



TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

Independent Registered Auditor's Report

To the General Assembly and Supervisory Board of Firma Oponiarska Dębica S.A.

Report on the audit of the annual financial statements

Our Opinion

In our opinion, the attached annual financial statements of Firma Oponiarska Dębica S.A. ("Company"):

- give a true and fair view of the Company's financial position as at 31 December 2018, its financial position and cash flows for the financial year then ended, in accordance with the applicable provisions of the Accounting Act of 29 September 1994 (the "Accounting Act" – Journal of Laws of 2019, item 351, as amended) and the adopted accounting principles (policies);
- comply in terms of form and content with the laws applicable to the Company and its Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act.

Our opinion is consistent with our additional report to the Audit Committee, issued on the date of this report.

What we have audited

We have audited the annual financial statements of Firma Oponiarska Dębica S.A. which comprise:

- the balance sheet as at 31 December 2018; and the following documents prepared for the financial year from 1 January to 31 December 2018:
- the income statement;
- the statement of changes in equity;
- the cash flow statement, and
- the notes comprising an introduction to the financial statements and additional notes and explanations.

Basis for the opinion

Basis for the opinion

We conducted our audit in accordance with the International Standards on Auditing adopted as the National Standards on Auditing ("NSA") of the National Council of Statutory Auditors and pursuant to the provisions of the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Act on Registered Auditors" – Journal of Laws of 2017, item 1089, as amended), as well as Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the "EU Regulation" – OJ

EU L158). Our responsibilities under NSA are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence and ethics

We are independent of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants (the "IFAC Code") as adopted by

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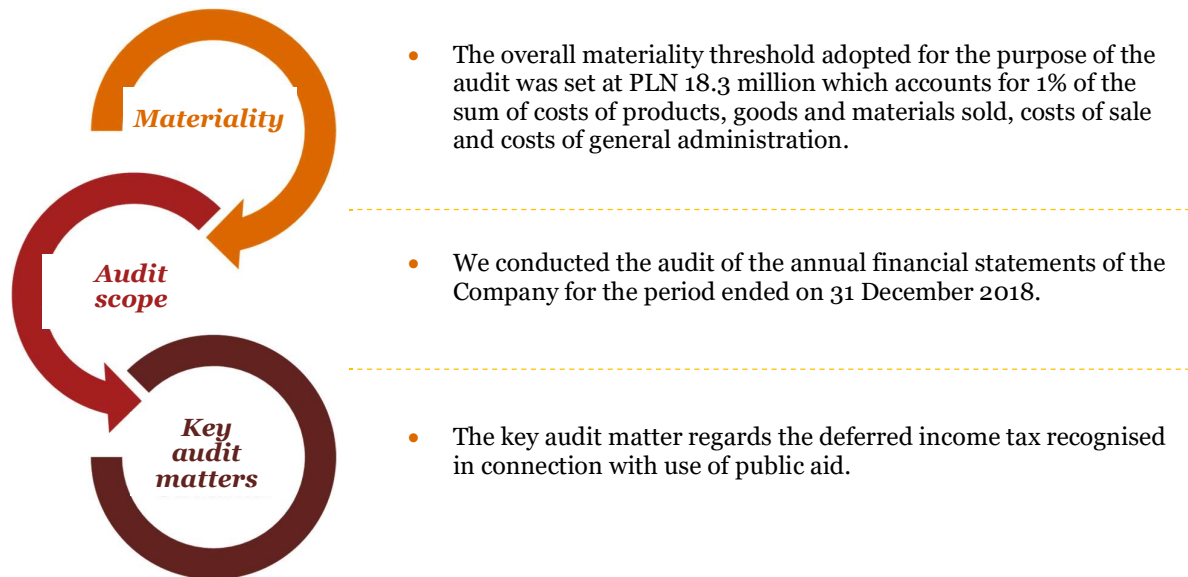


resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. During the

audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board used their subjective judgement; for example in relation to significant accounting estimates that required adoption of assumptions and consideration of occurrence of future events the nature of which is uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as presented below. The said thresholds, together with qualitative factors, allowed us to determine the scope of our audit and the type, time and scope of audit procedures as well as the assessment of effect of misstatements, both individually or in aggregate, on the financial statements as a whole.

The concept of materiality is applied by the registered auditor both in planning and conducting the audit as well as in assessment of the effect of misstatements identified during the audit and not adjusted, if any, on the financial statements as well as in formulation of the registered auditor's opinion. In connection with the aforementioned, all opinions, declarations and statements included in the registered



auditor's report are expressed taking into consideration the qualitative and value-based level of materiality established in compliance

with the standards on auditing and professional judgement of the registered auditor.

Overall materiality	PLN 18.3 million
Basis for determination	1% of the sum of costs of products, goods and materials sold, costs of sale and costs of general administration.
Rationale for the materiality benchmark applied	We adopted costs as the basis for determination of materiality as the Company is a production facility manufacturing mainly based on the orders placed by related entities and these costs determine the scope of the Company's operation. We adopted the materiality threshold of 1% as, on the basis of our professional judgement, it falls within the range of acceptable quantitative thresholds of materiality.

We agreed with the Company's Audit Committee that we would report to them any misstatements identified during our audit of the financial statements in excess of PLN 1.8 million, as well as

any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. They include the most significant assessed types of risk of material misstatements, including the assessed types of risk of material misstatements resulting from fraud. These matters were addressed in the

context of our audit of the financial statements as a whole, and in formulating our opinion thereon. We also summarized our response to these types of risk and, when deemed appropriate, we presented the most important observations relating to these types of risk. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Deferred income tax recognised in connection with use of public aid.</i></p> <p>According to the possessed permit for business activity in the Special Economic Zone Euro-Park Mielec ("SEZ"), the Company has been benefiting from the corporate income tax credit since 2013. The permit is currently unlimited as regards its validity term.</p> <p>Under the Accounting Act and the accounting policy applied by the Company, the Company does not create a deferred income tax (asset) due to the obtained public aid, i.e. due to the benefit arising from the right to future reduction of tax liabilities.</p> <p>As the Company will not pay income tax to the day on which the public aid is used in full and the permit expires (whichever occurs first), the Company</p>	<p>We verified if the Company is entitled to public aid, including but not limited to review of the obtained permits for operation in SEZ as well as decisions issued by the competent state authority.</p> <p>We assessed the legitimacy of the assumptions made by the Company as regards the expected future profits/losses obtainable in the period subject to settlement of public aid within the framework of operation in SEZ.</p> <p>We assessed the methodology and assumptions made by the Management Board in calculation of the deferred tax. We received the Company's calculations and supporting documentation and</p>



recognised deferred tax exclusively due to temporary differences realisable upon the said day. In connection with the aforementioned, as at 31 December 2018, the Company recognised a deferred income tax asset amounting to PLN 9,3 million and a deferred income tax provision amounting to PLN 25.5 million.

The disclosures of the accounting policy adopted by the Company and calculation of the deferred tax are presented in Note 10 to the Introduction to the financial statements and Notes 16, 17 and 18 of the Supplementary information to the financial statements.

We deemed the aforementioned issue a key audit matter due to significance of the items in the Company's financial statements and due to the fact that value of the specified items of the financial statements is to a substantial extent based on subjective assumptions and professional judgement. In particular, the value of the deferred income tax asset and provision is uncertain and susceptible to fluctuations in case of change of the assumptions adopted by the Management Board in relation to, inter alia, the expected future profits/losses on operation in the zone and, thus, the period in which the Company will benefit from public aid as well as the expected temporary differences to be settled on the day on which the public aid is used in full.

checked their correctness through verification of the input data, applied principles and mathematical correctness of the calculations.

We confirmed that the prepared calculations were free from material errors and the business assumptions were consistent with the long-term plans of the Company approved by the Supervisory Board.

We interviewed the management of the Company to identify potential tax risks related to the activity conducted in SEZ and which could affect the results of the deferred tax calculations and the financial statements as a whole.

On the basis of the conducted procedures, we did not identify any need for material adjustments in the audited financial statements.

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

The Company's Management Board is responsible for the preparation, based on properly maintained books of account, of annual financial statements which give a fair and clear view of the Company's financial position and results of operations in accordance with the provisions of the Accounting Act, the adopted accounting principles (policies), the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for

assessing the Company's ability to continue as a going concern, disclosing, as applicable, any matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Management Board of the company and the members of the Supervisory Board are obliged to ensure that the financial statements meet the requirements provided for in the Accounting Act. The members of the Supervisory Board are responsible for overseeing the financial reporting process.



Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable certainty is a high level of certainty, but it does not guarantee that the audit conducted in compliance with NSA will always identify a material misstatement. Misstatements can result from a fraud or error and are considered material if it can be reasonably expected that they, individually or in aggregate, could affect the economic decisions of the users made on the basis of the financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of the internal control applied for the audit to design audit procedures adequate for the given circumstances, but not to express an opinion regarding effectiveness of the Company's internal control;
- we assess adequacy of applied accounting principles (policy) as well as legitimacy of the accounting estimates and related disclosures made by the Company's Management Board;
- we draw a conclusion regarding the adequacy of application by the Company's Management

Board of the going concern principle as the accounting basis and, on the basis of the obtained audit evidence, whether there is any material uncertainty connected with events or conditions that could give rise to significant doubts regarding the Company's capability in terms of continuation of operation. Should we conclude that the said material uncertainty exists, we are required to emphasise in the registered auditor's report the related disclosures in the financial statements or, if the disclosures are inadequate, we modify our opinion. Our conclusions are based on the audit evidence obtained up to the day of preparation of the report of the registered auditor, however future events or conditions could result in discontinuation of operation by the Company;

- we assess the general presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner ensuring reliable presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, we inform about related safeguards.

From among the matters communicated to the Audit Committee, we determined those matters that were of most significance in the audit of the financial statements for the current period and were, therefore, considered the key audit matters. We describe these matters in our registered auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be



communicated in our report because the adverse consequences of doing so would reasonably be

expected to outweigh the public interest benefits of such communication.

Other information, including the Report on the operations

Other information

Other information comprises a Report on the Company's operations for the financial year ended 31 December 2018 ("*Report on the operations*"), including the corporate governance declaration and declaration on the non-financial information referred to in Art. 49b section 1 of the Accounting Act which form separated parts of the Report.

Responsibility of the Management Board and the Supervisory Board

The Company's Management Board is responsible for preparation of Other Information in compliance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Company's operations, including its separate parts, complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover Report on the operations.

In connection with our audit of the financial statements, our responsibility is to read the Report on the operations and consider whether or not it is materially consistent with the information in the financial statements, according to the knowledge gained during our audit, or whether it seems to be otherwise materially misstated. If, based on the work performed, we identified a material misstatement in the Report on the operations, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and whether it is consistent with the information included in the annual financial statements.

Furthermore, we are obliged to issue an opinion whether the Company included the required information in the corporate governance declaration and to inform whether the Company

drafted the declaration on non-financial information.

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the Company's operations:

- was drafted in compliance with the requirements of Art. 49 of the Accounting Act and para 70 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information supplied by the issuers of securities and conditions of considering information required by the laws of a non-member state equivalent ("*Regulation on Current Information*" - Journal of Laws of 2018, item 757);
- is consistent with the information in the financial statements.

Moreover, we declare that based on the knowledge of the Company and its environment, obtained during our audit, we have not identified any material misstatements in the Report on the Company's operations.

Opinion on the corporate governance declaration

In our opinion, the Company included the information specified in para. 70 section 6 point 5 of the Regulation on Current Information in the Corporate Governance Declaration. Furthermore, in our opinion, the information specified in para 70 section 6 point 5 letters c-f, h and i of the said Regulation included in the corporate governance declaration is compliant with the applicable laws and information presented in the financial statements.

Declaration on non-financial information

Pursuant to the requirements of the Act on Registered Auditors, we confirm that the Company drafted the declaration on non-financial information referred to in Art. 49b section 1 and Art. 55 section 2b of the Accounting Act as a separate part of the Report on the operations.

We did not carry out any attestation works regarding the declaration on non-financial



information and we do not issue and assurance concerning it.

Report on other legal and regulatory requirements

Opinion on the requirements of Art. 44 of the Energy Law

The Company's Management Board is responsible for preparation of the regulatory financial information in compliance with the requirements of Art. 44 of the Act of 10 April 1997 - Energy Law ("*Energy Law*" - Journal of Laws of 2018, item 755, as amended).

Pursuant to the requirements of Art. 44 of the Energy Law, we are obliged to audit the regulatory financial information and issue the opinion required by the Energy Law.

The regulatory financial information is presented in point 26 of the additional information. Our audit did not include assessment if the information to be disclosed under this Law is sufficient to ensure equal treatment of recipients and elimination of cross-subsidies among activities.

In our opinion, the relevant items of the balance sheet as at 31 December 2018 and income statement for the year ended on the said date, drafted separately for each pursued business activity, included in the regulatory financial information (Note No. 26) meet, in all material aspects, the requirements referred to in Art. 44 section 2 of the Energy Law with regards to

ensuring equal treatment of recipients and elimination of cross-subsidies among activities.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services that we provided to the Company and its subsidiaries in the audited period are specified in the Note 25 to the financial statements.

Appointment of the registered audit company

We were appointed to audit the Company's financial statements for the financial year ended 31 December 2018 under the resolution of the Supervisory Board of 22 June 2017.

We have been auditing the Company's financial statements without interruption starting from the financial year ended 31 December 2016, i.e. for 23 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers sp. z o.o.), a company entered on the list of Registered Audit Companies with the reference number 144, which has resulted in this Independent Registered Auditor's Report, is Tomasz Reinfuss.

Tomasz Reinfuss
Key Registered Auditor
Register No. 90038

Cracow, 23 April 2019