

**RELPOL SPÓŁKA AKCYJNA
ŻARY, UL. 11 LISTOPADA 37**

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR 2017**

**WITH THE INDEPENDENT AUDITOR'S
REPORT**

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INDEPENDENT AUDITOR'S REPORT

For the General Meeting of Shareholders and the Supervisory Board of Relpol S.A.

Report on the audit of the annual financial statements

We have audited the accompanying annual financial statements of Relpol S.A. with its registered office in Żary at ul. 11 Listopada 37 (hereinafter referred to as the Company), which comprise: the statement of financial position as at 31 December 2017, the profit and loss account and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the financial year from 1 January 2017 to 31 December 2017 and notes including the information on the adopted accounting policy and other explanatory notes (hereinafter referred to as the financial statements).

Responsibility of the head of the entity and the supervisors for the financial statements

The Management Board of the Company is responsible for the preparation of the financial statements, based on the properly maintained accounting ledgers, and their fair presentation in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, as well as with other applicable legal regulations and the entity's Statutes. The Management Board of the Company is also responsible for such internal control as it determines is necessary for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Pursuant to the provisions of the Accounting Act, the Management Board of the Company and the members of the Supervisory Board of the entity are required to ensure that the financial statements comply with the requirements set forth in the Accounting Act of 29 September 1994 (Dz.U. [*Polish Journal of Laws*] of 2018, Item 395, as amended), hereinafter referred to as the Accounting Act.

Expert Auditor's responsibility

Our task was to express an opinion on whether the financial statements present a true and fair view of the property and financial situation and the financial result of the entity in accordance with the applicable International Accounting Standards, the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and with the adopted accounting principles (policy).

The audit of the financial statements was carried out according to the provisions of:

- 1) the Act of 11 May 2017 on Expert Auditors, Audit Firms and Public Supervision (Dz.U. [*Polish Journal of Laws*] of 2017, Item 1089, as amended) (Act on Expert Auditors),
- 2) the National Auditing Standards in the wording of the International Standards on Auditing adopted by way of resolution no. 2783/52/2015 of the National Council of Expert Auditors of 10 February 2015, as amended, in relation to the resolution no. 2041/37a/2018 of 5 March 2018 on national standards of professional practice,
- 3) the 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, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (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 financial statements are free of material misstatement.

The objective of the audit is to obtain reasonable assurance that the financial statements as a whole have been prepared based on the properly maintained accounting ledgers and are free from material misstatement, whether 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 the above standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are 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 financial statements. The risk of undetected material misstatement arising from fraud is higher than the risk of undetected material misstatement arising from error, since it could involve collusion, fraud, intentional omissions, misrepresentation or circumvention of internal controls, and could extend to any area of law or regulation, not only those 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements by the entity 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles (policy) used and the reasonableness of accounting estimates made by the Management Board of the Company, as well as evaluating the overall presentation of the financial statements.

The scope of the audit does not include any assurance as to the future profitability of the audited entity or the efficiency or effectiveness of the management of the entity's affairs by the Management Board of the Company at present or in the future.

We believe that the audit evidence obtained by us provides a sufficient and appropriate basis for our opinion regarding the audit. The opinion is consistent with the additional report for the Audit Committee issued as at the date of this audit report.

Independence

During the course of the audit, the key expert auditor and the audit firm remained independent from the audited entity in accordance with the provisions of the Act on Expert Auditors, the Regulation 537/2014 and the rules of professional ethics adopted by way of resolutions of the National Council of Expert Auditors.

To the best of our knowledge and belief, we declare that we have not provided any non-audit services which are prohibited by the provisions of Article 136 of the Act on Expert Auditors and Article 5(1) of the Regulation 537/2014.

Selection of the audit firm

We were appointed to audit the financial statements of the entity by way of resolution no. 159/56/XIV/2016 of the Supervisory Board of 1 December 2016. We have audited the financial statements of the entity continuously starting from the financial year ended on 31 December 2013, i.e. for 5 consecutive financial years.

The most significant types of risk

In the course of the audit, we identified the most significant types of risk of material misstatement, including fraudulent misstatement, as described below and developed appropriate investigation procedures to address these types of risks. Where we have concluded that it is appropriate in order to understand the identified risks and the audit procedures performed by the auditor, we have also included key observations relating to those types of risk.

Description of the type of risk of material misstatement	Audit procedures in response to the identified risk and key observations related to those types of risks
<p>The risk of misstatement in the financial statements resulting from incorrect recognition of revenues from sales at the turn of the reporting period.</p>	<p>Our audit procedures included, in particular:</p> <ul style="list-style-type: none"> • analysis of the adopted principles of revenue recognition, • evaluation of the design and implementation of key control activities for the process, • procedures consisting in the analysis of correctness and completeness of revenues at the turn of the reporting period, • procedures concerning the correctness of calculation and completeness of recognition of bonuses for the customers. <p>The disclosures made in the financial statements are sufficient and complete in view of the requirements of the applicable accounting standards.</p>
<p>A significant risk of misstatement in the financial statements resulting from the complexity and approximate nature of identification of impairment of completed development works has been identified. For this reason, without identifying the risk resulting from the intentional misuse, the risk of material misstatement in the financial statements was identified.</p>	<p>In response to the identified risk, the following procedures were carried out:</p> <ul style="list-style-type: none"> • analysis of the value of completed development works, • evaluation of the design and implementation of key control activities for the process, • verification of the assumptions and accuracy of data adopted for the purposes of the impairment tests for development works prepared by the Company, • analysis of the revaluation write-offs on completed development works made by the Company, • verification whether the revaluation write-offs made in the current period were correctly recognised in the profit and loss account. <p>The disclosures made in the financial statements are sufficient and complete in view of the requirements of the applicable accounting standards.</p>

Opinion

In our opinion, the accompanying annual financial statements:

- present a true and fair view of the property and financial situation of the entity as at 31 December 2017 and its financial result for the financial year from 1 January 2017 to 31 December 2017, in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations, published in the form

of regulations of the European Commission, and with the adopted accounting principles (policy),

- have been prepared in accordance with the provisions of Chapter 2 of the Accounting Act, based on the properly maintained accounting ledgers,
- are compliant in terms of their form and content with the provisions of the law applicable to the entity, including the Regulation of the Minister of Finance of 19 February 2009 on Current and Periodical Information Provided by Issuers of Securities and on Conditions for the Recognition of Information Required in Accordance with the Law of non-Member States as Equivalent (Dz.U. [*Polish Journal of Laws*] of 2014, Item 133, as amended) and with the provisions of the entity's Statutes.

Report on other legislative and regulatory requirements

Opinion on the management report on the operations

Our opinion on the financial statements does not cover the management report on the operations.

The Management Board of the Company and the members of the Supervisory Board are responsible for the preparation of the management report on the operations in accordance with the provisions of the law.

In accordance with the requirements of the Act on Expert Auditors, it was our duty to issue an opinion on whether the management report on the operations was prepared in accordance with the provisions of the law and whether it is consistent with the information contained in the accompanying financial statements. Furthermore, it was our duty to make a statement on whether – in the light of our knowledge of the entity and its environment, obtained during the audit of the financial statements – any material misstatements were found in the management report on the operations and to indicate what each of such misstatements consists in.

In our opinion, the management report on the operations was prepared in accordance with the applicable regulations and is consistent with the information presented in the accompanying financial statements. Moreover, we declare that – in the light of our knowledge of the entity and its environment, obtained during the audit of the financial statements – we have not found any material misstatements in the management report on the operations.

Opinion on the statement on the application of corporate governance principles

The Management Board of the Company is responsible for drawing up a statement on the application of corporate governance principles in accordance with the provisions of the law. Furthermore, the Management Board of the Company and the members of the Supervisory Board are obliged to ensure that the statement on the application of corporate governance principles meets the requirements set forth in the relevant provisions of the law.

In relation to the audit of the financial statements, in accordance with the requirements of the Act on Expert Auditors, it was our duty to issue an opinion on whether the issuer, obliged to submit a statement on the application of corporate governance principles, which constitutes a separate part of the management report on the operations, included the information required by the law in the said statement and – with respect to certain information indicated in these regulations or bylaws – to determine whether the said information is consistent with the applicable regulations and the information contained in the annual financial statements.

In our opinion, in its statement on the application of corporate governance principles the entity

included the information specified in Article 91(5)(4)(a), (b), (g), (j), (k) and (l) of the Regulation of the Minister of Finance of 19 February 2009 on Current and Periodical Information Provided by Issuers of Securities and on Conditions for the Recognition of Information Required in Accordance with the Law of non-Member States as Equivalent (Dz.U. [Polish Journal of Laws] of 2014, Item 133, as amended) (the Regulation). The information specified in Article 91(5)(4)(c)–(f), (h) and (i) of the said Regulation provided in the statement on the application of corporate governance principles are consistent with the applicable provisions of the law and with the information contained in the financial statements.

On behalf of Deloitte Audyt spółka z ograniczoną odpowiedzialnością Sp. k. (until 18 March 2018, Deloitte Polska spółka z ograniczoną odpowiedzialnością Sp. k.) – an entity registered on the list of audit firms kept by the National Council of Expert Auditors (KRBR) under registration number 73:

Jacek Mateja

Key Expert Auditor
registration no. 9736

Warsaw, 25 April 2018