these consolidated financial statements.

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

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

- identify and assess the risks of material misstatement of the consolidated 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent Entity'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the consolidated financial statements to the related disclosures in the consolidated 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 auditors' report on the audit of the consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent Entity 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 Supervisory Board of the Parent Entity with a statement that we have complied with relevant ethical requirements regarding independence, and 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 with the Supervisory Board of the Parent Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the consolidated financial statements 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 activities

Other Information

The other information comprise the information included in the consolidated annual report of the Group, but does not include the consolidated financial statements and our auditor's report thereon (the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Parent Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the report on activities of the Group for the year ended 31 December 2018 (the "Report on activities"), including the corporate governance statement which is a separate part of the Report on activities, are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the consolidated financial statements does not cover the Other information.

In connection with our audit of the consolidated financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on certified auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

Moreover, in accordance with the requirements of the Act on certified auditors our responsibility was to report whether the Group included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements .

Opinion on the Report on activities

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, the accompanying Report on activities, in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

Opinion on the statement on corporate governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2018, item 757) (the “decree”).

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the consolidated financial statements.

Statement on Other information

Furthermore, based on our knowledge about the Entity and its environment obtained in the audit of the separate financial statements, we have not identified material misstatements in the Report on activities and the Other information.

Report on other legal and regulatory requirements

Statement on services other than audit of the financial statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 of the act on certified auditors. Services provided to the Group not related to Auditor`s report were disclosed in note 21 of Annual Consolidated Financial Statement.

Appointment of the audit firm

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 27 May 2014 and reappointed in the following years, including the resolution dated June 2017, to audit the annual consolidated financial statements for the year ended 31 December 2018. Our period of total uninterrupted engagement is 5 years, covering the periods ended 31 December 2014 to 31 December 2018.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546

Signed on the Polish original

Justyna Zań

Key Certified Auditor
Registration No. 12750
Limited Partner, Proxy

Warsaw, 17 April 2019

Signed on the Polish original

Stacy Ligas

Member of the Management Board
of KPMG Audyt Sp. z o.o., entity which is the General Partner of KPMG Audyt spółka z ograniczoną odpowiedzialnością sp. k.