

Auditor's report

passion

teamwork

quality

clarity



Independent Auditor's report

on the annual
separate financial statements of Aplsens S.A.
with the registered office in Warsaw
for the financial year
from 1 January 2017 till 31 December 2017



This document is a free translation of the report issued in Polish. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation to enhance understanding. The binding Polish original should be referred to in matters of interpretation.

INDEPENDENT AUDITORS' REPORT

**To the General Meeting of
Aplisens S.A.**

Report on financial statements

Introduction

We have audited the accompanying annual financial statements of Aplisens S.A., with its registered office in Warsaw, Morelowa 6, hereinafter referred to as a Company, for the financial year from 1 January 2017 till 31 December 2017, which comprise of the statement of financial position as of 31 December 2017, the statement of profit and loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the financial year then ended and the related notes including significant accounting policies and other explanatory information.

The annual financial statements have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published as a Commission Regulation, hereinafter referred to as IFRS EU.

Responsibility of the Management Board and members of the Supervisory Board for the Financial Statements

The Management Board of Aplisens S.A. is responsible for the preparation of the annual financial statements that give true and fair view in accordance with IFRS EU, their compliance with applicable laws and regulations and the Company's memorandum of association, as well as keeping the accounting records in accordance with the Act dated 29 September 1994 on accounting (Journal of Laws from 2017, item 2342 with amendments), hereinafter referred to as the Accounting Act. The Management Board is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act the Management Board and members of the Supervisory Board are required to ensure that the financial statements are prepared in accordance with IFRS EU.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with National Standards on Auditing, being International Standards on Auditing as adopted in Poland (resolution No 2783/52/2015 dated 10 February 2015

of the National Board of Certified Auditors with amendments), the Act dated 11 May 2017 on statutory auditors, audit firms and the public oversight (Journal of Law from 2017, item 1089), hereinafter referred to as 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 (OJ EU L 158, 27 May 2014, p. 77 and OJ EU L 170, 11 June 2014, p. 66), hereinafter referred to as Regulation 537/2014. Those standards and 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 from material misstatement.

The purpose of an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes the auditor's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with those 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 these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error as fraud may involve collusion, forgery, deliberate failure to record transactions, intentional misrepresentations or override of controls and may involve any area of law and regulation not just 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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our audit does not involve any assurance on the future viability of the Company nor the efficiency nor effectiveness with which the Management Board of the Company has conducted and will conduct the affairs of the Company.

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

Under the Act on statutory auditors we are also required to express an opinion on whether financial statements comply, as to the form and content, with applicable laws as well as the Company's memorandum of associations and have been prepared based on the properly kept accounting records. We report on these matters based on the work undertaken in the course of the audit.

[The most significant assessed risks of material misstatement](#)

The significant risks of material misstatement are identified and assessed risks of material misstatement that, in our judgement, require special audit consideration

These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the significant risk	Our response to the risk
Costs of development – risk of impairment	
<p>As at 31 December 2017, the value of development work costs presented in the statement of financial position amounted to 5 574 000 zloty.</p> <p>The costs of development are amortized and at the end of each reporting period, in accordance with IAS 36 Impairment of Assets, the Management Board of the Company assesses whether there are any indications that impairment may have occurred.</p> <p>In assessing the existence of indications that costs of development may be impaired, the Management Board of the Company makes a number of judgments, estimates of the value by analyzing premises derived from external and internal sources of information. If it is determined that such premises did not occur, the Management Board of the Company does not determine the recoverable value of this asset.</p>	<p>The auditor conducted a conversation with the Company's Management Board and the Supervisory Board on the existence of premises indicating impairment.</p> <p>We have received a list of indications of impairment and their assessment made by the Management Board.</p> <p>During the analysis of the list of premises and their assessment, the auditor paid particular attention to the rationality of the assumptions and the judgments made by the Company's Management Board.</p> <p>As a result of the procedures carried out, we did not find it necessary to make adjustments to the position.</p>

Description of the significant risk	Our response to the risk
Investments in subsidiaries – risk of impairment	
<p>As at 31 December 2017, the value of shares in subsidiaries presented in the statement of financial position amounted to 8 261 000 zloty.</p> <p>At the end of each reporting period, in accordance with IAS 36 Impairment of Assets, the Management Board of the Company assesses whether there are any indications that impairment may have occurred.</p>	<p>The auditor conducted a conversation with the Company's Management Board and the Supervisory Board on the existence of premises indicating impairment.</p> <p>We received a list of indications of impairment of shares in OOO Aplsens (Russia) and Aplsens GmbH (Germany), their assessment by the Management Board of the Company and a test for impairment of shares in Aplsens GmbH (Germany).</p>

<p>In assessing the existence of indications that shares in subsidiaries may be impaired, the Management Board of the Company analyzes premises resulting from external and internal sources of information. If it is found that such indications have occurred, the Management Board of the Company carries out an impairment test.</p> <p>Performing the impairment test requires estimating the recoverable value of shares in particular subsidiaries. This estimation requires making many judgments, adopting many assumptions.</p>	<p>During the analysis of the list of indications and their assessment, the auditor paid particular attention to the rationality of the assumptions and the judgments made by the Company's Management Board.</p> <p>During the analysis of the impairment test, the auditor paid particular attention to and analyzed the assumptions adopted by the Management Board of the Company.</p> <p>As a result of the procedures carried out, we did not find it necessary to make adjustments to the position.</p>
Description of the significant risk	Our response to the risk
Assets for deferred tax - the risk of not using a tax credit	
<p>As at 31 December 2017, the value of assets for deferred tax presented in the statement of financial position amounted to 6 169 000 zloty. It was established in previous years in connection with the granting of a tax credit regarding the exemption from income tax on income earned in a plant located in the Tarnobrzeg Special Economic Zone (SEZ).</p> <p>The Management Board of the Company created in previous years a revaluation write-off for the asset due to deferred tax arising in connection with the investment relief, and in 2017, the Management Board released a write-off in the amount of 5 155 000 zloty towards the financial result.</p> <p>Relevant information on the estimation of the amount of assets for deferred tax related to investment relief has been described in note no. 6.</p>	<p>The auditor conducted a conversation with the Company's Management Board and the Supervisory Board on the possibility of settling tax credits in SEZ in the next years of SEZ operation</p> <p>We received a calculation of temporary differences between the carrying amount and tax value of assets and liabilities, estimation of the value of assets for deferred tax and detailed calculations.</p> <p>During the analysis of the documents referred to above, the auditor paid special attention to the assessments and estimates adopted by the Company's Management Board regarding the possibility of realizing assets for deferred tax related to tax credit in the future.</p> <p>As a result of the procedures carried out, we did not find it necessary to make adjustments to the position.</p>

Opinion on financial statements

In our opinion, the annual financial statements of Aplisens S.A.:

- give true and fair view of the financial position of Aplisens S.A. as of 31 December 2017, its financial performance and cash flows for the year then ended in accordance with IFRS EU and applied accounting policies,

- comply, in all material respects, as to the form and content with Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of non-Member States (Journal of Law 2014 r. item 133 with amendments), hereinafter referred to as the decree on the information to be provided by issuers of securities, IFRS EU and with the provisions of the Company's memorandum of associations that apply to the financial statements
- have been prepared, in all material respects, based on the properly kept accounting records in accordance with the Chapter 2 of the Accounting Act.

Report on Other Legal and Regulatory Requirements

Information on the fulfillment of other obligations under the law regarding the financial statements

Other information in the annual report

Other information include financial and non-financial information other than the financial statements and our report. Our opinion on financial statements does not cover the other information and, except to the extent otherwise explicitly stated in Report on Other Legal and Regulatory Requirements below, we do not express any form of assurance conclusion thereon. Furthermore, scope of our work related to the other information conducted in the course of our audit and related assurance conclusion is only as we describe below.

Report on activities

The annual report contains the report of the Management Board on the Company's and the Capital Group's activities in 2017, prepared in the form of a single document, hereinafter referred to as the report on activities. The Management Board is responsible for preparation of that report and for corporate governance statement included therein. The Management Board and members the Supervisory Board are required to ensure that the report on activities comply with the decree on the information to be provided by issuers of securities and the Accounting Act.

Under the Act on statutory auditors and the decree on the information to be provided by issuers of securities we are required to express an opinion on whether the report on activities has been prepared in accordance with legal regulations and whether it is consistent with the audited financial statements.

Furthermore, we are also required to state, whether, in the light of the knowledge and understanding of the Company and its environment obtained during the course of the audit, we have not identified material misstatements in the report on the activities, and report on these misstatements if noted.

Additionally we are required to issue an opinion on whether the corporate governance statement, presented as a separate section of that report, include the information required by that decree and whether the information is consistent with the annual financial statements as well as, for some information required by the decree, whether the information is consistent with applicable laws and regulations.

We have read the report on the activities, including the corporate governance statement. We considered whether it discloses the information required by these laws and whether

the information is consistent with the audited financial statements. For some information included the corporate governance statement, we analysed whether the information is consistent with applicable laws and regulations. Reading the report on activities we also considered whether, in the light of the knowledge and understanding of the Company and its environment obtained during the course of the audit, it does not include material misstatements.

Opinion on report on activities

In our opinion, based on the work undertaken in the course of the audit, the accompanying report on the activities for the financial year ended on 31 December 2017 discloses, in all material respects, the information required by the decree on the information to be provided by issuers of securities and Article 49 of the Accounting Act and the information is consistent with information in the audited annual financial statements.

In the light of the knowledge and understanding of the Company and its environment obtained during the course of the audit we have not identified material misstatements in the report on the activities.

Opinion on the corporate governance statement

In our opinion, based on the work undertaken in the course of the audit:

- the corporate governance statement discloses the information required by paragraph 91 subparagraph 5 point 4 letter a, b, g, j, k and l of the decree on the information to be provided by issuers of securities,
- the information required by paragraph 91 subparagraph 5 point 4 letter c-f, h and i of this decree is consistent with the applicable laws and the audited financial statements.

Information and statements required by Regulation 537/2014

Independence

During the course of the audit we have been independent of the Company in accordance with the Act on statutory auditors, Regulation 537/2014 and code of ethics adopted by the National Board of Statutory Auditors.

Prohibited non-audit services

To the best of our knowledge and belief we declare that we have not provided any non-audit services prohibited by the Article 5 (1) of Regulation 537/2014 in the applicable periods.

Appointment of the audit firm and the period of total uninterrupted engagement

We were appointed as auditor by the Supervisory Board in the resolution number 17/IV-09/2017 dated 30 March 2017. We have audited the Company's financial statements as a public interest entity, including renewals and reappointments, for 8 consecutive years.

Consistency of our opinion on financial statements with the additional report to the Audit Committee

Our opinion on financial statements is consistent with the additional report to the Audit Committee required by the Regulation 537/2014.

Signed on the Polish original

Zbigniew Telega
Statutory Auditor No. 10935

Key Statutory Auditor
on behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
the audit firm number 477

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Warsaw, March 20, 2018