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*This document is a translation.  
The Polish original should be referred to in matters of interpretation.*

## **Independent Auditor's Report to the General Meeting and Supervisory Board of Impexmetal S.A.**

### **Report on the Audit of the Year-end Financial Statements**

#### **Opinion**

We have audited the year-end financial statements of Impexmetal S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2018, as well as the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the financial year then ended and notes to the financial statements including a description of significant accounting methods and other explanations ("the financial statements").

In our opinion, the accompanying financial statements:

- give a true and fair view of the Company's financial position as at 31 December 2018, as well as of its financial result and cash flows for the financial year then ended, in accordance with the applicable International Financial Reporting Standards as adopted by the European Union, as well as the adopted accounting methods (policies);
- are consistent, in content and in form, with the applicable laws and regulations and with the Company's Statute;
- have been prepared on the basis of properly kept books of account in accordance with Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" - 2019 Journal of Laws, item 351 with subsequent amendments).

The present opinion is consistent with the additional report to the Audit Committee, which we issued on 15 April 2019.

#### **Basis for Opinion**

We conducted our audit in accordance with the International Standards on Auditing adopted by the National Council of Certified Auditors as National Standards on Auditing ("NSA") and in compliance with the Act of 11 May 2017 on Certified Auditors, Audit Firms and on Public Supervision ("the Certified Auditors Act" - 2017 Journal of Laws, item 1089 with subsequent amendments) and Regulation EU No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public interest entities ("Regulation EU" - OJ L158). Our responsibilities under those standards are further described in the *Responsibilities of the Auditor for the Audit of the Financial Statements* section of this report.

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We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (“the IFAC Code”) and adopted by resolutions of the National Council of Certified Auditors, and with other ethical requirements relevant to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. During the audit, the engagement partner and the audit firm remained independent of the Company in accordance with the independence requirements laid down in the Certified Auditors Act and Regulation EU.

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

### **Other Matters**

The Company’s financial statements for the financial year ended 31 December 2017 have been audited by an engagement partner acting on behalf of another audit firm, who expressed an unmodified opinion on the financial statements on 24 April 2018.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of the most significance in the audit of the financial statements for the current reporting period. They include the most significant assessed types of risks of material misstatements, including assessed types of risks of material misstatements resulting from fraud. We addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and have summarized our response to these types of risks, and where relevant, presented our key observations relating to those risks. We do not express a separate opinion on these matters.

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#### **Impairment of shares**

The separate statement of financial position shows shares of listed entities stated at fair value, as well as shares of unlisted entities stated at acquisition cost less impairment write downs totaling PLN 679 million, or 40% of the balance sheet total.

We have classified the valuation of shares as a key audit matter because they constitute a significant percentage of the Company’s total assets and due to the significant assumptions used to assess whether there are indications of impairment.

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#### **Disclosures in the financial statements**

Relevant disclosures have been made in Notes 20-21 to the financial statements.

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#### **Audit procedures performed in response to the risk**

Our audit procedures included in particular:

- obtaining an understanding of the internal control environment with regard to the design and implementation of controls in the share valuation process,
  - obtaining an understanding of the business strategy with respect to individual subsidiaries and associates,
  - assessing accounting policies and the balance sheet date valuation of shares, including performing an independent valuation of listed shares,
  - analyzing the process of identifying indications of share impairment,
  - checking the completeness and accuracy of investment related disclosures in the financial statements.
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## **Responsibilities of the Company's Management and Supervisory Board for the Financial Statements**

The Company's Management is responsible for the preparation, based on properly kept books of account, of the financial statements that give a true and fair view of the Company's financial position and financial result in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting methods (policies), the applicable binding regulations and the Company's Statute. The Company's Management is also responsible for such internal controls as it considers necessary to ensure that the financial statements are free from material misstatements resulting from fraud or error.

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

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

## **Responsibilities of the Auditor 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 misstatements due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NSA will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if it could be reasonably expected that they, individually or in the aggregate, could influence the economic decisions of users made on the basis of these financial statements.

The concept of materiality is applied by the auditor at the planning stage and when performing the audit and evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements, as well as when formulating the auditor's opinion. In view of the above, all of the opinions and statements contained in the auditor's report are expressed subject to the qualitative and quantitative level of materiality set in accordance with the applicable standards on auditing and the auditor's professional judgement.

The scope of the audit does not include an assurance regarding the Company's future profitability, or regarding the Management's effectiveness in the handling of the Company's affairs now or in the future.

Throughout an audit in accordance with NSA we exercise professional judgement and maintain professional skepticism, as well as:

- identify and assess the risks of a material misstatement of the financial statements resulting from fraud or error, design and perform audit procedures in response to such 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 the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation or override of internal controls;
- obtain an understanding of the internal controls relevant to the audit in order to plan our audit procedures, but not to express an opinion on the effectiveness of the Company's internal controls;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the estimates and related disclosures made by the Company's Management;
- conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether 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 contents 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 provide the Supervisory Board with information about, among others, the planned scope and timing of the audit and significant audit findings, including any significant weaknesses of internal controls that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with the relevant ethical requirements relating to independence, and that we will communicate to them all relationships and other matters that may reasonably be considered to constitute a threat to our independence, and where applicable, inform them of the related safety measures.

From the matters communicated to the Supervisory Board we determined those matters that were of the most significance to the audit of the financial statements for the current reporting period and were therefore chosen as key audit matters. We describe these matters in our auditor's report, unless law or regulations prohibit their public disclosure or when, in exceptional cases, we find that a given matter should not be presented in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such information.

## Other Information

Based on the provisions of Article 55 par. 2a of the Accounting Act and of par. 71.8 of the Minister's of Finance Decree of 29 March 2018 on the current and periodic information reported by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2018 Journal of Laws, item 757), the Company's Management prepared as a single document a consolidated report on the activities of the Impexmetal Group, on which we have reported in the auditor's report on the consolidated financial statements.

## Report on Other Legal and Regulatory Requirements

### Declaration on the Provision of Non-audit Services

To the best of our knowledge and belief we declare that any non-audit services we have provided to the Company and its subsidiaries were consistent with the law and the regulations binding in Poland and that we have not provided any non-audit services prohibited by virtue of Article 5 par. 1 of Regulation EU and Article 136 of the of the Certified Auditors Act.

### Appointment of the Auditor

We were appointed as auditors of the Company's financial statements in a resolution passed by the Company's Supervisory Board on 4 July 2018. We have audited the Company's financial statements for the first time.

The engagement partner on the audit resulting in this independent auditor's report is Katarzyna Stojek.

**BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw**  
entered on the list of audit firms in number **3355**

### represented by the engagement partner

*Signed with a qualified electronic signature*

**Katarzyna Stojek**  
Certified Auditor No. 11396

*Signed with a qualified electronic signature*

**Dr. André Helin**  
Managing Partner  
Certified Auditor No. 90004

Wrocław, 15 April 2019