

STATUTORY AUDITOR'S REPORT

from audit of financial statement

for the period

from 1st of January 2019 to 31st of December 2019

Dekpol S.A.

in Pinczyn

REPORT OF INDEPENDENT STATUTORY AUDITOR FROM AUDIT OF FINANCIAL STATEMENT

For the General Meeting of Shareholders and the Supervisory Board

Dekpol S.A.

with its registered office in Pinczyn, ul. Gajowa 31

Report from audit of the annual financial statement

Opinion

We audited the annual financial statement of Dekpol S.A., ("Company") containing statement of financial position as at December 31, 2019 and statement of comprehensive income, statement of changes in equity, statement of cash flows for financial year from 1st of January until 31st of December 2019 and additional information including description of the adopted accounting principles and other explanatory information ("financial statement").

In our opinion, attached financial statement:

- presents a true and fair view of the material and financial situation of the Company as at 31st of December 2019 and its financial result and cash flows for financial year ended on that day in accordance with the applicable International Financial Reporting Standards approved by the European Union and adopted accounting rules (policy),
- is consistent in form and content with applicable regulations and the statute of the Company;
- has been prepared on the basis of correctly kept accounting books in accordance with provisions of Chapter 2 of the Accounting Act dated 29th of September 1994 ('Accounting Act' - i.e., Journal of Laws of 2019 p. 351, as amended)

This opinion is consistent with additional report for the Audit Committee, which we issued on 16th of May 2020.

Opinion's background

We conducted our audit in accordance with the International Standards of Research in the version adopted as National Standards of Research by the National Council of Statutory Auditors no. 3430/52a/2019 from 21st of March 2019 regarding the national auditing standards and other documents as amended („NSR”) and in accordance with the Act dated 11th of May 2017 on statutory auditors, auditing companies and public supervision (the "Act on Certified Auditors" - Dz. U. 2017 r., pos. 1089) and EU Regulation No. 537/2014 of 16th of April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation" - Official Journal EU L158). Our responsibility in accordance with these standards is further described in the section of our report *Auditors' Responsibility for auditing the financial statement*.

We are independent of the Group companies in accordance with the Code of Professional Accountants of the International Federation of Accountants ("IFAC Code") adopted by the resolutions of the National Council of Statutory Auditors no 2042/38/2018 dated 13th of March 2018 regarding professional ethics' principles of statutory auditors and other ethical requirements that apply to the audit of financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and the IFAC Code. During the audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Certified Auditors and in the EU Regulation.

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

Explanation incl. devoting special attention– event after reporting date

We would like to draw your attention to Note no. 27 to the consolidated financial statement, which describes the impact of the ongoing SARS-CoV-2 virus epidemic on the Group's operations. Our opinion is not modified in relation to this matter.

Key audit matters

Key audit matters are matters that, according to our professional judgment, were the most significant while auditing the consolidated financial statement for the current reporting period. They include the most significant assessed risks of material misstatement, including the assessed caused by fraud. We referred to these matters in the context of our audit of the financial statement as a whole, in forming of our opinion, and summarized our reaction to these risks and in cases where we considered appropriate we presented the key observations related to these risks. We do not express a separate opinion on these matters.

Key audit matter	How our audit referred to this matter
<p>Settlement of long-term contracts due to ongoing contracts with external clients and related entities, in which the audited parent entity acts as the general contractor</p>	<p>Verification and assessment of the correctness of accounting policy principles in relation to the provisions of IFRS 15, practices applicable in a given industry and our understanding of the entity's business;</p> <p>Understanding and verifying internal control procedures for the settlement of construction services contracts, including budgeting, recognition and allocation of costs and revenues from the contract, as well as the correctness of estimation of the stage of contract's completion;</p> <p>Assessment of the correctness and quality of prepared budgets for unfinished projects by comparing achieved results and the level of costs with the entity's original plans and estimates;</p> <p>Conducting detailed reliability tests on a selected sample of occurrence and correctness of the amounts of project costs incurred, by agreeing them with the source documents, including invoices and acceptance reports;</p> <p>Verification of completeness in terms of provisions created for incurred and invoiced costs related to implemented contracts;</p> <p>Verification of the progress of works on selected construction sites through inspection and conversations with construction managers to confirm the correctness of the progress of projects included;</p> <p>Verification of the correctness and completeness of disclosures, including regarding recognition of revenues from construction contracts, as well as disclosures regarding significant court proceedings.</p>
<p>Correctness of recognition of revenues from real-estate development activities, construction services and performing the function of general contractor for related entities, as well as from sale of products</p>	<p>Verification and assessment of the correctness of accounting policies in relation to the provisions of IFRS 15, industry practices and our understanding of the entity's business;</p> <p>Verification of internal control in terms of accuracy and completeness of recognized revenue;</p> <p>Detailed reliability tests on the selected sample of correctness and the occurrence of the amounts of disclosed revenues by reconciling them to the source documentation, including invoices, acceptance reports, notarial deeds, contracts and confirmation of product delivery;</p> <p>Verification by means of credibility tests of the correctness of the demarcation of revenues and recognition of them to the correct reporting period.</p>

Other matters

Financial statement of the Company for the year ended 31st of December 2018 was audited by a statutory auditor acting on behalf of another audit company, who expressed an unqualified opinion on this report on 30th of April 2019.

Responsibility of the Management Board and Supervisory Board of the Company for the financial statement

Management Board of the Entity is responsible for preparing, on the basis of correctly kept accounting books of financial statement that presents a true and fair view of the property and financial situation and financial results of the Company in accordance with the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and the applicable laws and statute, as well as internal control, which the Management Board of the Company considers necessary to enable the preparation of financial statement without material distortion caused by fraud or error.

While preparing financial statement, the Entity's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and adopting the principle of going concern as an accounting basis, except when the Management Board intends to liquidate the Company, either abandon doing business or there is no real alternative for liquidation or discontinuation of business activities.

Management Board of the Entity and members of the Entity's Supervisory Board are required to ensure that the financial statement meets the requirements of the Accounting Act ("Accounting Act" – Dz. U. 2019 r. pos. 351 as amended). Members of Supervisory Board are responsible for supervising of financial reporting process.

Statutory Auditor's responsibility for auditing financial statement

Our objectives are to obtain reasonable assurance that the financial statement as a whole does not contain any material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that a test conducted in accordance with the NSR will always detect the existing significant distortion. Distortions may arise as a result of fraud or error and are considered material if it can reasonably be expected that, individually or in aggregate, they could influence users' business decisions made on the basis of these financial statement.

The scope of the audit does not include assurance as to the future profitability of the audited Company nor the effectiveness or efficiency of conducting the affairs of the entity by the Company's Management Board currently or in the future.

During audit process in accordance with the NSR, we apply professional judgment and maintain professional skepticism, as well as:

- we identify and assess risks of material misstatement of the consolidated financial statement caused by fraud or error, we design and conduct audit procedures that address these risks, and obtain audit evidence, that is sufficient and appropriate to provide a basis for our opinion.

The risk of not recognizing a significant misstatement due to fraud is greater than that resulting from the error, as the fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;

- we gain an understanding of the internal control appropriate to the audit to design audit procedures that are appropriate under the certain circumstances, but not to express an opinion on the effectiveness of the Company's internal control;
- we assess the appropriateness of the accounting principles (policies) used and the reasonableness of accounting estimates and related disclosures made by Company's Management Board;
- we draw a conclusion on the appropriateness of the Company's Management Board's application of going concern assumption as an accounting basis and, based on the audit evidence, whether there is significant uncertainty related to events or conditions that may substantially doubt the Company's ability to continue as a going concern. If we conclude that there is significant uncertainty, we require that we draw attention in our auditor's report to related disclosures in the consolidated financial statement or, if such disclosures are inadequate, we modify our opinion. Our applications are based on audit evidence obtained up to the date of our audit report, however future events or conditions may cause the Company to cease its activities;

we assess the overall presentation, structure and content of the consolidated financial statement, including disclosure, whether the financial statement presents the underlying transactions and events in a manner that ensures a fair presentation.

We provide the Supervisory Board with information about, among other the planned scope and time of the audit and significant findings of the audit, including any significant weaknesses of internal control that we will identify during the audit.

We submit to the Supervisory Board a statement that we have complied with the relevant ethical requirements regarding independence and that we will inform them of all connections and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, we report security measures applied.

From among the matters forwarded to the Supervisory Board, we determined those matters that were most significant during the audit of the financial statement for the current reporting period and therefore we considered them as the key issues of the audit. We describe these matters in our auditor's report, unless laws or regulations prohibit public disclosure or when, in exceptional circumstances, we determine that the issue should not be presented in our report because it would reasonably be expected that the negative consequences would outweigh the benefits of such a report. information for the public interest.

Other information, including report from business activities

Other information include the Report on the Company's business activities for financial year ended 31st of December 2019 ("Business Activities Report") together with the statement on corporate governance and the declaration regarding non-financial information referred to in article 49b section 1 of the Accounting Act, which are separate parts of this Report and the Annual Report for the financial year ended 31st of December 2019 ("Annual report") (together "Other information").

Responsibility of the Management Board and Supervisory Board

Management Board is responsible for preparation of the report on operations in accordance with applicable laws.

Management Board and members of the Supervisory Board are obliged to ensure that the Report on the Company's business activities along with the separated part meet the requirements provided for in the Accounting Act.

Responsibility of the statutory auditor

Our opinion on the audit of the financial statement does not include other information. In connection with the audit of the financial statement, it is our duty to review other information and, in doing so, consider whether other information are not materially inconsistent with the financial statement or our knowledge gained during the audit or otherwise appear significantly distorted. If, based on the work performed, we find significant distortions in other information, we are required to inform about it in our audit report. Our duty in accordance with the requirements of the Act on certified auditors is also to issue an opinion on whether the report on the Company's business activities has been prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statement. In addition, we are required to issue an opinion on whether the Company has included the required information in the corporate governance statement.

We obtained the report on the Company's business activities before the date of this audit report, and the Annual Report will be available after this date. If we find a significant distortion in the Annual Report, we are obliged to inform the Supervisory Board of the Company.

Opinion on Report from business activities

Based on the work carried out during the study, in our opinion, the Report on the Company's business activities:

- was drawn up in accordance with Article 49 of the Accounting Act and the Regulation of the Ministry of Finance dated 29th of March 2018 regarding current and periodic information provided by issuers of securities and requirements for recognition of information required by the law of a Non-Member state as equivalent ("Regulation on current and periodic information" – Dz. U. 2018 r., pos. 757);

- is consistent with the information contained in the financial statement.

In addition, in the light of the knowledge about the Company and its environment obtained during our audit, we declare that we have not identified significant distortions in the Report on the Company's business activities.

Opinion regarding declaration of application of corporate governance

In our opinion, in the statement on the application of corporate governance, the Company has included the information set out in paragraph 70, section 6 point 5 letters c–f, h and i of the Regulation on current and periodic information. In addition, in our opinion, information indicated in paragraph 70, section 6 point 5 letters c–f, h of this Regulation contained in the statement on the application of corporate governance are consistent with the applicable regulations and information contained in the financial statement.

Information on non-financial matters

In accordance with requirements of the Act on Statutory Auditors, we confirm that the Company has prepared a statement on non-financial information referred to in art. 49b paragraph 1 of the Accounting Act as a separate part of the Report business activities.

We have not carried out any attestation works regarding declaration on non-financial information and we do not express any assurance about it.

Report concerning other legal requirements and regulations

Declaration concerning services which are not financial statements audit services

According to our best knowledge and belief, we declare that the services which are not financial statement audit services, which we used to serve for the Company and its subsidiaries are consistent with laws and regulations applicable in Poland and that we have not provided non-audit services that are prohibited under Article 5 section 1 of the EU Regulation and art. 136 of the Act on certified auditors

Selection of Statutory Audit Company

We have been selected to audit the Company's financial statement by resolution of the Company's Supervisory Board dated 8th of August 2019. We are auditing the Company's financial statement for the first time.

The key statutory auditor responsible for the audit, result of which is this independent auditor's report, is: Mr. Piotr Witek

Piotr
Andrzej
Witek

Electronically
signed by Piotr
Andrzej Witek
Date: 2020.05.16
01:04:37 +02'00'

Key Statutory Auditor
Evidence number 9631
CEO.

Acting on behalf of:

REWIT Księgowi i Biegli Rewidenci Sp. z o.o.

80-137 Gdańsk, ul. Starodworska 1

Firma audytorska wpisana na listę podmiotów uprawnionych
do badania sprawozdań finansowych pod numerem 101

Gdańsk, 16th of May 2020