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INDEPENDENT CERTIFIED AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the General Meeting of Shareholders and the Supervisory Board of Gobarto S.A.

Report on the Audit of the Annual Consolidated Financial Statements

We have audited the accompanying Annual Consolidated Financial Statements for accounting year ended on 31 December 2017 of the Gobarto S.A. Group ("the Group"), in which Gobarto S.A. ("the Company") with the registered office in Warsaw at ul Kłobucka 25 is the parent company, where these Annual Consolidated Financial Statements cover the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income in the period from 1 January 2017 to 31 December 2017, the Consolidated Statement of the Financial Position made as of 31 December 2017, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity in the period from 1 January 2017 to 31 December 2017 as well as the Accounting Principles (policy) and the Notes ("the accompanying Consolidated Financial Statements").

Responsibility of the Company's Management Board and Supervisory Board for the Consolidated Financial Statements

The Management Board of the Company is responsible for the preparation of the Consolidated Financial Statements and their fair presentation in accordance with the International Accounting Standards, the International Financial Reporting Standards and their related interpretations announced in the form of regulations of the European Commission, and other applicable laws as well as the Company's Articles of Association. The Management Board of the Company is also responsible for the internal control, which is considered necessary for preparing consolidated financial statements that are free from any material misstatements, whether due to fraud or error.

In compliance with the Accounting Act of 29 September 1994 (the Accounting Act), the Management Board and the Supervisory Board members are obliged to ensure that the consolidated financial statements comply with the requirements provided for in the Accounting Act.

Responsibility of the certified auditor

Our responsibility was to express an opinion whether the accompanying Consolidated Financial Statements disclose a true and fair view of the economic position and financial standing of the Group in accordance with the International Accounting Standards, the International Financial Reporting Standards and their related interpretations announced in the form of regulations of the European Commission, and the adopted accounting principles (policy).

The Consolidated Financial Statements have been audited in conformity with:

- the Act on Certified Auditors, Auditing Entities and Public Supervision of 11 May 2017 ("*the Act on Certified Auditors*"),
- the National Auditing Standards in the wording of International Auditing Standards adopted by Resolution No. 2783/52/2015 of the National Council of Certified Auditors of 10 February 2015, as amended,
- Regulation (EU) No.537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements regarding statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909 /EC ("Regulation 537/2014").

These regulations require compliance with the ethical requirements and planning and performance of the audit in such a manner that will guarantee obtaining reasonable assurance as to whether the consolidated financial statements are free from material misstatements.

The purpose of the audit is to obtain reasonable assurance as to whether the consolidated financial statements as a whole do not contain material misstatements caused by fraud or error, as well as to issue an independent auditor's report containing our opinion. Reasonable assurance is a high level of certainty, but it does not guarantee that an audit performed in accordance with the above-mentioned standards will always detect the existing significant misstatements. Misstatements 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 their users' business decisions made on the basis of these consolidated financial statements. The risk of not recognizing a significant misstatement due to fraud is higher than the risk of not recognizing a material misstatement due to an error, as fraud may involve collusion, falsification, deliberate omissions, misleading or circumventing internal control and may affect every area of law and regulations, not just the one directly affecting the consolidated financial statements.

The audit involves performing procedures to obtain evidence concerning the amounts and disclosures in the consolidated financial statements. Selection of the audit procedures depends on the auditor's judgment, including assessment of the risk of material misstatements in the consolidated financial statements, whether due to fraud or error. In assessing that risk, the auditor shall take into consideration the internal control functioning, in respect of the preparation and fair presentation of the consolidated financial statements by the company, in order to design audit procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the company's internal control. The audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the company's management board, as well as evaluating the overall presentation of the consolidated financial statements.

The scope of the audit does not include assurances as to the future profitability of the audited Group of Companies, or assurances as to the effectiveness or efficiency of the Group of Companies' management by the Management Board of the Company at present or in the future.

In accordance with the International Standards of Financial Reporting no. 320, point 5, the materiality concept is used by the auditor both in planning and conducting the audit and in assessing the impact of distortion and unadjusted distortions, if any, on the consolidated financial statements and in the formulation of the auditor's opinion. Accordingly, all statements contained in the auditor's report on the audit, including statements regarding other legal and regulatory requirements, are expressed in the light of the qualitative and quantitative materiality determined in accordance with the auditing standards and the auditor's judgment.

We believe that we have obtained audit evidence that is a sufficient and appropriate basis for our opinion on the audit. The opinion is consistent with the additional report for the auditing committee issued on the date of this audit report.

Independence

During the audit, the key certified auditor and the auditing company remained independent of the companies that are members of the Group in accordance with the provisions of the Act on Certified Auditors, Regulation 537/2014 and the rules of professional ethics adopted by the resolutions of the National Board of Certified Auditors.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited by Art. 136 of the Act on Certified Auditors and Art. 5 Sec. 1 of Regulation 537/2014.

Choosing an auditing company

We have been selected to audit the Group's Consolidated Financial Statements under a resolution of the Supervisory Board of 29 March 2017. We have been auditing the Group's Consolidated Financial Statements from the accounting year ended on 31 December 2010; i.e. for a period of eight consecutive years.

The most significant types of risk

In the course of the audit, we have identified the most significant risks of material misstatement (key audit issues) as described below, including those caused by fraud, and we have developed appropriate audit procedures for these types of risks. In cases where we considered it appropriate to understand the identified risk and the auditing procedures performed by the auditor, we also included key observations related to these types of risk.

These issues were taken into account in the context of our audit of the accompanying Consolidated Financial Statements as a whole and when formulating an opinion on these Consolidated Financial Statements. Therefore, we do not issue a separate opinion about them.

description of the type of significant misstatement risk (key audit matters)	*auditor's procedures in response to the identified risk*
1. <u>Impairment of assets</u> As at 31 December 2017, the Group reported PLN 126 million of intangible assets, of which the goodwill amounted to PLN 93 million and the tangible fixed assets to PLN 479 million. In accordance with IAS 36 Impairment of Assets, the Group assesses at each balance sheet date whether there are any indications of impairment of assets. In addition, in accordance with IAS 36 Impairment of Assets, the Group is required to conduct an annual goodwill impairment test.	Our audit procedures included an analysis of the impairment test process, an identification of cash-generating units, an assessment of the recoverable value of assets assigned to identified cash-generating units, and an analysis of the designed and implemented internal control mechanisms. In addition, our procedures included an assessment of the validity of the impairment test

In connection with the occurrence of one of the indications of impairment, i.e. a carrying amount of net assets higher than the value of their market capitalization, the Group conducted impairment tests of assets with reference to cash-generating centers. The impairment test was prepared on the grounds of a forecast of discounted cash flows based on five-year projections of financial results in individual cash-generating centers. The impairment test is a key issue of the audit due to the value of goodwill and fixed assets, as well as an important element of the Management Board's judgment in the allocation of goodwill to cash-generating units, and also due to significant assumptions used to estimate forecasts of cash flows used in the model adopted to determine the value in use of the groups or the cash-generating unit, including the forecast of revenues, costs and cash flows and the weighted average cost of capital, which depend on the expectations of the Company's Management Board with respect to future market and economic conditions.	model and its assumptions, and in particular: – assessment of the validity of key assumptions in the model regarding future revenues, costs and margins achieved in the context of actual financial results achieved in previous years as well as the planned actions in subsequent reporting periods, replacement expenditures necessary to be incurred and discount rates; – analysis of the mathematical correctness of the impairment test model used by the Management Board and reconciliation of source data used for the financial forecasts approved by the Management Board; – assessment of the adequacy of disclosures regarding the impairment test, including the assessment of the sensitivity analysis prepared by the Management Board in terms of the requirements of IAS 36. *A reference to disclosure in the consolidated financial statements* The Group has included disclosures regarding the cash-generating unit and the impairment test in Note 24.1 of the accompanying Consolidated Financial Statements, which explains the main assumptions and test result.
2. <u>Valuation of investment properties and assets held for sale</u> As at 31 December 2017, in the Consolidated Statement of Financial Position, the Group disclosed investment properties in the amount of PLN 41 million and fixed assets held for sale, previously classified as investment properties, in the total amount of PLN 29 million. In accordance with the accounting policy adopted by the Group, investment properties are recognized at fair value. Estimation of the fair value of the assets requires consideration by the Management Board of the	As a part of the audit, we documented our understanding of the property valuation process adopted by the Group companies, designed and implemented internal control mechanisms, as well as the assessment provided by the Management Board of the parent company of documentation confirming the fair value of the Group's investment properties. Moreover, with regard to the selected investment property sample, our procedures included, inter alia:

parent company of a number of factors and assumptions reflecting the specificity of individual properties, such as choice of valuation method, location of real estate, rentable income and capitalization rates applied. In addition, real estate valuations are characterized by the significant sensitivity in the event of changes in the adopted parameters. In the process of valuation of investment properties and fixed assets held for sale, previously classified as investment properties, the Management Boards of the Group companies used the property valuations prepared by independent property appraisers. Due to the significant value of investment properties and fixed assets held for sale, previously classified as investment properties, and also due to the element of professional judgment related to determining the fair value of real estate, we consider this issue to be the key issue of the audit.	– assessment of qualifications and independence of property appraisers engaged by the Group, – analysis of the adopted accounting policy, – assessment of the adopted valuation method for individual properties, – assessment of key parameters adopted for valuations of individual properties (location of real property, spatial development conditions, land and building development conditions and ownership titles, real property area), – assessment of the adequacy of disclosures required by IAS 40 "Investment properties" and IFRS 5 "Fixed assets held for sale and discontinued operations". The procedures set out above were carried out with the support of specialists in the field of valuations and the real estate market.
	A reference to disclosure in the financial statements The Group's disclosures regarding the main assumptions and methodologies adopted for the valuation of individual investment properties/assets available for sale and changes in relation to the comparative period are included in Note 20 "Investment properties" and in Note 21 "Fixed assets held for sale" of the accompanying Consolidated Financial Statements.
3. Acquisitions of Business Entities In the year ended 31 December 2017, the Gobarto Group recognized in the Consolidated Financial Statements the settlement of the acquisition of projects in accordance with IFRS 3 'Business Combinations' and made the final settlement of acquisitions of projects provisionally recognized in the Consolidated Financial Statements for the year ended 31 December 2016.	As a part of the audit, we conducted an analysis of the process of settling the business entities acquisition in the Consolidated Financial Statements, of the designed and implemented internal control mechanisms, as well as an assessment of the accounting policy applied by the Group. Our examination procedures consisted, among others, in:

The assessment of the purchase transaction in the light of IFRS 3 required the Management Board to use the judgment and adopt certain assumptions, including assessment of the fair value of the acquired assets, liabilities and contingent liabilities. While determining the value of significant assets, liabilities and contingent liabilities, the Management Board used valuations prepared by independent property appraisers. We recognized the above issue as a key matter of the audit due to the materiality of assets and liabilities shown in the Consolidated Financial Statements as a result of settlement of business acquisitions, including the goodwill, as well as professional judgment related to the fair value measurement at the date of acquisition of the transferred payment and identification of identifiable assets, liabilities and contingent liabilities of the businesses being acquired.	- an analysis of the provisions of share purchase agreements in companies/organized parts of the enterprise, including provisions regarding the terms of the agreement performance, conditional payments and contingent liabilities arising from these agreements, - assessing the completeness of assets and liabilities, including contingent liabilities, identified by the Management Board of the parent company as at the acquisition date, - assessing the valuations - presented by the Management Board of the parent company for the fair value purposes - of significant assets and liabilities of the acquired businesses, with the support of specialists in the field of property valuation, - assessing the final settlement of the acquisition of a project that previously was recognized temporarily, including an analysis of profit on a bargain purchase, - assessing the completeness and adequacy of disclosures. *A reference to disclosure in the consolidated financial statements* The Group's disclosures regarding the fair value of identifiable assets, liabilities and contingent liabilities, recognized goodwill/gain on a bargain purchase and assumptions underlying the Company's Management Board's judgments with respect to acquisitions are included in Note 22 "Business combinations" of the accompanying Consolidated Financial Statements.

OPINION

In our opinion, the accompanying Consolidated Financial Statements:

- provide a fair and clear view of the Group's financial position and assets standing as at 31 December 2017 and its financial performance for the financial year from 1 January 2017 to 31 December 2017, in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and the adopted accounting principles (policy),

- comply, both in respect of their form and contents, with the regulations of law applicable to the Group and the Company's Articles of Association.

Report on other requirements of law and regulations

Opinion on the Directors' Report

Our opinion on the Consolidated Financial Statements does not include the Directors' Report on the Group's Operations.

The Management Board of the Company is responsible for drawing up the Directors' Report on the Group's Operations in accordance with the provisions of the Accounting Act and other applicable laws. Moreover, the Company's Management Board and members of the Company's Supervisory Board are obliged to ensure that the Directors' Report on the Group's Operations complies with the requirements provided for in the Accounting Act.

In accordance with the requirements of the Act on Certified Auditors, it was our duty to provide an opinion on whether the Directors' Report on the Group's Operations was prepared in accordance with the law and that it is consistent with the information contained in the accompanying Consolidated Financial Statements.

Our responsibility was also to make a statement whether, in the light of our knowledge of the Group and its environment obtained during the audit of the Consolidated Financial Statements, we have identified any material misstatements in the Directors' Report on the Group's Operations, and also to indicate what each such material misstatement consists of.

In our opinion, the Directors' Report on the Group's Operations was prepared in accordance with the applicable regulations and is consistent with the information contained in the accompanying Consolidated Financial Statements. Furthermore, in the light of the knowledge on the Group and its environment obtained during the audit of the Consolidated Financial Statements, we declare that we have not found any material misstatements in the Directors' Report on the Group's Operations.

Opinion on the Statement on Corporate Governance

The Company's Management Board and members of the Company's Supervisory Board are responsible for preparing the statement on the corporate governance in accordance with the law.

In connection with the audit of the Consolidated Financial Statements, our duty in accordance with the requirements of the Act on Statutory Auditors was to issue an opinion on whether the issuer obliged to submit a corporate governance statement, constituting a separate part of the report on operations, included information required by the law in this statement and in relation to specific information indicated in these laws or regulations, to determine whether they comply with the applicable provisions of law and information contained in the accompanying Consolidated Financial Statements.

In our opinion, in the corporate governance statement, the Company has included information specified in paragraph 91 Sec. 5 Point 4 Letters a, b, g, j, k and l of the Resolution of the Minister of Finance of 19 February 2009 on Current and Periodic Information to Be Supplied by Issuers of Securities and on Conditions of Acknowledging Information Required by the Laws of a Non-Member Country as Equivalent ("the Resolution"). Information provided in paragraph 91 Sec. 5 Point 4 Letters c-f, h and i of this Resolution contained in the corporate governance statement complies with the applicable regulations and information contained in the accompanying Consolidated Financial Statements.

Information on preparing a statement about non-financial information

In accordance with the requirements of the Act on Certified Auditors, we would like to inform that the Group has published information on the preparation of a separate report on non-financial information, referred to in Art. 49b Sec. 9 of the Accounting Act and that the Company has prepared such a separate report.

We have not performed any attestation work regarding a separate report on non-financial information and we do not give any assurance about it.

Warsaw, 21st March 2018

Key Certified Auditor
Łukasz Wojciechowski
Certified Auditor no. 12273

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