



Report of the independent statutory auditor
on the audit of the annual consolidated financial
statements of
the Capital Group of
J.W. CONSTRUCTION HOLDING S.A.
for the financial year ended on
31 December 2020

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

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

Report on the audit of the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of the capital group in which J.W. Construction Holding S.A. is the dominant entity. ("Dominant Entity") ("Group") consisting of the consolidated statement of financial situation as at 31 December 2020 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020 and additional information including a description of the accounting policies adopted and other explanatory information ("consolidated financial statements").

In our opinion, the attached consolidated financial statements:

- presents a true and fair view of the Group's financial position as at 31 December 2020 and its consolidated financial result and consolidated 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 Dominant Entity's Articles of Association;

The opinion is consistent with the additional report for the Audit Committee that was issued on 31 March 2021.

Grounds for the opinion

We conducted our audit in accordance with the National Auditing Standards in the wording of the International Auditing Standards adopted by Resolution No. 3430/52a/2019 of the National Council of Statutory Auditors of 21 March 2019 on national auditing standards and other documents (as amended) ("KSB"), and in accordance with the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 ("Act on Statutory Auditors" - Journal of Laws of 2020, item 1415) 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 of 27 May 2014, page 77 as amended). Our responsibility in accordance with these standards is further described in the section of our report "Auditors' responsibility for the audit of the consolidated financial statements".

We are independent from the Group Companies in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the International Ethics Standards Board for Accountants (the "IESBA Code") adopted by resolution of the National Council of Statutory Auditors No. 3431/52a/2019 of 25 March 2019 on the principles of professional ethics for 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 IESBA Code. During the course of the audit, the key statutory auditor and the audit firm remained independent of the Group companies in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

Key audit matters

Key audit matters are those matters which, in our professional judgment, were most significant during the audit of the consolidated financial statements for the current reporting period. These include the most significant assessed risks of material distortion, including the assessed risks of material distortion caused by 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**How our audit addressed this issue***Impairment of tangible fixed assets*

In the consolidated financial statements as at 31 December 2020, the disclosed value of property, plant and equipment constitutes PLN 443,564 thousand, and their main component is property, plant and equipment related to hotel operations (54%). The key issue was the assessment of the adopted value in use of these assets, determined as estimates of the Management Board of the Dominant Entity and the Group companies operating the hotels as to the expected financial results of individual hotels.

Disclosures concerning property, plant and equipment are presented in Note 3 of the information and explanatory notes to the financial statements.

Our auditing procedures included in particular:

- understanding and assessing the process for identifying indications of impairment of assets and the adequacy of the method used for impairment testing;
- an analysis of the key assumptions made by the Dominant Entity's management regarding future cash flows in the context of current and expected market conditions;
- discussing business strategies regarding hotel operations with the Management Board of the Dominant Entity and the Group companies managing the hotels;
- assessing the financial performance of hotels;

The assessments and analyses performed as part of the audit described above have provided us with sufficient and relevant audit evidence of the described risks associated with the impairment of property, plant and equipment.

Valuation of investment property

In the financial statements, as at 31 December 2020, the disclosed value of investment property amounts to PLN 297,661 thousand.

Valuation analysis was a key issue of the audit due to the value of the balance of investment properties, which is material to the financial statements. The valuation of investment properties is largely based on estimates of the Management Board of the Dominant Entity, prepared on the basis of valuations by independent property appraisers.

Our auditing procedures included in particular:

- critical assessment of the validity of the chosen valuation methods, their consistency, completeness and adequacy;
- verification of valuation reports in terms of correctness of assumptions and valuation methods;
- analysing planned property transactions, reviewing business strategies with the Dominant Entity's management and understanding the business strategies in relation to these properties.

Disclosures regarding investment properties are presented in Note 4 of the information and notes to the consolidated financial statements

Valuation of inventories (construction contracts)

In the consolidated financial statements as at 31 December 2020, the reported value of inventories related to construction production - development activities ("construction contracts") amounts to PLN 898,989 thousand.

Valuation analysis was a key audit matter due to the value of the balance of construction contracts, which is material to the financial statements, and the correct valuation of inventories relating to development activities is an inherent industry risk for the Group.

The valuation of construction contracts at the balance sheet date in terms of their prudent valuation, as well as in terms of potential impairment losses, requires their specific characteristics to be taken into account and a number of assumptions to be made.

Disclosures regarding construction contracts are presented in Note 7 of the information and notes to the consolidated financial statements.

The assessments and assurances of the Management of the Dominant Entity described above, carried out as part of the audit, have provided us with sufficient and relevant audit evidence of the described risks associated with the valuation of investment properties.

Our auditing procedures included in particular:
analysis of the correctness and adequacy of the valuation methods used, including the creation of write-offs, understanding and assessment of internal control procedures, including those relating to ongoing construction investments, verification of the inventory of ongoing construction investments, confirmation of the existence of development projects, understanding of the Group's business strategies.

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.

Responsibility of the Dominant Entity's Management Board and Supervisory Board for the consolidated financial statements

Management Board of the Dominant Entity 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 Group'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 Dominant Entity's Articles of Association, as well as for the internal control which Dominant Entity's Management Board considers necessary to ensure that financial statements free of material misstatements due to fraud or error are prepared.

In preparing the consolidated financial statements, the Dominant Entity's Management Board is responsible for assessing the Group'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 Group or discontinue operations or has no viable alternative to liquidation or discontinuation of operations.

The Management Board of the Dominant Entity and members of the Supervisory Board of the Dominant Entity are obliged to ensure that the consolidated financial statements meet the requirements provided for in the Accounting Act of 29 September 1994 ("Accounting Act" - Journal of Laws of 2021, item 217 as amended). Members of the Supervisory Board of the Dominant Entity are responsible for supervising the financial reporting process.

Auditor's responsibility for the audit of the consolidated 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 Group's future profitability or the effectiveness or efficiency of the management of its affairs by the Dominant Entity'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 Group's internal control;
- assess the adequacy of the accounting principles (policy) applied and the reasonableness of accounting estimates and related disclosures made by the Dominant Entity's Management Board;

- draw a conclusion on the applicability by the Management Board of the Dominant Entity 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 Group'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 Group to discontinue its business;
- assess the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that ensures a fair presentation.
- we obtain sufficient and adequate audit evidence with respect to the financial information of entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the audit of the Group and remain solely responsible for our audit opinion.

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 of the Dominant Entity 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 of the Dominant Entity, 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 Group's operations for the financial year ended 31 December 2020 ("Report on Operations") together with the corporate governance statement, which is a separate part of this Report on Operations (together "Other information")

Responsibility of the Dominant Entity's Management Board and Supervisory Board

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

The Dominant Entity'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 on the consolidated financial statements does not include Other information. In connection with the audit of the consolidated 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 consolidated 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 consolidated financial statements. In addition, we are required to give an opinion on whether the Group has included the required information in the corporate governance statement

Opinion on the Report on Operations

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

- has been prepared in accordance with Article 49 of the Accounting Act, paragraph 71 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 as amended),
- is consistent with the information presented in the consolidated financial statements.

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

Opinion on the statement on the application of corporate governance

In our opinion, in the corporate governance statement, the Group 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 consolidated financial statements.

Report on other legal and regulatory requirements

Opinion on the conformity of the consolidated financial statements prepared in the uniform electronic reporting format with the requirements of the Regulation on technical standards for specifications for the uniform electronic reporting format

Service subject matter

We have performed an attestation service providing reasonable assurance to express an opinion as to whether the consolidated financial statements prepared as at and for the financial year ended on 31 December 2020 in a single electronic reporting format (the "ESEF consolidated financial statements") have been prepared in accordance with the requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards concerning the specifications of a single electronic reporting format (the "ESEF Regulation").

Criteria identification

The Consolidated Financial Statements in ESEF format have been prepared by the Board of Directors of the Dominant Entity in order to comply with the labelling and technical requirements for the specifications of the uniform electronic reporting format that are set out in the ESEF Regulation.

The subject of our assurance service is the compliance of the consolidated financial statements in ESEF format with the requirements of the ESEF Regulations, and the requirements set out in these regulations are, in our opinion, appropriate criteria for our opinion.

Responsibility of the Dominant Entity's Management Board and Supervisory Board

The Management Board of the Dominant Entity is responsible for preparing the consolidated financial statements in ESEF format in accordance with the requirements set out in the ESEF Regulation. That responsibility includes selecting and applying the appropriate XBRL tags using the taxonomy specified in the ESEF Regulation. It also involves designing, implementing and maintaining

a system of internal control that ensures the preparation of consolidated financial statements in ESEF format free from material non-compliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board of the Dominant Entity are responsible for overseeing the financial reporting process, which includes the preparation of financial statements in accordance with the ESEF Regulation.

Statutory Auditor's Responsibility

Our objective was to provide an opinion, based on the assurance service performed, that gives reasonable certainty as to whether the consolidated financial statements in ESEF format have been prepared in accordance with the requirements of the ESEF Regulation. We conducted the service in accordance with the provisions of National Standard on Assurance Engagements Other than Audits and Reviews 3000 (Z) as stated in International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("KSUA 3000 (Z)").

This standard requires the auditor to plan and perform procedures to obtain reasonable assurance about whether the consolidated financial statements in ESEF format have been prepared, in all material respects, in accordance with specified criteria.

Reasonable assurance is a high level of certainty but does not guarantee that a service conducted in accordance with KSUA 3000 (Z) will always detect a material misstatement that exists.

The choice of procedures is subject to the auditor's judgement, including its assessment of the risk of material misstatement due to fraud or error. When conducting an estimate of those risks, the auditor shall consider the internal control relevant to the preparation of the consolidated financial statements in ESEF format in order to plan appropriate procedures to provide the auditor with sufficient and relevant evidence. No assessment of the functioning of the internal control system was carried out in order to express an opinion on its effectiveness.

Quality control requirements

The auditing company shall apply National Quality Control Standards in the wording of International Quality Control Standard 1 Quality Control of Firms Performing Audits and Reviews of Financial Statements and Performing Other Assurance and Related Services adopted by resolution of the National Chamber of Statutory Auditors.

As required by the National Chamber of Statutory Auditors, the audit firm maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Ethical requirements, including independence

In carrying out the assurance service, the statutory auditor and audit firm complied with

the independence and other ethical requirements set out in the Code of the Council of International Ethical Standards for Accountants The Council of International Ethical Standards for Accountants Code is based on the fundamental principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional conduct. We have also complied with the other independence and ethical requirements that apply to this assurance service in Poland.

Summary of work performed

The work we performed included, in particular:

- obtaining an understanding of the process of preparing the consolidated financial statements in ESEF format as required by the ESEF Regulation, including an understanding of the internal control mechanisms involved in this process;
- reconciliation, on a sample basis, of the labelled information contained in the consolidated financial statements in ESEF format to the audited consolidated financial statements;
- assessment of the fulfilment of technical standards concerning the specification of a uniform electronic reporting format using specialised IT tools, including verification of the correct application of the XHTML format;
- assessment of whether the applied XBRL tags from the taxonomy defined in the ESEF Regulation have been applied appropriately and whether taxonomy extensions have been used where no relevant elements have been identified in the basic taxonomy defined in the ESEF Regulation;
- assessment of the completeness of the tagging of information in the consolidated financial statements in ESEF format with XBRL tags;
- testing the adequacy of mathematical calculations for individual items marked with XBRL tags;
- assessment of the adequacy of anchoring of the applied taxonomy extensions to the basic taxonomy defined in the ESEF Regulation;

We consider that the evidence obtained provides a sufficient and reasonable basis for our opinion.

Opinion

The basis of the auditor's opinion is the matters described above and the opinion should therefore be read with these matters in mind.

Based on the procedures performed, in our opinion, the consolidated financial statements in ESEF format have been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation.

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 Group 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 services other than the audit of the financial statements which we provided to the Dominant Entity and its subsidiaries in the audited period are listed in note 22 of the Report on the Operations of the Capital Group and in note 39 of the Consolidated Financial Statements.

Audit firm selection

We were first appointed to audit the consolidated financial statements of the Group by resolution of the Supervisory Board of the Dominant Entity of 5 June 2018 and again by resolution of 21 July 2020. We have audited the consolidated financial statements of the Group continuously since the financial year ended on 31 December 2018, i.e. for 3 consecutive years.

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 consolidated financial statements.

Jarosław Bochenek

Key Statutory Auditor

No 90086 Partner

mazars

Warsaw, 31 March 2021