

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

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

Audit report on the annual consolidated financial statements

### Opinion

We have audited the annual consolidated financial statements of ULMA Construcción Polska S.A. Group (the 'Group'), for which the holding company is ULMA Construcción Polska S.A. (the 'Company') located in Brwinów at Koszajec 50, containing: general information, the consolidated statement of profit and loss and other comprehensive income for the period from 1 January 2019 to 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the statement of changes in consolidated equity, the consolidated statement of cash flows for the period from 1 January 2019 to 31 December 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Group and the Company's Statute.

The opinion is consistent with the additional report to the Audit Committee issued on 23 March 2020.

### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the 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 (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report.

We are independent of the Group in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p><b><u>Impairment of trade receivables</u></b></p> <p>Referring to notes 3 and 10 of the consolidated financial statements prepared as at 31 December 2019, trade receivables amounting to PLN 49.6 million make up 12.6% of the balance sheet total of consolidated accounts, including overdue receivables in the amount of PLN 16.9 million that constitute 34.2% of trade receivables.</p> <p>Impairment analysis of trade receivables has been assessed as the key audit matter to the audit of the consolidated financial statements due to:</p> <p>(i) the materiality of the above-mentioned current assets in the consolidated financial statements,</p> <p>(ii) materiality of the impact of the professional judgment, as well as estimates of the Company's Management necessary to assess the credit risk of the Group's debtors and the value of provision for expected credit losses, in particular in relation to individually material trade receivables.</p> <p><i>Reference to related disclosures in the consolidated financial statements</i></p> <p>The Group has disclosed the overdue receivables and related provision for expected credit losses in the notes 3 and 10 to the consolidated financial statements as of 31 December 2019. Related accounting policy has been presented in the notes to the consolidated financial statements financial statements as of 31 December 2019.</p>	<p>We have gained understanding of the process relating to the monitoring of trade receivables including aging monitoring to identify collection risks. We performed a walkthrough of the process, evaluated design and tested operating effectiveness of the controls related to the process. In particular, we assessed Company's Management estimations related to the assessment of provision for expected credit losses by analysis of evidence to support the recoverability, as well as understanding the individual stages of debt collection and court proceedings to estimate the Company's Management 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 provision for expected credit losses was recognized and assessing Company's Management judgement to check the level of impairment;</li> <li>- testing aging of receivables on a sample basis;</li> <li>- selecting a sample of significant trade receivable balances where provision for expected credit losses was recognized, understanding the rationale behind the Company's Management judgement and collecting the supporting documentation for the Company's Management judgment (including legal letters, collaterals or settlements between the parties involved),</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 consolidated financial statements related to overdue receivables and provision for expected credit losses.</p>

Key audit matter	How the matter was addressed in our audit
<p><b><u>Property, plant and equipment</u></b></p> <p>The carrying value of the Group's property, plant and equipment amounted to PLN 255.9 million as of 31 December 2019, which constitutes 65.1% of total assets. The analysis of the economic useful lives and estimated residual values is the matter of Company's Management estimate and requires application of judgement.</p> <p>As of the year end the Company's 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>The issue was identified as key audit matter for the audit of the consolidated financial statements due to:</p> <p>(i) significance of the above fixed assets in the consolidated financial statements,</p> <p>(ii) materiality of the impact of the professional judgment of the Company's Management necessary to assess economic useful life periods of and residual values of property, plant and equipment.</p> <p><i>Reference to related disclosures in the consolidated financial statements</i></p> <p>The Group 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 2 and 5 to the consolidated financial statements for the year ended 31 December 2019.</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 Company's 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 Company's Management through analysis of the historical experience through analysis of available external market data.</p> <p>We have assessed the adequacy of the disclosures in the consolidated financial statements financial statements related to property, plant and equipment including nature and value of assumptions regarding its recognition, valuation and liquidation.</p>

## **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 the consolidated financial statements that give a true and fair view of the consolidated financial position and the consolidated financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, The Company's Management is responsible for assessing the Group's (the holding company and significant components') 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 either intends to liquidate the Group (the holding company or significant components) or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibility for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement 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 guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these consolidated financial statements.

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 consolidated 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 are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

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

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the consolidated 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 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 Group'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,
- conclude on the appropriateness of the Company's Management'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated 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 independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,
- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine 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 Directors' Report**

The other information comprises the Directors' Report for the period from 1 January 2019 to 31 December 2019 and the representation on the corporate governance (jointly 'Other Information').

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

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

#### *Auditor's responsibility*

Our opinion on the consolidated financial statements does not include the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained during 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 this Other information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

In addition, we are required to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

### **Opinion on the Directors' Report**

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the consolidated financial statements.

Moreover, based on our knowledge of the Group and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

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

In our opinion, in the representation on application of corporate governance, the Group has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the consolidated financial statements.

### **Representation on the provision of non-audit services**

To the best of our knowledge and belief, we declare that we have not provided services other than audits of the financial statements to the Company and its subsidiaries, in particular we have not rendered services other than audits, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors.



### Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution of Supervisory Board from 26 April 2017. The consolidated financial statements of the Group have been audited by us uninterruptedly starting from the financial year ended on 31 December 2017, i.e. for the past 3 consecutive years.

Warsaw, 23 March 2020

Key Certified Auditor

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Marcin Kowalczyk  
certified auditor  
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