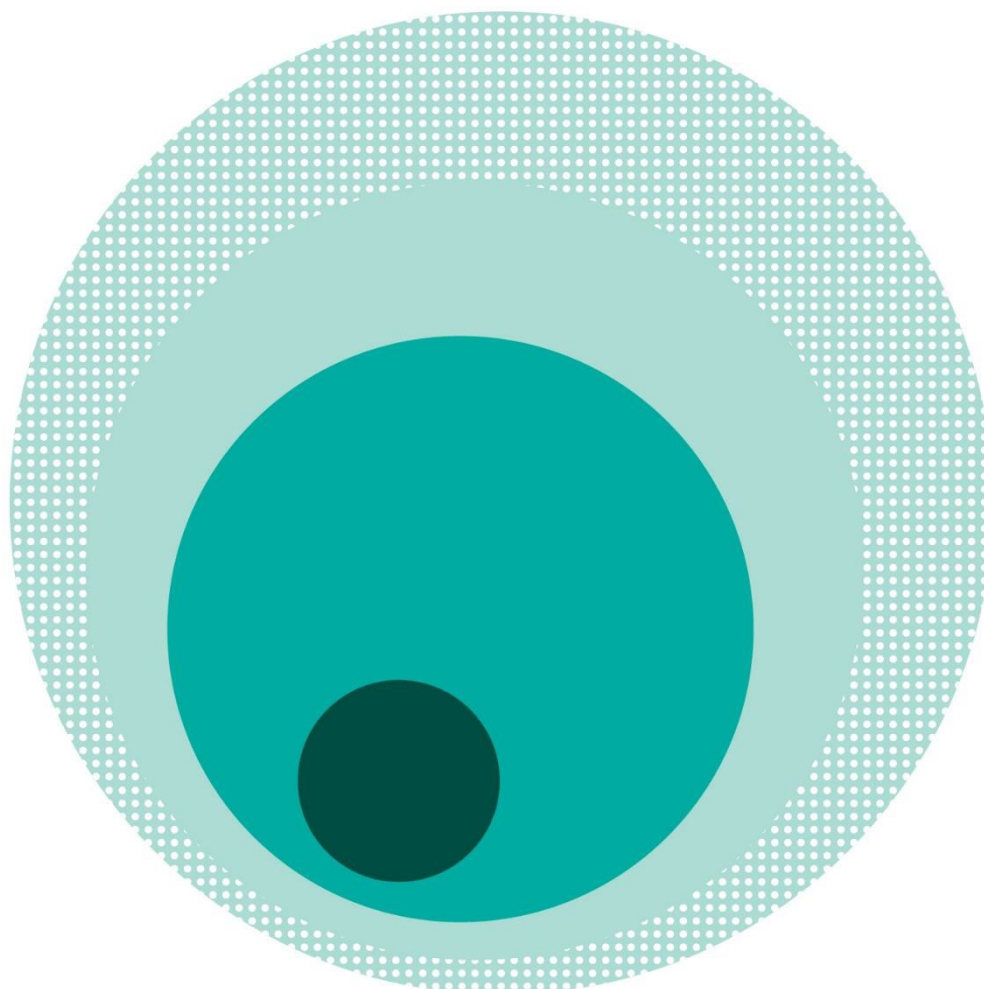


## RELPOL S.A.

THE REPORT OF AN INDEPENDENT STATUTORY AUDITOR  
ON THE AUDIT OF THE ANNUAL SEPARATE FINANCIAL  
STATEMENTS OF RELPOL S.A.

AS AT 31/12/2018

24/04/2019



# REPORT OF AN INDEPENDENT STATUTORY AUDITOR

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*For the General Meeting of Shareholders and the Supervisory Board of the Parent Company*

## Report on the audit of the separated annual financial statements

### *Opinion*

We have audited the separated annual financial statements of Relpol S.A. ("Company"), with its registered office in Żary, which comprise the separate statement of the financial result, the separate statement of comprehensive income, the separated statement of cash flows for the period from 01/01/2018 to 31/12/2018, the separated statement of financial position as at 31/12/2018, the separated statement of changes in equity for the period from 01/01/2018 to 31/12/2018, additional information containing a description of the adopted accounting principles and other explanatory information ("separated financial statements").

In our opinion, the accompanying separated financial statements:

- present a true and fair view of the financial position of the Company as at 31/12/2018 and its financial result and cash flows for the financial year ended on that date in accordance with applicable International Financial Reporting Standards approved by the European Union and the adopted accounting principles (policy);
- are consistent in form and content with the provisions of the applicable law and the Articles of Association of the Company;
- it has been prepared on the basis of correctly kept accounting records in accordance with the provisions of Chapter 2 of the Accounting Act dated. 29.09.1994 on ("Accounting Act" - No. Journal of Laws of 2018, item 395 with later amendments).

This opinion is consistent with the additional report for the Audit Committee issued on 20/04/2019.

### *Grounds for the opinion*

Our audit was conducted in accordance with the International Standards on Auditing in the version adopted as the National Standards on Auditing by the National Council of Statutory Auditors (“KSB”) and in accordance with the Act of 11/05/2017 on Statutory Auditors, Audit Firms and Public Supervision (“Act on Statutory Auditors” - Journal of Laws of 2017, item 1089, as amended) and 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 financial statements of public-interest entities (“Regulation (EU)” - Official Journal of the EU L158). Our responsibility according to these standards is further described in the section of our statements entitled *“Statutory Auditor’s responsibility for the audit of the separated financial statements”*.

We are independent from the Company in accordance with the Code of Professional Ethics for Accountants of the International Federation of Accountants (“IFAC Code”) adopted by resolutions of the National Council of Statutory Auditors and 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. During the audit, the key statutory auditor and the audit firm remained independent from the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation (EU).

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

### *Other issues*

The separated financial statements of the Company for the year ended on 31/12/2017 were audited by a statutory auditor acting on behalf of another audit firm, who expressed an unqualified opinion on the statements on 25/04/2018.

### *Key audit issues*

Key audit issues are those which we believe were most significant in our professional judgement in auditing the separated financial statements for the current reporting period. These include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement caused by fraud. We have addressed these issues in the context of our audit of the separated financial statements as a whole and in the formulation of our opinion and have summarised our response to these types of risks and, where we considered it appropriate, made key observations in relation to these types of risks. We do not express a separate opinion on these issues.

Key audit issue	How did our audit relate to this issue
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### Intangible assets

Our procedures at the stage of becoming acquainted with the entity and analysis of data resulted in us assigning the risk related to the measurement of intangible assets, in particular the value of development work. This issue was considered a risk of material misstatement due to the high share of intangible assets in the balance sheet total (TPLN 6,919, representing 6.83% of assets) and the significant influence of management judgement on the assets disclosed in the separated financial statements.

#### *Reference to disclosure in the separated financial statements*

Disclosures regarding the principles for measuring intangible assets, including the principles for revaluation write-offs of impairment losses, and details of impairment testing at the balance sheet date are disclosed in Note 12 to the separated financial statements.

During our activities, we conducted procedures aimed at analysing the recognition in accounting books of expenditure incurred on research and development work, as well as accounting principles in the scope of measurement of intangible assets.

Next, we carried out the test with the help of:

- assessment of the correctness of the accounting policy provisions with respect to the measurement of intangible assets;
- assessment of the impairment test prepared in terms of mathematical correctness, reasonableness of the key parameters adopted by the Company, compliance of the financial projections with the approved financial plan and sensitivity of the test result to changes in the assumed level of cash flows and discount rate;
- discussion with the Management Board of the Company and other authorised persons of key assumptions included in the impairment test;
- assessment of correctness and completeness of the disclosures in the separate financial statements in relation to the impairment test.

### Revenues from sales

Our procedures at the stage of becoming acquainted with the entity and analysis of data resulted in us assigning the risk related to the potential misstatement of revenue recognition.

During our activities, we conducted procedures aimed at understanding the sales process and correctness of designing and implementing an internal control system in this area.

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In particular, the risk of incorrect recognition of revenues may result from fraud consisting in the recognition of revenues from the sale of products and goods in an inappropriate period due to:

- incorrect treatment of the terms of delivery agreed with the purchasers,
- post-balance sheet sales returns of products and goods during the audited period.

*Reference to disclosure in the separate financial statements*

Disclosures regarding the principles of revenue recognition and detailed information on revenue items are presented in the notes to the separate financial statements, in particular in Note 2.

Next, we carried out the test with the help of:

- verification of a sample of transactions from the turn of the year and independent assessment of the correctness of recognition of revenues to source documents for transactions,
- analysis of atypical transactions and revenue adjustments made after the balance sheet date.

The credibility tests carried out in combination with the assessment of the internal control environment provided us with sufficient and appropriate audit evidence necessary to address the described risk related to the recognition of revenues.

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*Responsibility of the Management Board and Supervisory Board for the separated financial statements*

The Management Board of the Company is responsible for preparing, based on correctly kept accounting books separated financial statements which give a true and fair view of the financial position and financial result of the Company in accordance with International Financial Reporting Standards as adopted by the European Union, with accounting principles (policy) adopted and with the Company's applicable laws and Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of the separated financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the separated financial statements, the Management Board of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, issues related to the going concern and adopting the going concern principle as the basis for accounting, except when the Management Board either intends to liquidate the Company or to discontinue activities or has no viable alternative to liquidation or discontinuation of activities.

The Management Board and the Members of the Supervisory Board are obliged to ensure that the separated financial statements meet the requirements set Accounting Act. Members of the Supervisory Board are responsible for supervising the financial reporting process of the Capital Group.

### *Statutory Auditor's responsibility for the audit of the separated financial statements*

Our objectives are to obtain reasonable assurance that the separated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report on the audit which 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 KSB 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 separated financial statements.

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

When carrying out an audit according to the KSB, we apply professional judgement and maintain professional scepticism, as well as:

- identify and assess the risks of material misstatement of separated financial statements arising from fraud or error, design and perform audit procedures which are appropriate to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from error, since fraud may involve collusion, counterfeiting, intentional omissions, misrepresentation or circumvention of internal control;
- we gain an understanding of the internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances but not to express an opinion on the effectiveness of the internal control of the Company;
- we assess the appropriateness of the applied accounting principles (policy) and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Company;
- we draw a conclusion on the suitability of the Management Board of the Company to apply the going concern principle as the basis for accounting and, based on the obtained evidence, to examine whether there is a material uncertainty related to events or conditions which may cast significant doubt on the ability of the Company to continue as a going concern. If we come to the conclusion that there is a material uncertainty, we are required to draw the statutory auditor's attention in our report to the related disclosures in the separated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our statutory auditor's report, however, future events or conditions may cause the Company to discontinue its activities;
- we assess the overall presentation, structure and content of the separated financial statements, including disclosures, and whether the separated financial statements present underlying transactions and events in a manner which gives a true and fair view.

We provide the Supervisory Board with information regarding, inter alia, the planned scope and timing of the audit and significant findings of the audit, including any significant internal control weaknesses which we identify during the audit.

We make a statement to the Supervisory Board that we have complied with the relevant ethical requirements for independence and that we will inform them of all relationships and other issues which could reasonably be deemed to pose a threat to our independence and, where applicable, we inform them of the safeguards applied.

Among the issues submitted to the Supervisory Board, we identified those issues which were most significant during the audit of the separated financial statements for the current reporting period and therefore we considered them as key audit issues. We describe these issues in our statutory auditor's report unless a law or regulation prohibits public disclosure or, in exceptional circumstances, we determine that the issue should not be presented in our report because it would be reasonable to expect that the adverse consequences would outweigh the public interest benefits of such information.

### **Other Information, including the Report on the Activities**

Other Information consists of the report on the activities of the Company for the financial year ended 31 December 2018 ("Report on the Activities") together with a statement on the application of corporate governance, which is separate parts of this Report, and the Annual Report for the financial year ended 31 December 2018 ("Annual Report") (jointly "Other Information").

#### *Responsibility of the Management Board and Supervisory Board*

The Management Board of the Company is responsible for preparing Other Information in accordance with the provisions of the law.

The Management Board of the Company and the Members of the Supervisory Board are obliged to ensure that the Report on the Activities of the Company together with separate parts meets the requirements set forth in the Accounting Act.

#### *Statutory Auditor's responsibility*

Our audit opinion on the separated financial statements does not include Other Information. In connection with the audit of the separated financial statements, it is our responsibility to review the Other Information and, in doing so, to consider whether the Other Information is materially inconsistent with the separated financial statements or our audit knowledge or otherwise appears to be materially misstated. If, on the basis of the work performed, we identify significant misstatements in Other Information, we are obliged to inform of this fact in our audit report. In accordance with the requirements of the Act on Statutory Auditors it is also our duty to issue an opinion on whether the Report on the Activities was prepared in accordance with the provisions of the law and whether it is consistent with the information contained in the separated financial statements. In addition, we are obliged to inform whether the Company has prepared a statement on non-financial information and to give an opinion whether the Company has included the required information in its statement on the application of corporate governance.

We have obtained the Report on the Activities of the Company before the date of this audit report and the Annual Report will be available after that date. In the event that a

material misstatement is found in the Annual Report, we are obliged to inform the Supervisory Board of the Parent Company thereof.

#### *Opinion on the Report on the Activities*

Based on the work carried out during the audit, in our opinion, the Report on the Activities of the Company:

- was prepared in accordance with Article 49 of the Accounting Act and paragraph 70 of the Regulation of the Minister of Finance of 29/03/2018 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 ("Regulation on Current Information" - Journal of Laws of 2018, item 757);
- is consistent with the information contained in the separated financial statements.

Moreover, we declare that in the light of our knowledge of the Company and its environment, obtained during the audit, we have not found any material misstatements in the Report on the Activities of the Company.

#### *Opinion on the statement on the application of corporate governance*

In our opinion, in the statement on the application of corporate governance, the Company included the information specified in paragraph 70(6)(5) of the Regulation on Current Information. Moreover, it is our opinion that the information specified in Article 70(6)(5)(c)-(f), (h) and (i) of the said Regulation provided in the statement on the application of corporate governance are consistent with the applicable provisions of the law and with the information contained in the financial statements.

#### *Information on non-financial information*

In accordance with the requirements of the Act on Statutory Auditors, we hereby confirm that the Company has prepared a statement on non-financial information referred to in Article 49b(1) of the Accounting Act as a separate part of the Report on the Activities.

We have not performed any assurance work pertaining to the statement on non-financial information and do not make any representation on it.

#### **Report on other legislative and regulatory requirements**

##### *Statement on services provided other than the audit of the separated financial statements*

To the best of our knowledge and belief, we declare that in the audited period we did not provide any services to the Parent Company and its Controlled Entities other than the audit of annual financial statements, review of interim financial statements.



### *Selection of the audit firm*

We were selected to audit the separated financial statements of the Company by resolution of the Supervisory Board of the Company No. 183/65/XIV/2017 of 15/12/2017. This is the first time we are auditing the separated financial statements of the Company.

The key statutory auditor responsible for the audit, resulting in this report of the independent statutory auditor, is the statutory auditor Paweł Mróz, acting on behalf of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Kraków, entered in the list of audit firms under number 3115.

UHY ECA Audyt  
Spółka z ograniczoną odpowiedzialnością Sp. k.

Paweł Mróz  
Key Statutory Auditor  
Registration No. 12600

Wrocław, 24/04/2019