



Report of the independent statutory auditor
on the audit of the annual financial statements of
J.W. CONSTRUCTION HOLDING S.A.
for the financial year ended on 31 December 2018.

Mazars Audyt Sp. z o.o.
18 Piękna St.
00-549 Warsaw

REPORT OF THE INDEPENDENT STATUTORY AUDITOR ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

For the General Meeting and Supervisory Board of J.W. Construction Holding S.A.

Report on the audit of the annual financial statements Opinion

We have audited the annual financial statements of J.W. Construction Holding S.A. ("Company"), which includes the statement on financial situation as at 31 December 2018 and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the financial year from 1 January to 31 December 2018 and additional information including a description of adopted accounting policies and other explanatory information ("financial statements").

In our opinion, the attached financial statements:

- presents a true and fair view of the Company's financial position as at 31 December 2018 and its financial result and cash flows for the year ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting principles (policy);
- is consistent as to form and content with the applicable laws and the Company's Articles of Association;
- have been prepared on the basis of properly maintained accounting books in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("Accounting Act" - Journal of Laws of 2019, item 351).

The opinion is consistent with the additional report for the Audit Committee that was issued on 21 March 2019.

Grounds for the opinion

Our audit was conducted in accordance with the International Audit Standards as adopted as the National Audit Standards by the National Council of Statutory Auditors and in accordance with the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision ("Act on Statutory Auditors" - Journal of Laws, item 1089, as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on detailed requirements concerning statutory audit of public interest entities ("EU Regulation" - Journal of Laws, EU L158). Our responsibility, in accordance with these standards, is further described in the section of our report on Auditor's responsibility for the audit.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants ("IFAC Code") adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements applicable to the audit of financial statements in Poland. We have fulfilled our ethical obligations in accordance with these requirements and the IFAC Code. During the course of the audit, the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on statutory auditors and the EU Regulation.

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

Key audit matters

Key audit matters are those matters which, in our professional judgment, were the most significant during the audit of the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. We addressed these matters in the context of our audit of the financial statements as a whole and in the preparation of our opinion and summarised our response to these risks and, where we felt appropriate, made key observations in relation to these risks.

We do not express a separate opinion on these matters.

Key audit matter	Auditor's procedures applied to key audit matters
Impairment of property, plant and equipment	Our audit procedures included in particular: <ul style="list-style-type: none"> - understanding and evaluation of the process of identifying indications of impairment of assets; and the correctness of the applied impairment test method, - an analysis of the main assumptions made by the Management Board regarding future cash flows in the context of current and expected market conditions
In the financial statements as at 31 December 2018, the disclosed value of property, plant and equipment amounts to PLN 249,153 thousand, and their main component is property, plant and equipment related to hotel operations (87%) The key issue was the assessment of the adopted value in use of these assets,	

<p>determined as Management Board's estimates of the expected financial results of individual hotels.</p> <p>Disclosures regarding property, plant and equipment are presented in Note 2 to the financial statements.</p>	<ul style="list-style-type: none"> - discussing with business strategies regarding hotel operations with the Management Board, - evaluation of financial results obtained by hotels. <p>The assessments and analyses described above have provided us with sufficient and appropriate evidence to examine the described risks of impairment of property, plant and equipment.</p>
<p><u>Impairment of shares and interests in subsidiaries</u></p> <p>In the financial statements as at 31 December 2018, the disclosed value of shares held amounts to PLN 198,979 thousand.</p> <p>The analysis of impairment was the key issue of the audit due to the value of the balance of shares, which is significant for the financial statements. The Management Board's estimation process is based on significant assumptions, estimates and plans for the future use of special purpose vehicles in which the Company holds shares.</p> <p>Disclosures regarding the shares held are presented in Note 4 to the financial statements</p>	<p>Our auditing procedures included in particular:</p> <ul style="list-style-type: none"> - assessment of financial results of subsidiaries, - assessment of the value of assets held by subsidiaries - assessment of the merits of the assumptions and plans adopted by the Management Board for the use of subsidiaries (special purpose vehicles), in terms of planned investments, - discussing with the Management Board and understanding of business strategies regarding development activities in the scope of shares in Special Purpose Vehicles. <p>The assessments and assurances of the Management Board described above have provided us with sufficient and appropriate evidence regarding the described risks of impairment of the shares</p>
<p><u>Valuation of investment property</u></p> <p>In the financial statements, as at 31 December 2018, the disclosed value of investment property amounts to PLN 260,657 thousand.</p> <p>The analysis of the valuation was of key importance to the audit due to</p>	<p>Our auditing procedures included in particular:</p> <ul style="list-style-type: none"> - a critical assessment of the correctness, consistency, completeness and adequacy of the selected valuation methods - verification of appraisal reports with regard to the correctness of the assumptions made

<p>value of the balance of the real estate investment, which is important for the financial statements. The valuation of investment property is largely based on the estimates of the Company's Management Board, prepared on the basis of independent property appraiser's valuations.</p>	<p>and valuation method.</p> <ul style="list-style-type: none"> - analysis of planned real estate investments, - discussing with the Management Board and understanding of business strategies regarding these real estate. <p>The assessments and assurances of the Management Board described above have provided us with sufficient and appropriate evidence regarding the described risk connected with valuation of investment property.</p>
<p>Disclosure of immovable property investment projects are presented in Note 3 of the information and explanations to the financial statements.</p>	
<p><u>Valuation of inventories (construction contracts)</u> In the financial statements, as at 31 December 2018, the reported value of inventories related to construction production - development activity ("construction contracts") amounts to PLN 641,750 thousand.</p> <p>The analysis of the valuation was of key importance to the audit due to the value of the balance of construction contracts, which is important for the financial statements, and the correctness of inventory valuation is an inherent industry risk to the Company.</p> <p>Valuation of construction contracts as at the balance sheet date with regard to their prudent valuation, as well as with regard to potential impairment write-offs, requires taking into account their specific nature and adoption of many assumptions.</p>	<p>Our auditing procedures included in particular:</p> <ul style="list-style-type: none"> - analysis of the correctness and adequacy of valuation methods applied, including the creation of revaluation write-offs, - understanding and evaluation of internal control procedures, including those related to ongoing construction projects, - verification of the inventory of ongoing construction investments, - confirmation of the existence of development projects, - understanding of the Company's business strategies. <p>The assessments and analyses described above have provided us with sufficient and adequate evidence to examine the described risk related to the valuation of construction contracts.</p>
<p>Disclosures concerning construction contracts are presented in Note 6 to the financial statements</p>	

Other matters

The Company's financial statements for the year ended on 31 December 2017 were audited by a statutory auditor acting on behalf of another auditing firm, who expressed no concerns regarding these financial statements on 21 March 2018.

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

Management Board of the Company is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements which give a true and fair view of the Company's financial position and results in accordance with International Financial Reporting Standards as adopted by the European Union, adopted accounting principles (policy) and applicable laws and the Company's Articles of Association, as well as for the internal control which Management Board considers necessary to ensure that financial statements free of material misstatements due to fraud or error are prepared.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to proceed as a going concern, disclosing, if applicable, matters relating to going concern and adopting the going concern principle as the basis of accounting, except where the Management Board either intends to liquidate the Company or discontinue operations or has no viable alternative to liquidation or discontinuation of operations.

The Company's Management Board and members of the Supervisory Board are obliged to ensure that the financial statements meet the requirements provided for in the Accounting Act. Members of the Supervisory Board are responsible for supervising the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not contain material misstatement due to fraud or error and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with National Audit Standards will always detect a material misstatement that exists. Distortions may be caused by fraud or error and are considered material if it can be reasonably expected that, individually or collectively, they could influence the economic decisions taken on the basis of these financial statements.

The scope of the audit does not include assurances as to the Company's future profitability or the effectiveness or efficiency of the management of its affairs by the Company's Management Board at present or in the future.

When auditing in accordance to National Audit Standards, we use professional judgement and maintain professional scepticism, as well as:

- identify and evaluate the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures that are appropriate to those risks and obtain audit evidence that is sufficient and adequate to provide a basis for our audit opinion. The risk of not detecting material misstatement due to fraud is greater than that due to error, as fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;

- obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not to express an opinion on the effectiveness of the Company's internal control;
- assess the adequacy of the accounting principles (policy) applied and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board;
- draw a conclusion on the applicability by the Management Board of the Company of the going concern principle as the basis of accounting and, based on the evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report, but future events or conditions may cause the Company to discontinue its business;
- assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that ensures a fair presentation.

We provide the Supervisory Board with information on, among other things, the planned scope and timing of the audit and significant findings of the audit, including any significant internal control weaknesses that we identify in the process.

We declare to the Supervisory Board that we have complied with the relevant ethical requirements for independence and that we will inform them of all affiliations and other matters that could reasonably be considered as a threat to our independence and, where applicable, inform them of the safeguards applied.

From among the matters submitted to the Supervisory Board, we determined those matters which were the most significant during the audit of the financial statements for the current reporting period and therefore we considered them as key audit matters. We describe these matters in our audit report unless a law or regulation prohibits public disclosure or, in exceptional circumstances, we determine that the matter should not be presented in our report because it would reasonably be expected that the negative consequences would outweigh the benefits of such information in the public interest.

Other information, including the report on operations

Other information includes the report on the Company's operations for the financial year ended 31 December 2018 ("Report on Operations") together with the corporate governance statement, which is a separate part of this Report on Operations and the Annual Report for the financial year ended 31 December 2018 ("Annual Report") (together "Other information").

Responsibility of the Management Board and Supervisory Board

The Company's Management Board is responsible for preparing Other information in accordance with the provisions of law.

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

Auditor's responsibility

Our audit opinion does not cover Other information. In connection with the audit of the financial statements, it is our responsibility to review the Other information and, in so doing, to consider whether the Other information is not materially inconsistent with the financial statements or our audit knowledge or in any other way appears to be materially distorted. If, on the basis of the work performed, we find material misstatements in Other information, we are required to state this in our audit report. It is also our responsibility under the requirements of the Auditing Act to issue an opinion on whether the management report has been prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statements. In addition, we are required to give an opinion on whether the Company has included the required information in the corporate governance statement.

We obtained the report on the Company's activities before the date of this audit report and the Annual Report will be available after that date. In the event that we find a material misstatement in the Annual Report, we are required to inform the Company's Supervisory Board thereof.

Opinion on the Report on Operations

Based on the work performed during the audit, in our opinion, the Report on Operations:

- has been prepared in accordance with Article 49 of the Accounting Act, paragraph 70 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state ("Regulation on current information" - Journal of Laws of 2018, item 757),
- is consistent with the information presented in the financial statements.

Moreover, in the light of the knowledge about the Company and its environment obtained during our audit, we state that we have not identified any material misstatements in the Company's Report on Operations.

Opinion on the statement on the application of corporate governance

In our opinion, in the corporate governance statement, the Company has included the information specified in paragraph 70(6)(5) of the Regulation on current information. In addition, in our opinion, the information referred to in paragraph 70(6)(5)(c-f), (h) and (i) of this Regulation contained in the corporate governance statement is consistent with the applicable regulations and the information contained in the financial statements.

Report on other legal and regulatory requirements

Statement on non-audit services provided

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries comply with the laws and regulations in force in Poland and that we have not provided non-audit services which are prohibited under Article 5(1) of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services that we provided to the Company and its subsidiaries during the audited period are listed in Note 22 of the Company's Report on Operations.

Audit firm selection

We were appointed to audit the financial statements of the Company by virtue of a resolution of the Supervisory Board of the Company of 5 June 2018. The financial statements of the Company are audited by us for the first time

The statutory auditor responsible for the audit, which resulted in this report, is Jarosław Bochenek

Acting on behalf of Mazars Audyt Sp. z o.o. with its registered office in Warsaw, 18 Piękna St., entered in the list of audit firms under number 186, on behalf of which the key statutory auditor audited the financial statements.

On behalf of
Mazars Audyt Sp. z o.o. Nr 186
Warsaw, 18 Piękna St.



Jarosław BOCHENEK

Olivier DEGAND

Key Statutory Auditor
No. 90086

Partner

Warsaw, 21 March 2019