

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS**

**To the General Meeting and Supervisory Board of ULMA Construcccion Polska S.A.**

### **The audit report on the annual financial statements**

We have audited the accompanying annual financial statements for the year ended 31 December 2017 of ULMA Construcccion Polska S.A. ('the Company') located in Koszajec 50, 05-840 Brwinów, containing the statement of financial position as at 31 December 2017, the statement of profit and loss and other comprehensive income, the statement of changes in equity, the cash flow statement for the period from 1 January 2017 to 31 December 2017 and additional information to the financial statements ('the accompanying financial statements').

### *Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements*

The Company's Management is responsible for the preparation, based on properly maintained accounting records, and fair presentation of the financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission decrees and other applicable laws, as well as the Company's Statute. The Company's Management is also responsible for such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the Accounting Act of 29 September 1994 (the 'Accounting Act'), the Company's Management and the members of the Company's Supervisory Board are required to ensure that the accompanying financial statements meet the requirements of the Accounting Act.

### *Auditor's responsibility*

Our objective was to express an opinion on whether the accompanying financial statements give a true and fair view<sup>1</sup> of the financial position and results of the operations of the Company in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations and adopted accounting policies.

We conducted our audit of the accompanying financial statements in accordance with:

- Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight ('Act on Statutory Auditors'),
- National Auditing Standards in the wording of the International Auditing Standards adopted

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<sup>1</sup> Translation of the following expression in Polish is 'rzetelny i jasny obraz'.

by the resolution no. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 with subsequent amendments,

- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (“Regulation 537/2014”).

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the accompanying financial statements are free from material misstatement.

The purpose of the audit is to obtain reasonable assurance as to whether the financial statements as a whole were prepared based on properly maintained accounting records and are free from material misstatement due to fraud or error, and to issue an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with the above mentioned standards will always detect material 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 economic decisions of the users taken on the basis of these financial statements. The risk of not detecting a material 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 regulation, not just this directly affecting the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

The scope of the audit does not include assurance on the future profitability of the audited Company nor effectiveness of conducting business matters now and in the future by the Company's Management Board.

In accordance with International Auditing Standard 320 section 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

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

### *Independence*

While conducting our audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the regulations of Act on Statutory Auditors, Regulation 537/2014 and principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

Based on our best knowledge and belief, we declare that we have not provided non-audit services, that are prohibited based on article 136 of the Act on Statutory Auditors and article 5, point 1 of Regulation 537/2014, to the Company.

### *Appointment of the audit firm*

We were appointed to audit the accompanying financial statements based on the Company's Supervisory Board resolution dated 26 April 2017. We were auditing the financial statements of the Company for the first time for the financial year ended 31 December 2017.

### *Most significant assessed risks*

In the course of our audit we have identified the below described most significant assessed risks of material misstatement (key audit matters), including due to fraud and we designed appropriate audit procedures in response to those risks. Where we considered to be relevant in order to understand the nature of the identified risk and audit procedures performed we have also included key observations arising with respect to those risks.

These matters were addressed in the context of our audit of the accompanying financial statements as a whole, and in forming our opinion thereon. Therefore we do not provide a separate opinion on these matters.

<i>description of the nature of the risk of material misstatement (key audit matters)</i>	<i>audit procedures in response to the identified risk</i>
<p><b><u>Property, plant and equipment</u></b></p> <p><i>Why the matter was determined to be a key audit matter</i></p> <p>The carrying value of the Company's property, plant and equipment amounted to PLN 199.3 million as of 31 December 2017, which constitutes 59.6% of total assets. The analysis of the economic useful lives and estimated residual values is the matter of Management's estimate and requires application of judgement.</p>	<p><i>Audit approach</i></p> <p>We have gained understanding of the property, plant and equipment recognition, valuation and liquidation processes, performed a walkthrough of the process and tested design and operating effectiveness of the controls related to the process. We have obtained and evaluated the assumptions made by the Management in the determination of useful lives and residual values and their consistency, with the principles of IAS 16 Property, plant and equipment. We have also assessed the economic useful lives and residual values assumed by the Management through analysis of the historical</p>

<p>In the current year the Management has reassessed economic useful lives and residual values of property, plant and equipment. Determination of the residual value was based on the current estimated market value and judgements regarding the property, plant and equipment liquidation rules, as well as, the commissioning date and condition of the property, plant and equipment expected at the end of the useful life.</p> <p><i>Reference to related disclosures in the financial statements</i></p> <p>The Company disclosed the matters regarding changes in property, plant and equipment as well as major judgements and estimates made in determination of useful lives and residual values as well as identification of liquidated items of property, plant and equipment in notes 1.D and 1.Q to the financial statements for the year ended 31 December 2017.</p>	<p>experience through analysis of available external market data.</p> <p>We have assessed the adequacy of the disclosures in the financial statements related to property, plant and equipment including nature and value of assumptions regarding its recognition, valuation and liquidation.</p>
<p><b><u>Impairment of trade receivables</u></b></p> <p><i>Why the matter was determined to be a key audit matter</i></p> <p>Referring to notes 2 and 9 of the financial statements and paragraph 1.K of accounting policies, trade receivables amounting to PLN 48.1 million make up 14.4% of the balance sheet total of accounts as at 31 December 2017, including overdue receivables in the amount of PLN 27.3 million.</p> <p>Management's judgement was involved in evaluating the credit risk of the Company's debtors with outstanding debts and determining whether the trade receivables should be impaired. The collectability of trade receivables is a key element of the Company's working capital management monitored on an ongoing basis by Company's Management.</p> <p><i>Reference to related disclosures in the financial statements</i></p>	<p><i>Audit approach</i></p> <p>We have gained understanding of the process relating to the monitoring of trade receivables including aging monitoring to identify collection risks.</p> <p>We performed a walkthrough of the process, evaluated design and tested operating effectiveness of the controls related to the process. In particular, we assessed Management's estimations related to the assessment of provisions for bad debts by analysis of evidence to support the recoverability, as well as understanding the individual stages of debt collection and court proceedings to estimate the Management's judgement regarding recoverability, of the older un-provided, or not adequately provided, debts. Our audit included also the following procedures:</p> <ul style="list-style-type: none"> <li>- analysis of aging of receivables, discussing overdue receivables where no bad debt provision was recognized and assessing Management's judgement to check the level of impairment;</li> <li>- testing aging of receivables on a sample basis;</li> </ul>

<p>The Company has disclosed the overdue receivables and related bad debt provision in the notes 2 and 9 to the financial statements as of 31 December 2017. Related accounting policy has been presented in the notes to the financial statements as of 31 December 2017.</p>	<ul style="list-style-type: none"> <li>- selecting a sample of significant trade receivable balances where a bad debt provision was recognized, understanding the rationale behind the Management's judgement and collecting the supporting documentation for the Management's judgment (including legal letters, collaterals or settlements between the parties involved);</li> <li>- consulting of sample of collaterals with our specialists;</li> <li>- obtaining direct external confirmations for a sample of customer account receivables' balances;</li> <li>- examining, on a sample basis, evidence related to post year end payments.</li> </ul> <p>We have assessed the disclosures and its scope in the financial statements related to overdue receivables and bad debt provision.</p>
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### *Opinion*

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance for the year from 1 January 2017 to 31 December 2017 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and other applicable laws and the adopted accounting policies,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of Accounting Act,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute.

### *Other matters*

The financial statements for the prior financial year ended 31 December 2016 were subject to an audit by a key certified auditor acting on behalf of another authorized audit firm, who issued an unqualified opinion on these financial statements, dated 16 March 2017.

## **Report on other legal and regulatory requirements**

### *Opinion on the Directors' Report*

Our opinion on the financial statements does not include the Directors' Report.

The Company's Management is responsible for preparation of the Directors' Report in accordance with the Accounting Act and other applicable laws. In addition, the Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report meets the requirements of the Accounting Act.

Our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the Director's Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the accompanying financial statements.

Our responsibility was also to make a statement, on whether based on our knowledge about the Company and its environment obtained during the audit of the accompanying financial statements we have identified in the Director's Report any material misstatements and to indicate the nature of each of material misstatement.

In our opinion the Directors' Report was prepared in accordance with the relevant regulations and reconciles with the information derived from the accompanying financial statements. Moreover, based on our knowledge of the Company and its environment obtained during the audit of the accompanying financial statements, we have not identified material misstatements in the Directors' Report.

### *Opinion on the corporate governance application representation*

The Company's Management and members of the Company's Supervisory Board are responsible for preparation of the representation on application of corporate governance in accordance with the applicable laws.

In connection with the conducted audit of the accompanying financial statements, our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the issuer, obliged to present a representation on application of corporate governance, constituting a separate part of the Director's Report, included in the representation information required by applicable laws and whether the related information is in accordance with applicable regulations and with the information included in the accompanying financial statements.

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 91, section 5, point 4, letter a, b, g, j, k and l of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of deeming information required by the regulations of a non-member country equal ('Regulation'). Information stipulated in paragraph 91, section 5, point 4 letter c-f, h and i of the Regulation included in the representation on application of corporate governance is in accordance with applicable laws and information included in the accompanying financial statements.

Warsaw, 26 March 2018

Key Certified Auditor

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Marcin Kowalczyk  
certified auditor  
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on behalf of  
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