Audit Report

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Independent Auditor's Report

on the Annual Financial Statements of
LARQ S.A.
of Warsaw
For the Financial Year from 1 January 2018 to 31 December 2018

Reliable Information – Investors' Confidence

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

For the General Meeting of LARQ S.A.

Audit Report on the Financial Statements

Opinion on the Financial Statements

We have audited the attached annual financial statements of LARQ S.A. with its registered office in Warsaw, ul. Tamka 16 lok. U-4, hereinafter referred to as the "Company", for the financial year from 1 January 2018 to 31 December 2018, which comprise the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in equity and cash flows for the financial year then ended, and additional information with the summary of significant accounting principles (policy) and other explanatory notes.

The statements were made as an electronic file named *SF LARQ 2018.pdf* and bear electronic signatures of the Company's Management Board generated on 28 March 2019.

The annual financial statements have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations as published in the Regulations of the European Commission, hereinafter referred to as "IFRS-EU".

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

- Give a fair and true view of the assets and financial position of the Company as at 31 December 2018, and of its profit or loss and cash flows for the year then ended in accordance with the EU-IFRS and the adopted accounting principles (policy);

- Their form and substance comply, in all material aspects, with the Finance Minister's Regulation of 29 March 2018 on current and periodic information to be provided by issuers of securities, and conditions for recognising as equivalent information required under regulations of a non-member state (JoL 2018 Item 757, as amended), hereinafter referred to as the "Regulation on Current and Periodic Information", the Accounting Act of 29 September 1994 (JoL 2018 Item 395, as amended), hereinafter referred to as the "Accounting Act", the EU-IFRS and the Company's Articles of Association to the extent affecting the contents of the financial statements;

- Were made, in all materials aspects, based on the books of account that were properly kept in accordance with the principles laid down in Chapter 2 of the Accounting Act.

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Basis for Our Opinion

We have conducted the audit of the financial statements in accordance with the National Standards of Auditing transposing the International Standards on Auditing as adopted by the National Council of Statutory Auditors in Poland, hereinafter referred to as the "National Standards of Auditing" applicable to audits of financial statements made for the periods ended on 31 December 2018 or later, the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (JoL 2017 Item 1089, as amended), hereinafter referred to as the Act on Statutory Auditors, and the Regulation of the European Parliament and of the Council (EU) no. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (EU OJ L 158, 27.05.2014, p. 77 and EU OJ L 170, 11.06.2014, p. 66), hereinafter referred to as the "Regulation 537/2014."

Our responsibility under those standards is described in Section *Statutory Auditor's Responsibility for Audit of Financial Statements*.

We are independent from the Company as required under the Code of Ethics for Professional Accountants of the International Federation of Accountants, hereinafter referred to as the "IFAC Code" adopted by Resolution of the National Council of Statutory Auditors in Poland and the independence criteria set out in the Act on Statutory Auditors and the Regulation 537/2014. We have also fulfilled our other ethical obligations as defined in the Act on Statutory Auditors, the Regulation 537/2014 and the IFAC Code.

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

Key Audit Matters (Issues), Including Significant Risks of Material Misstatement Presented in Accordance with the Requirements of Regulation 537/2014

The key audit matters are those matters which, in our professional judgement, were the most significant during the audit of financial statements for the current reporting period. They are identified among:

a) Those areas where the risk of material misstatement was estimated as high by us;
b) Significant risks of material misstatement;
c) Our significant judgements on certain areas of the financial statements for which the Company's Management Board must exercise its significant judgement; and
d) Events and transactions that have significantly affected our audit.

At the same time, the Regulation 537/2014 requires us to present, in our audit report, all significant risks of material misstatement, including those that were not our key audit matters. The significant risks of material misstatement are the risks of material misstatement identified by us which, in our judgment, must be particularly addressed during the audit.

The key audit matters presented below cover all significant risks of material misstatement as referred to in the Regulation 537/2014 as well as other issues deemed key audit matters by us.

The key audit maters and the significant risks of material misstatement were addressed by us in the context of audit of the annual financial statements as a whole and in the text of our opinion, and we do not issue any separate opinion on any of them.

Key matter: Financial assets measured as fair value – the risk of accurate estimate of fair value
Is this key matter identified as significant risk: ***YES***

Description of Key Matter

In the statement of financial position at 31 December 2018, the Company presents financial assets measured at fair value through profit or loss (hereinafter: "financial assets") in the total amount of PLN 127,577,000.

To estimate the fair value of financial assets, the Company's Management Board applies the valuation techniques that are consistent with the provisions of IFRS 13 *Fair Value Measurement* based on observable input data that are estimated:

- at market value – when they have an active market; or
- at fair value determined otherwise – if they do not have an active market.

The key information about financial assets, including their measurement at the end of 2018, are presented by the Management Board of the Company in Notes 18 and 33.

Our audit response to that risk

During out interview with the Management Board, we were provided with information about the assumptions and parameters used to estimate the fair value of financial assets (portfolio companies) and how the suitable technique for fair value estimation has been determined.
We have obtained the valuations of financial assets performed by the Company's Management Board and their expert hired to do so. In the analysis of those valuations, the auditor mostly focused on:

- Skills of the expert;
- Suitability of the valuation method chosen;
- Reasonableness of key assumptions for valuation parameters;
- Mathematical accuracy and consistent methodology of the valuation model presented by the Management Board.

The auditor analysed the financial statements of portfolio companies, how their fair value has declined, and the value of shares quoted on the active market.

Our procedures did not disclose any material issues that would necessitate any adjustment to the financial statements.

Other Disclosures in the Annual Report

Other disclosures in the Annual Report comprise financial and non-financial information other than the financial statements and the audit report. Other disclosures include, among others, the Company's Business Review Report for the year ended on 31 December 2018 and the Statement on Corporate Governance as referred to in Article 49.2a of the Accounting Act.

The Management Board of the Company and the members of its Supervisory Board are responsible for preparation of other disclosures.

Our opinion on the financial statements does not cover such other disclosures and, unless stated expressly in the *Report on Other Legal and Regulatory Requirements*, we issue no other form of assurance as to such other disclosures. Furthermore, the extent of our procedures and the nature of our assurance are exclusively as described herein.

In connection with our audit of the financial statements, it is our duty under the National Auditing Standards to read such other disclosures during our audit and to determine whether such other information are not materially inconsistent with the financial statements or our knowledge as gained from the audit or otherwise seem materially misstated.

If, based on our procedures regarding such other disclosures that were provided to us during the date of this audit report, we identify any material misstatement in this information, we have to disclose it in our audit report. We have nothing to report in that respect.

Before issuing this audit report, we have been provided with the Business Review Report and the Statement on Corporate Governance. Other elements of other disclosures to be published together with the annual report, will be available after delivery of this audit report. If we find any material misstatement in other elements, we have to notify them to the Supervisory Board of the Company.

Responsibility of the Management and Supervisory Boards for the Financial Statements

The Management Board of the Company is responsible for preparation of the annual financial statements that give fair and true view in accordance with the IFRS-EU and for their compliance with the regulations applicable to the Company as well as its Articles of Association, and for keeping the books of account in accordance with the principles laid down in the Accounting Act.

Furthermore, the Management Board of the Company is responsible for implementation of such internal control as they determine is necessary to enable the preparation of annual financial statements that are free of material misstatements, whether caused deliberately or due to error.

The Management Board is responsible for assessment of the Company's ability to continue as a going concern and for disclosure in the financial statements, if applicable, any matters pertaining to its going concern. In its selection of accounting principles and policy and during the preparation of financial statements, the Management Board of the Company is responsible also for making the assumption of going concern in the foreseeable future without any significant downsizing of operations, unless the Management Board of the Company is going to wind the Company up or discontinue its operations, or where there is no other real option of continuation.

The Members of the Supervisory Board are responsible for overseeing the process of financial reporting of the Company.

In accordance with the Accounting Act, the Management Board of the Company and the Members of its Supervisory Board are responsible for ensuring that the annual financial statements meet the requirements set out in the Accounting Act.

Statutory Auditor's Responsibility for Audit of Financial Statements

The audit objective 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the aforementioned 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.

In accordance with the National Auditing Standards while carrying out the audit:

- We apply our professional judgement and keep professional scepticism;

- We identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, and we design and carry out audit procedures adequate for those risks, and we produce audit evidence that is sufficient and appropriate to serve as a basis for our opinion. The risk of failure to detect a material misstatement due to fraud or other irregularities is higher than the risk of failure to detect a material misstatement due to error as it might involve collusion, falsification, deliberate omissions, misleading or evasion of internal control, and might affect each area of law and regulations, not only those directly affecting the financial statements.

- We gain an understanding of internal control as material for 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 Company's internal control;

- We evaluate the suitability of the adopted accounting principles (policies) and the reasonableness of accounting estimates and related disclosures as made by the Management Board of the Company;

- We assess whether the assumption of going concern, made by the Management Board of the Company for the preparation and presentation of financial statements, is reasonable, and, based on our audit evidence, we assess whether there exists a material uncertainty as to events or circumstances that might give rise to serious doubts as to the Company's ability to continue as a going concern. If, in our judgement, such material uncertainty exists, we are required to state it in our audit report or draw attention to any disclosures made in the financial statements with respect to that uncertainty, or modify our opinion on the financial statements if the financial statements do not contain requisite disclosures regarding that material uncertainty. Our assessment is based on audit evidence gathered up to the date of our audit report.

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However, in the future, certain developments or conditions might take place and prevent the Company from continuation of its operations.

- We assess the overall presentation, structure and contents of the financial statements, including disclosures and whether the financial statements present the underlying transactions and events in such a way to provide for accurate presentation.

We communicate audit information to the Supervisory Board and to the Audit Committee, in particular as regards the intended scope and duration of auditing as well as material audit findings, including all material weaknesses in internal control that have been identified by us during our audit.

We have made our statement to the Audit Committee regarding our compliance with the relevant ethical and independence requirements, and that we will notify the Committee of all ties and other matters that could be reasonably deemed as posing threat to our independence, and we inform of safeguards applied whenever appropriate.

The scope of audit does not include any assurance as to the future profitability of the Company or the effectiveness or successful handling of its affairs by the Management Board of the Company now or in the future.

Out of the matters submitted to the Supervisory Board, we have identified those matters that were the most significant during our audit of the financial statements for the current reporting period, and thus deemed as key audit matters. Those matters are addressed in our audit report in the section *Key Audit Matters (Issues), Including the Material Risks of Material Misstatement Presented in Accordance with the Requirements of Regulation 537/2014*, except for matters that cannot be disclosed to the public under law or regulations, or if we determine, in exceptional circumstances, that such an issue should not be included in our report because of reasonable expectation that negative consequences would surpass the benefit of such information for public interest.

The Act on Statutory Auditors also requires us to state, in our opinion, whether the form and substance of the financial statements are consistent with the laws applicable to the Company and its Articles of Association and whether they were made based on the books of account that have been kept properly. Any findings in that respect have been based on our procedures carried out during the audit.

Report on Other Legal and Regulatory Requirements

Business Review Report

The Business Review Report was made as electronic file named *SzD LARQ 2018.pdf* and signed electronically by the Company's Management Board on 28 March 2019.

Responsibility of the Management and Supervisory Boards

The Management Board of the Company is legally responsible for preparation of the Business Review Report. It is the responsibility of the Management Board of the Company and the

Members of its Supervisory Board to ensure compliance of the Business Review Report with the requirements of the Accounting Act.

Responsibility of the Auditor

As required by the Act on Statutory Auditors and the Regulation on Current and Periodic Information, we have to issue our opinion whether the disclosures made in the Business Review Report are consistent with the provisions of the Regulation and the Accounting Act, and whether they agree with the disclosures made in the financial statements.

In addition, we are bound to state whether, in light of our knowledge of the Company and its environment as gained during our audit, any material misstatements were detected in its Business Review Report, and if any, to describe them.

At the same time, we have to issue our opinion whether the statement on compliance with the corporate governance principles, being a separate section of the Business Review Report, contains certain disclosures as defined in the Regulation on Current and Periodic Information, and for certain disclosures defined in that Regulation – whether they comply with the applicable legislation and the disclosures made in the annual financial statements.

We have read the Business Review Report and the Statement on Corporate Governance. We have analysed them for disclosures that have to be included as required by the aforesaid regulations, and we have verified that information for compliance with the disclosures made in the financial statements. With respect to certain disclosures made in the statement on compliance with the corporate governance principles, we have examined their compliance with the law. While reading the Business Review Report and based on our knowledge of the Company and its environment, we have checked it for material misstatements.

Opinion on the Business Review Report

In our opinion and based on the procedures performed in connection with the audit of the annual financial statements, the attached Business Review Report on LARQ S.A. for the financial year ended on 31 December 2018:

- Was made in compliance with Article 49 of the Accounting Act and Par. 70 of the Regulation on Current and Periodic Information; and

- The information presented in that report is consistent with the disclosures made in the audited financial statements.

In light of our knowledge of the Company and its environment as gained during our audit, we have not found any material misstatements in the Company's Business Review Report.

Opinion on the Statement on Corporate Governance

In our opinion, based on the procedures performed in connection with the audit of the annual financial statements:

- Statement on Corporate Governance includes the information required under Section 70.6.5 of the Regulation on Current and Periodic Information;

- Information referred to in Section 70.6.5.c-f and h of that Regulation, as presented in that Statement, is consistent with the applicable provisions and disclosures made in the audited financial statements.

Information and Statements Required under the Regulation 537/2014

Consistency of the Opinion on the Financial Statements with the Additional Report to the Audit Committee

Our opinion on the annual financial statements is consistent with our additional report for the Audit Committee as referred to in the Regulation 537/2014.

Appointment of Audit Firm and Total Uninterrupted Term of Engagement

We were selected to audit the financial statements of the Company by the Supervisory Board's Resolution 5/12/18 of 19 December 2018. The financial statements of the Company as a public interest entity have been audited by us without interruptions for four consecutive years.

Non-audit Services

We hereby declare, to the best of our knowledge and belief, that we have not rendered any non-audit services that are prohibited under Article 5.1of the Regulation 537/2014, during the periods defined therein.

Signed by:
Radosław Ożga
Date: 2019-03-28 20:30

Radosław Ożga
Statutory Auditor 13 421

Key Statutory Auditor performing the audit for and on behalf of
PKF Consult Spółka z ograniczoną odpowiedzialnością Sp.k.
Audit Firm No. 477

ul. Orzycka 6, lok. 1B
02-695 Warsaw

Warsaw, 28 March 2019