



Report of a chartered auditor from a study on a yearly consolidated financial report of

Mo-BRUK S.A. Capital Group

for the fiscal year ending on 31st December 2019

Mazars Audyt Sp. z o.o.

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CHARTERED AUDITOR REPORT FROM A STUDY ON A YEARLY CONSOLIDATED FINANCIAL REPORT

For the General Stakeholder Assembly and the Supervisory Board of Mo-BRUK S.A.

Report from a study on a yearly consolidated financial report

Opinion

We have studied a yearly consolidated financial report of a capital group, the dominating entity of which is Mo-BRUK S.A. ("Dominating Entity") ("Group") containing a consolidated report on financial situation as of 31st December 2019 and a consolidated report on total income, a consolidated report on changes to own capital, a consolidated report on cash flows for the fiscal year starting on 1st January and ending on 31st December 2019, as well as additional information containing a description of the approved accounting rules and other explanatory information ("consolidated financial report").

According to our opinion, the attached, consolidated financial report:

- Presents a true and fair view of the consolidated material and financial situation of the Group as of 31st December 2019 and of its consolidated financial result, as well as of consolidated cash flows for the fiscal year ending on that date, according to applicable International Financial Reporting Standards approved by the European Union and to the approved accounting rules (policy);
- Conforms, in terms of its form and content, to legal regulations applicable to the Group and to the by-laws of the Dominating Entity.

This review conforms with an additional report for the Audit Committee, issued on 18th March 2020.

Opinion basis

We conducted our audit in accordance with the following National Standards International Standards on Audit adopted by Resolution No. 3430 / 52a / 2019 of the National Council Statutory Auditors of 21 March 2019 on national audit standards and other documents (as amended) ("KSB"), as well as pursuant to the Act of 11 May 2017 on statutory auditors, audit companies and public oversight ("Act on Experts auditors" - Journal Of Laws of 2019, item 1421 with later as amended) and EU Regulation No. 537/2014 of 16 April 2014 on detailed statutory requirements audits of financial statements of public-interest entities ("EU Regulation" – Journal U. UE L158). Our responsibility in accordance with these standards is further described in the section of our report titled Responsibility of the chartered accountant for the study of this consolidated financial report.

We are independent of the Group Companies in accordance with the Code of Ethics for Professional Accountants International Federation of Accountants ("IFAC Code") adopted by a resolution of the National Council Statutory Auditors No. 2042/38/2018 of 13 March 2018 on the principles of ethics professional auditors and other ethical requirements that apply for auditing financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. Key while conducting the survey the 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 proofs of the study we have received are adequate to provide a basis for our review.

Explanation with attention - event after the end of the period reporting

Please pay attention to the note 8 of the introduction to the consolidated financial statements The Capital Group, in which the issue of the impact of the COVID-19 coronavirus on the issue is described activities of the Capital Group. Our opinion has no objection to this issues.

Key points of the study

Key points of the study include points of the highest significance, in our opinion, during the study of the consolidated financial report for the current reporting period. These include the most significant, evaluated risk types related to significant distortion, including estimated risk types related to significant distortion caused by fraud. We have addressed these points in the context of our study of the consolidated financial report as a whole and when we formulated our opinion, and we summarised our reaction to these risk types, presenting the most important finds related to these risk types, where necessary. We did not provide a separate review of these points.

Key point of the study	How our study addressed the point
<p><u><i>Economic useful lifetime of fixed assets</i></u></p> <p>The value of tangible fixed assets as of 31st December 2018, listed in the consolidated financial report, was 132 547 thousand PLN. The economic useful lifetime of fixed assets is reviewed on a yearly basis and updated, if current estimates differ from historical assumptions. This point was of key importance in our study, as it is related to an important balance of tangible fixed assets and to an important evaluation of the Board of the Dominating Entity.</p> <p>The company presented disclosures related to tangible fixed assets in paragraph 9.2 and in note 1 to the consolidated financial report.</p>	<p>Our study procedures included, in particular:</p> <ul style="list-style-type: none"> - A review of accounting rules covering inclusion of tangible fixed assets, related evaluations and estimates; - Verification of the approved economic useful lifetimes; - A review of disclosure correctness and completeness in this regard. <p>Evaluations and comparisons performed during the study and described above provided us with adequate study proofs, required to address the described risk, related to the useful lifetime of fixed assets.</p>
<p><u><i>Income identification</i></u></p> <p>The amount of net income from sales listed in the consolidated report on financial result and of other total income for the period between 1st January 2019 and 31st December 2019 was 130,567 thousand PLN.</p>	<p>Our study procedures included, in particular:</p> <ul style="list-style-type: none"> - Review of accounting rules related to identification of income and related evaluations and estimates; - Understanding and evaluation of the internal control environment, including

<p>Correct identification of income is an inherent, sector-specific risk, resulting from the complexity of conditions included in sales agreements. These conditions change often and require adequate representation in the accounting system, thus increasing the risk of an error.</p> <p>The Company presented disclosures related to income in paragraph 9.13 and in note 22 to the consolidated financial report.</p>	<p>inclusion of determination and presentation of income from sales;</p> <ul style="list-style-type: none"> - Analysis of balance confirmations received from customers and of a summary of payments received in relation to the executed sale; - Analysis of significant contractual conditions and of their inclusion in the accounting system; - Evaluation of correctness and completeness of relevant disclosures; <p>Performed, detailed tests, combined with an evaluation of the internal control environment described above provided us with adequate and relevant study proofs, required to address the aforementioned risk related to income inclusion.</p>
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Responsibility of the Board and of the Supervisory Board of the Dominating Entity for the consolidated financial report

The Board of the Dominating Entity is responsible for preparation of a consolidated financial report, presenting true and fair view of the material and financial situation and of the financial result of the Group, according to International Financial Reporting Standards approved by the European Union, to the approved accounting rules (policy) and to legal regulations applicable to the Group and to by-laws of the Dominating Entity, as well as for internal control, which the Board of the Dominating Entity considers necessary to enable preparation of the consolidated financial report without significant distortion caused by fraud or error.

By preparing the consolidated financial report, the Board of the Dominating Entity is responsible for evaluation of the capacity of the Group to continue operation, disclosure of issues related to continued operation in applicable cases, and for assuming the continued operation as the accounting basis, excluding situations, in which the Board intends to liquidate the Group or to cease its business operation or has no actual alternative to liquidation or cessation of business activity.

The Board of the Dominating Entity and members of the Supervisory Board of the Dominating Entity are obliged to ensure that the consolidated financial report meets the requirements specified in the Act of 29th September 1994 on Accounting (“Act on accounting” – Journal of Laws 2019, item 351). Members of the Supervisory Board of the Dominating Entity are obliged to monitor the financial reporting process.

Responsibility of the chartered auditor for the study of the consolidated financial report

Our objectives include reaching reasonable certainty that the consolidated financial report as a whole does not include significant distortion caused by fraud or error and for issuing a report from the study, containing our review. The reasonable certainty is an adequately high level of certainty, although it does not guarantee that the study according to KSB always detects existing, significant distortion. Such distortion may be caused by fraud or error and are considered significant, if it may be reasonably expected that they could, individually or together, influence economic decisions of users made on the basis of this consolidated financial reports.

The scope of the study does not include confirmation of future profitability of the Group, or efficiency or effectiveness of handling its matters by the Board of the Dominating Entity, currently or in the future.

During the study according to KSB, we apply professional evaluation and retain professional scepticism, as well as:

- Identify and evaluate the risk of significant distortion of the consolidated financial report caused by fraud or error, we design and execute testing procedures corresponding to these risks and obtain study proofs, adequate to provide a basis for our review. The risk of missing a significant distortion caused by fraud is higher than that of a distortion caused by error, as fraud may apply to a purposeful agreement, forgery, purposeful omissions, misleading or bypassing internal control mechanisms;
- Achieve understanding of internal control applicable to the study in order to design study procedures adequate in the given circumstances, but not in order to express opinion on efficiency of internal control of the Group;
- Evaluate adequacy of the applied accounting rules (policy) and reason behind accounting estimates and of related disclosures, made by the Board of the Dominating Entities.
- Make conclusions regarding the adequacy of the Board of the Dominating Entity using the continued operation rule as the accounting basis and, on the basis of the obtained study proofs, whether a significant uncertainty exists, related to events or conditions, which could potentially raise serious doubts about the capacity of the Group to continue its operation. Our review shall be modified, if we conclude that a significant uncertainty exists, if we need to pay attention to the related disclosures in the consolidated financial report in our report of the chartered auditor or we modify our review, if such disclosures are inadequate. Our conclusions are based on study proofs obtained until the date on which our report of the chartered auditor is prepared, however, future events or circumstances may result in the Group ceasing its activity;
- We evaluate the general presentation, structure and contents of the consolidated financial report, including disclosures, and whether the consolidated financial report presents transactions and events comprising their basis in a manner ensuring correct presentation;
- We obtain adequate study proofs related to financial information of units or to the business activity within the Group in order to provide opinion on the consolidated financial report. We remain responsible for management, supervision and studying the Group and we bear sole responsibility for our review of the study.

We provide the Supervisory Board of the Dominating Entity with information, inter alia, on the planned scope and time of the study and on significant conclusions from the study, including all significant deficiencies of internal control identified during the study.

We make a declaration to the Supervisory Board of the Dominating Entity stating, that we have observed the relevant ethical requirements related to independence and that we shall inform the Board about all relations and other issues which could be reasonably considered as a potential threat to our independence and about the applicable security measures, where necessary.

Issues presented to the Supervisory Board of the Dominating Entity include issues we have considered to be the most important during the study of the consolidated financial report for the current reporting period and thus considered to be the key issues in the study. We describe such issues in the report of the chartered auditor, unless law or legal regulations forbid their public disclosure or, in extraordinary circumstances, if we decide that the issue should not be presented in

our report, as it could be reasonably expected that negative consequences could outweigh the benefits of such information for the good of the general public.

Other information, including report on the activity

Other information comprises the report on the activities of the Group for the financial year ended December 31, 2019 ("Report on the activities of the Group") together with a declaration of compliance corporate governance, which is a separate part of this Report on the activities of the Group and the Annual Report for the financial year ended December 31, 2019 ("Annual Report") (total "Other information").

Responsibility of the Board and of the Supervisory Board of the Dominating Entity

The Board of the Dominating Entity is responsible for preparation of other information, according to legal requirements.

The Board of the Dominating Entity and members of the Supervisory Board of the Dominating Entity are obliged to ensure that the Report on Group activity, including a separate part, meets the requirements provided for in the Act on accounting.

Responsibility of the chartered auditor

Our review of the study of the consolidated financial report does not include other information. In regards to the study of the consolidated financial report, we are obliged to study other information and to analyse while doing so, whether such information is not incoherent with the consolidated financial report or with our knowledge obtained during the study, or otherwise seem to be distorting. If our work identifies significant distortion in other information, we are obliged to point such distortion out in our report from the study. According to the requirements of the Act on chartered auditors, we are also obliged to issue a review stating whether the activity of the Group has been prepared according to the regulations and whether it conforms to information specified in the consolidated financial report. We are also obliged to inform whether the Group included the required information in the declaration on application of corporate order.

We have received the report on the activity of the Group before the date of this report on the study, and the Yearly Report shall be available after this date. If we find a significant distortion in the Yearly Report, we shall be obliged to inform the Supervisory Board of the Dominating Entity about this fact.

Opinion on the report of the activity of the Group

On the basis of work included in the study, we believe that the Report from the activity of the Group:

- Has been prepared according to art. 49 of the Act on accounting and with paragraph 71 of the Ordinance of the Minister of Finances of 29th March 2018 on current and periodic information provided by security issuing entities and on conditions enabling equivalence of information required by legal regulations of a state other than a Member State ("Ordinance on current information" – Journal of Laws 2018, item 757).
- Conforms to information included in the consolidated financial report.

In addition, in view of the knowledge about the Group and about its environment, obtained during our study, we would like to declare that we have not found significant distortion in the Report on the activity of the Group.

Declaration on application of corporate order

We believe that the declaration on application of corporate order of the Group included information specified in paragraph 70 p. 6 point 5 of the Ordinance on current information. We also believe that information indicated in paragraph 70 p. 6 point 5 ch. c-f, h and i of this Ordinance, included in the declaration on application of corporate order, conform to currently effective regulations and to information included in the consolidated financial report.

Declaration on provided services other than the study of financial reports

According to our best knowledge and conviction, we would like to declare that services other than the study of financial reports we have performed for the Group conform to law and regulations effective in Poland and that we have not provided services other than the study and prohibited according to art. 5 p. 1 of the Regulation (EU) and of art. 136 of the Act on chartered auditors. Services other than the study of financial reports provided to the Company and to its subsidiaries during the studied reporting periods are listed in the in the note 36.1 of consolidated financial report.

Auditor company selection

We have been selected as the entity providing a study of the consolidated financial report of the Group for the first time, on the basis of a resolution of the Supervisory Board of the Dominating Entity of 31st March 2017. We have studied consolidated financial reports of the Group continuously, starting from the fiscal year ending on 31st December 2017, namely for 3 subsequent years.

Mr Jarosław Bochenek is the key chartered auditor responsible for the study which resulted in this report of the independent chartered auditor.

The chartered auditor acted on behalf of Mazars Audyt Sp. z o.o. with its registered main office in Warsaw, ul. Piękna 18, entered into the register of auditing enterprises with the number 186, on behalf of which the chartered auditor studied the consolidated financial report.

Jarosław Bochenek
Document signed by
Jarosław Bochenek; Mazars Audyt Sp. z o.o.
Date: 18/03/2020
17:02:18 CET
Chief Chartered Auditor
No. 90086