

## INDEPENDENT AUDITOR'S REPORT

**To the General Assembly and Supervisory Board of INPRO S.A.**

### Report on the Audit of the Annual Financial Statements

#### Opinion

We have reviewed the annual financial statements of INPRO S.A. (the Company) comprising the statement of financial position prepared as at 31 December 2018, statement of total income, statement of changes in equity, statement of cash flows for the year then ended and other additional information comprising information on the accepted accounting policy and other explanatory information (the "*financial statements*").

In our opinion, the financial statements:

- give a true and fair view of the economic and financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union ("IFRS"), and the adopted accounting policies;
- comply, as regards their form and content, with the laws applicable to the Company and with the Company's Statutes;
- in line with the provisions of chapter 2 of the Accounting Act of 29 September 1994 (the "Accounting Act" – Dz.U. [*Journal of Laws*] of 2019, item 351).

Our opinion is consistent with the Additional Report to the Audit Committee which we issued on 3 April 2019.

#### Basis for the Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") in a version adopted by the National Council of Statutory Auditors as the Polish Standards on Auditing ("PSAs") and in compliance with the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (the "Act on Statutory Auditors," Dz. U. [*Journal of Laws*] of 2017, item 1089, as amended) as well as Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "EU Regulation," Official Journal of the European Union L158). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements.

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We are independent of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants (the "IFAC Code"), adopted by resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. Throughout the audit, both 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 in the EU Regulation.

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

<b>Description of the Kind of Risk of Material Misstatement</b>	<b>Statutory Auditor's Procedures in Response to Identified Risk</b>
<i>Recognition of Profits from the Property Development Activity</i>	
<p>According to note 11.1 of the Separate Financial Statements, the revenues from the sale of flats account for 98.5% of the revenues of Inpro S.A. Sales revenues are recognised upon the handover of control over an asset, which is equivalent to signing an acceptance report by the customer. The assessment of the handover of control and the documentation of the transfer is an individual act concerning each flat, which may result in errors in revenue recognition. In view of the nature of that process which requires the relevant analysis of the various transactions, we conclude that correct revenue recognition is an area of significant risk.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- assessment of the design and implementation of key internal controls for the recognition of the revenues from the sales of flats,</li> <li>- based on the transaction sample, we assessed the correct recognition of transactions in the financial year with special consideration for the turnover at the turn of the year,</li> <li>- we conducted analytical procedures for the assessment of the correlation between the revenues and costs,</li> <li>- we reviewed the correctness of the recognition of unusual transactions and revenue adjustments after the balance sheet date.</li> </ul> <p>We evaluated the correctness and completeness of the disclosures in the Group's Consolidated Financial Statements with regard to the disclosure requirements of IFRS 15.</p>

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**Description of the Kind of Risk of Material Misstatement****Statutory Auditor's Procedures in Response to Identified Risk**

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*Impairment of Shares in Related Entities*

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According to note 19 to the Separate Financial Statement, the shares worth PLN 64.321 m in related entities constitute 14.7% of the Company's balance sheet total. If the returnable additional contributions to equity are taken into account, the Company's equity interest in subsidiaries is PLN 99.471 m (22.8 % of the balance sheet total). Pursuant to the requirements of the International Financial Reporting Standards (the "IFRS") the entity measures at the end of the reporting period whether there are any factors indicating the impairment of an asset. If such factors are noted, the entity shall estimate the recoverable amount for that asset.

We consider the correct measurement of shares in related entities to be an area of significant risk because of the considerable contribution of the shares to the Company's balance sheet total and the complexity of the measurement process at the end of the period, which is related to:

- assessment whether there are factors which may indicate the impairment of shares,
- the need for the management to form a judgement on the parameters taken for the calculation of the recoverable amount of the shares such as: the expected increase of revenues and a margin change, the discount rate and macroeconomic assumptions.

To address the risk, we reviewed the opinion of the Management Board on the existence of the factors which may indicate the potential impairment of assets. Both the factors from the external and internal sources of information were analysed.

If such factors were identified, we conducted an assessment of the estimate made by the Management Board of the recoverable amount for the shares. We conducted, among others, the following acts:

- we reviewed critically the forecasts produced by the Management Board, taking into account the available data on the prevailing market conditions, both financial and business ones,
- we compared the expected revenue and margin increase in the forecast period to the historic change trend in the given operating segment,
- we made an assessment used in the calculation of the discount rate and macroeconomic assumptions,
- we also conducted a retrospective analysis of the forecasts taken into account in the estimates of the recoverable amount as at 31 December 2017 against the actual data realised in 2018.

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**Responsibilities of the Management Board and the Supervisory Board for the Financial Statements**

Company's Management Board is responsible for the preparation, on the basis of the correctly maintained books of accounts, of financial statements which give a true and fair view of the economic and financial position of the Company and of its financial performance in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, the adopted accounting policies as well as the applicable laws and Statutes of the Company, and for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Company's Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Company's Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The scope of an audit does not include an assurance about the future profitability of the Company or the effectiveness or efficiency of the Company's Management Board in managing the Company's affairs at present or in the future.

As part of the audit in accordance with PSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board;
- conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists 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 a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's Supervisory Board, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Other Information, Including the Report on the Activity**

Other information includes a report on the Company's activity in the financial year ended on 31 December 2018 (the "Report on the Activity"), together with a statement of compliance with corporate governance principles, which constitute a separate part of the Report.

### *Responsibilities of the Management Board and the Supervisory Board*

The Management Board is responsible for the preparation of the Report on the Activity in accordance with the applicable laws.

The Management Board and the members of the Supervisory Board of the Company are obliged to ensure that the Report on the Activity, along with the separate parts, meet the requirements of the Accounting Act.

### *Auditor's Responsibilities*

Our opinion on the financial statements does not cover the Report on the Activity. In connection with our audit of the financial statements, our responsibility is to read the Report on the Activity and, in doing so, consider whether the Report on the Activity is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Report on the Activity, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors, we are obliged to express an opinion on whether the Report on the Activity has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the financial statements. Furthermore, we are obliged to express an opinion on whether the Company has included the necessary information in the statement of compliance with corporate governance principles.

## **Opinion on the Report on the Activity**

Based on our work performed during the audit, we are of the opinion that the Report on the Activity:

- has been prepared in accordance with Article 49 of the Accounting Act and para. 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the "Current Information Regulation" – Dz.U. [*Journal of Laws*] of 2018, item 757),
- is consistent with the information contained in the financial statements.



Furthermore, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activity

### **Opinion on the Statement of Compliance with Corporate Governance Principles**

In our opinion, in the statement of compliance with corporate governance principles, the Company included all the information referred to in para. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the financial statements.

### **Report on Other Legal Requirements**

#### **Statement on Non-Audit Services**

We declare to the best of our knowledge and belief that the non-audit services provided by us to the Company and its subsidiaries comply with the Polish laws and regulations. We did not provide non-audit services prohibited by Article 5(1) of the EU Regulation and by Article 136 of the Act on Statutory Auditors. The non-audit services provided by us to the Company and its subsidiaries in the audited period were listed in item 36 of the Report on the Activity.

#### **Selection of the Auditor**

We were appointed as the auditor of the Company's financial statements by resolution No. 28/2017 of the Supervisory Board of 21 December 2017. We have continuously audited the Company's financial statements since the financial year ended on 31 December 2015, that is for 4 consecutive financial years.

The key statutory auditor on the audit resulting in this independent auditor's report is Robert Wolszon.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, registered on the list of audit firms under No. 73, on behalf of which firm the key statutory auditor audited the financial statements:

Robert Wolszon  
Key Statutory Auditor  
No. 10785

Warsaw, 3 April 2019