

# **Representations of the Supervisory Board on consolidated statements for 2018 Redan CG**

**Assessment of Supervisory Board of Redan S.A. regarding report on activities of capital group and consolidated financial statements as regards their compliance with books, documents and actual state of affairs**

*(prepared in accordance with the requirement of § 71(1), p. 12 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on the conditions for recognising as equivalent the information required by law of a non-member state).*

The Supervisory Board of Redan S.A. declares that within its competence, it supervised the process of preparing the report on the activities of the capital group and the consolidated financial statements for the financial year 2018. According to the assessment made by the Supervisory Board, the Management Board's report on the activities of the Redan S.A. Capital Group for 2018 and the consolidated financial statements for the period from January 1, 2018 to December 31, 2018 are in accordance with the books, documents and the facts.

## **REASONS**

The Supervisory Board made a positive assessment of:

- 1) the consolidated financial statements of the Redan Capital Group for the year ended on December 31, 2018,
- 2) the Management Board's report on the activities of the Redan Capital Group in 2018 based on:
  - the content of the above mentioned reports, submitted and discussed by the Management Board,
  - the recommendation of the Audit Committee of the Supervisory Board of Redan S.A. on giving an opinion on financial statements,

- the discussion with the key statutory auditor on the results of the audit and their impact on the financial statements.

The Supervisory Board analysed the consolidated financial statement of Redan S.A. for the year ended on 31 December 2018 together with the Management Board's Report on the Redan Capital Group's activities and the Consolidated financial statements for 2018 on the non-financial information prepared on the basis of the Group's sustainable development report.

The financial statements have been prepared in accordance with the International Standards of Financial Reporting adopted by the European Union as well as with the accounting principles.

The financial statements present the accounting principles applied continuously in all presented years, except IFRS 9 'Financial Instruments', and IFRS 15 'Revenues from contracts with customers', the impact of which on the opening balance sheet was described in detail in Note 2. New accounting standards of IFRS 9 and 15 were applied by the Group using a modified retrospective approach without the restatement of comparative data.

The Supervisory Board stated that the Management Board's report on the activities of the Redan Capital Group in 2018 in all material aspects meets the requirements set out in Article 49 and Article 55 (1a) of the Accounting Act and in the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information to be published by issuers of securities and on the conditions for recognition as equivalent the information required by the law of non-member states. The Management Board's report on the activities contains a description of all significant events that may affect the property and financial standing of the Redan Group, at least in the next 12 months, as well as a description of significant risks.

Based on the above activities, the Supervisory Board estimates that the report on the activity of the capital group and the consolidated financial statements for the financial year 2018 have been prepared in accordance with the applicable legal provisions and are consistent with the books, documents and the actual state of affairs, and contain a true picture of the development, achievements and situation of the Redan Capital Group.

At the same time, the Supervisory Board draws attention to the existence of significant uncertainty as to the Group's ability to continue the business, under which the report was prepared. In the opinion of the Supervisory Board, by determining the ability of the Redan Group to continue operations, the Management Board took into account all the information

available as at the date of the financial statements for the foreseeable future, covering the period not shorter than one year from the balance sheet date, and included a detailed analysis of the legal, economic and financial situation of the Group, which was presented in detail in the note about continuation of activity in the consolidated financial statements, disclosing at the same time that there is significant uncertainty about events or conditions that could raise doubts as to the ability of the TXM Group, the discount segment of the Redan Group, to continue the activity and therefore it may not obtain the expected economic benefits from assets and not settle liabilities in the ordinary course of business. This risk relates directly to the discount segment only, because both segments are completely independent from each other. Each of them conducts for itself separate, unrelated and unshared operations, however, due to the fact that the TXM S.A. Group constitutes a significant part of the Redan Capital Group, and the continuation of operations also includes limitation of the scope of action, the statutory auditor following an evaluation of the general audit evidence based on the requirements of the National Standard of Auditing 570 (Z) *The continuation of activity*, assessed that she was not able to formulate a conclusion whether acceptance by the Management Board of an assumption concerning the continuation of activity by the Redan Group is justified and, as a result, guided by the requirements of the National Standard Audits 706 (Z) *Modifications of the Opinion*, in the independent auditor's report on the audit she will include a refusal to issue an opinion on the consolidated financial statements and on the report on the activities of the Redan Group for 2018.

**SUPERVISORY BOARD OF REDAN S.A.**

Sławomir Lachowski  
Monika Kaczorowska  
Radosław Wiśniewski  
Leszek Kapusta  
Piengjai Wiśniewska

**Statement of Supervisory Board of Redan S.A. regarding functioning of Audit Committee**  
*(prepared in accordance with the requirement of § 71(1), p. 8 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on the conditions for recognising as equivalent the information required by law of a non-member state).*

The Supervisory Board of Redan S.A. declares that in the company:

-the provisions concerning the appointment, composition and functioning of the audit committee are observed, including those concerning the fulfilment of independence criteria by its members, as well as the requirements concerning the knowledge and skills in the industry in which Redan SA operates and skills in the accounting, or auditing of financial statements;

-In 2018, the Audit Committee performed the tasks provided for in the applicable regulations.

**SUPERVISORY GROUP OF REDAN S.A.**

Sławomir Lachowski  
Monika Kaczorowska  
Radosław Wiśniewski  
Leszek Kapusta  
Piengjai Wiśniewska

**Opinion of Supervisory Board of Redan S.A. on Management Board's position regarding refusal of audit firm to express opinion on consolidated financial statements of REDAN S.A. Group.**

*(prepared in accordance with the requirement of § 71(1), p. 11 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on the conditions for recognising as equivalent the information required by law of a non-member state).*

The Supervisory Board after the review of:

1) the independent statutory auditor's report containing the refusal to issue an opinion on the consolidated financial statement and on the report on activities of the Redan Group for 2018 and

2) the position of the Management Board of REDAN S.A. of 23 May 2019 referring to the refusal expressing an opinion on the financial statements for 2018 by an audit firm

**expresses a positive opinion with regard to the content and conclusions presented by the Management Board in the above mentioned position**, which includes in particular:

a) indication of the impact, in terms of quantity and quality, of factors being the basis for refusal to express an opinion on the annual consolidated financial statements for 2018, including results and other financial data, with a presentation of the materiality assessment,

(b) a statement of the measures taken or planned to deal with the situation.

**SUPERVISORY GROUP OF REDAN S.A.**

Sławomir Lachowski  
Monika Kaczorowska  
Radosław Wiśniewski  
Leszek Kapusta  
Piengjai Wiśniewska