

# Auditor's report

passion

teamwork

quality

clarity





Accountants &  
business advisers

# Independent Auditor's report

on the consolidated financial statements of  
APLISENS Group  
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 Meeting**

### **Report on consolidated financial statements**

#### **Introduction**

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

The consolidated 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 the Parent Company is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU and their compliance with applicable laws and regulations and the Parent Company's memorandum of association. The Management Board of the Parent Company is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Under the Act dated 29 September 1994 on accounting (Journal of Laws from 2017, item 2342 with amendments) the Management Board and members of the Supervisory Board of the Parent Company are required to ensure that the consolidated 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 consolidated financial statements are free from material misstatement.

The purpose of an audit is 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 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to preparation of consolidated 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 consolidated financial statements.

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

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 consolidated financial statements comply, as to the form and content, with applicable laws as well as the Parent Company's memorandum of associations. 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 consolidated 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
<b>Costs of development – risk of impairment</b>	
<p>As at 31 December 2017, the value of development costs presented in the consolidated 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 Parent 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 Parent 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 Parent Company does not determine the recoverable value of this asset.</p>	<p>The auditor conducted a conversation with the Parent 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 of Parent Company.</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 Parent 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
<b>Assets for deferred tax - the risk of not using a tax credit</b>	
<p>As at 31 December 2017, the value of assets for deferred tax presented in the consolidated 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 auditor conducted a conversation with the Parent 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>The Management Board of the Parent 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>During the analysis of the documents referred to above, the auditor paid special attention to the assessments and estimates adopted by the Parent Company's Management Board regarding the possibility of realizing assets for deferred tax related to tax relief 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>
Description of the significant risk	Our response to the risk
Consolidation of financial statements - the risk of completeness of data and information	
<p>As at 31 December 2017, the Capital Group included the following subsidiaries:</p> <ul style="list-style-type: none"> <li>- OOO APLISENS Russia</li> <li>- SOOO APLISENS Belarus</li> <li>- GT APLISENS-TER Ukraine</li> <li>- TOV-APLISENS Ukraine</li> <li>- APLISENS GmbH Germany</li> <li>- APLISENS France</li> <li>- APLISENS CZ s.r.o. Czech Republic</li> <li>- APLISENS SRL Romania</li> <li>- TOO APLISENS Middle Asia (Kazakhstan)</li> </ul> <p>The consolidated financial statements as at 31 December 2017 included subsidiaries:</p> <ul style="list-style-type: none"> <li>- OOO Aplisens Russia</li> <li>- SOOO Aplisens Belarus</li> <li>- Aplisens S.R.L Romania</li> </ul> <p>other subsidiaries, due to their insignificant influence, in the opinion of the Parent Company's Management Board, for the financial result and property situation of the Capital Group or cessation of operations were not included in the consolidated financial statements.</p> <p>The Additional Information describes the detailed principles of consolidation of the Capital Group (point 3).</p>	<p>The auditor conducted a conversation with the Parent Company's Management Board and the Supervisory Board on the principles of consolidation of financial statements prepared by companies forming part of the Capital Group.</p> <p>We received financial statements prepared by subsidiaries, conversion of their data into Polish currency, as well as quantitative and qualitative assessment prepared by the Parent's Management Board, the impact of particular subsidiaries not included in the consolidation on the Capital Group's property and financial situation.</p> <p>We have evaluated the received documents drawing particular attention to the relevance of financial and non-financial data presented in the consolidated financial statements.</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 consolidated financial statements

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

- give true and fair view of the financial position of the Group 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 Parent Company's memorandum of associations that apply to the financial statements.

## Report on Other Legal and Regulatory Requirements

### Other information in the consolidated 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 of the Parent Company is responsible for preparation of that report and for corporate governance statement included therein. The Management Board and members the Supervisory Board of the Parent Company 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 Group 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 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 in 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 Group 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 and Article 55 paragraph 2 of the Accounting Act and the information is consistent with information in the audited financial statements.

In the light of the knowledge and understanding of the Group 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, 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 Group 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 to the Group 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 consolidated financial statements of the Parent Company 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 consolidated 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