

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

To the Shareholders Meeting and Supervisory Board of ZUE S.A.

The audit report on the annual consolidated financial statements

We have audited the accompanying consolidated annual financial statements for the year ended 31 December 2017 of ZUE S.A. Group ('the Group'), for which the holding company is ZUE S.A. ('the Company') located in Cracow at Czapińskiego 3, containing the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the period from 1 January 2017 to 31 December 2017 and the summary of significant accounting policies and other explanatory notes ('the accompanying consolidated financial statements').

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

The Company's Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements meet the requirements of the Accounting Act.

Auditor's responsibility

Our objective was to express an opinion on whether the accompanying consolidated financial statements give a true and fair view¹ of the financial position and results of

¹ Translation of the following expression in Polish is 'rzetelny i jasny obraz'.

the operations of the Group 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 consolidated 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 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 consolidated financial statements are free from material misstatement.

The purpose of the audit is to obtain reasonable assurance as to whether the consolidated 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 consolidated 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 consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

The scope of the audit does not include assurance on the future profitability of the audited Group nor effectiveness of conducting business matters of the Group 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 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, 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 entities comprising the Group 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 consolidated financial statements based on the Company's Supervisory Board resolution dated 6 June 2017. We have been auditing the consolidated financial statements of the Company for the first time since the beginning of 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 consolidated financial statements as a whole, and in forming our opinion thereon. Therefore we do not provide a separate opinion on these matters.

Description of the nature of the risk of material misstatement (key audit matters)

1. Contracts for construction services - valuation and recognition

Why this matter is a key audit matter

The Group's revenues from deliveries and services in the amount of PLN 376 222 thousand for the year ended 31 December 2017 constitute revenues from the realization of construction contracts (hereinafter "contracts") valued according to the percentage of completion method according with the International Accounting Standard 11 Contracts for construction services. This valuation has a significant impact on the consolidated financial statements.

We stated that valuation of contracts is a key audit matter because it requires the Company's Management Board to apply professional judgment and estimates based on the state of knowledge at the balance sheet

Audit procedures in response to the identified risk

Approach to the audit

Our audit procedures regarding described key audit matter included, among others:

- analysis of applied accounting policies and procedures, including the internal control environment, relating to the process of contract valuation and their recognition,
- directing inquiries referring to the status of selected contracts, including updates of key estimates, assessment of key risks related to the realization of contracts and their inclusion in the valuation,
- the following audit procedures performed on a sample of contracts, including among others:
 - analysis of key contract terms resulting from the construction contract,
 - assessment of significant assumptions and estimates made by the Company's Management Board in relation to contract revenues and costs, including on the basis of budget actual realization,

date, in particular with regard to the percentage of completion of contracts, total contract costs, including all necessary estimates of identified risks.

Reference to disclosures in the consolidated financial statements

Accounting policy of the Group in relation to valuation and recognition of contracts is described in more detail in note 8.2.6. of the consolidated financial statements. Additionally, in note 3.1. the Company's Management Board presented numerical disclosures and information on the uncertainty of estimates related to the valuation of contracts, which is also mentioned in note 8.3.6.

- cost and revenue allocation tests for individual contracts, including compliance with contracts, which is the basis for determining the percentage of completion of work,
- analysis of margin changes during the realization of individual contracts, including inquiries regarding deviations from the initial contract budget and valuation at the previous balance sheet date,
- analysis of external sources of information in order to identify potential risks related to the contracts being performed,
- reconciliation of the presented source documentation, including internal and external studies held by the Company's Management Board, relating to potential and existing risks and disputes related to the realization of contracts,
- analysis of the recognition of the valuation of contracts and the adequacy of disclosures regarding this valuation in the consolidated financial statements.

2. Goodwill - impairment analysis

Why this matter is a key audit matter

the Group is required to conduct an annual impairment test of goodwill in accordance with International Accounting Standard 36 *Impairment of assets*.

The goodwill impairment test was a key audit matter due to the goodwill balance, which as at 31 December 2017 amounted to PLN 31,172 thousand. In our opinion, this

Approach to the audit

We conducted procedures to understand the process of assessing the impairment identification and the goodwill impairment test process and assessed the identification of cash-generating units to which goodwill is assigned, as well as an analysis of the impairment test conducted by the Company's Management Board as part of the audit.

Our procedures included the assessment of the goodwill impairment model and the assumptions and estimations adopted by the Company's Management Board for the

balance is significant for the consolidated financial statements. The Company's Management Board conducted an impairment test based on significant assumptions, estimates such as the Company's strategy, future revenue, cost and cash flow streams, average weighted capital cost ("WACC"), discount rate or marginal growth rate impacted by future market and economic conditions. We therefore considered this matter as a key audit matter.

Reference to disclosures in the consolidated financial statements

The Company's Management Board presented assumptions regarding the goodwill impairment test carried out, as well as the results and disclosures regarding the goodwill allocation test to the cash-generating unit in note 7.5. to the consolidated financial statements.

purpose of the test, with particular attention paid to:

- comparing the key assumptions underlying the conducted test with market indicators, costs, achieved margins and cash flows, and wherever possible with external data,
- checking the mathematical correctness of the calculations carried out as part of the test,
- assessment of the Company's Management Board's forecasts based on the analysis of the realization of past forecasts for ended periods,
- assessment of sensitivity analysis prepared by the Company's Management Board.

We also considered the correctness and completeness of disclosures made in the financial statements regarding the goodwill impairment test and disclosures regarding the sensitivity analysis of this test.

Opinion

In our opinion accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group 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,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute.

Other matters

The consolidated financial statements for the year ended 31 December 2016 were audited by a key certified auditor acting on behalf of another authorized entity who on

13 March 2017 issued an unqualified opinion on the consolidated financial statements.

Report on other legal and regulatory requirements

Opinion on the Directors' Report

Our opinion on the consolidated 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, except for the chapter 'Statement on non-financial information', was prepared in accordance with relevant laws and that it is consistent with the information contained in the accompanying consolidated 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 consolidated 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 consolidated financial statements. Moreover, based on our knowledge of the Company and its environment obtained during the audit of the 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 consolidated 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 consolidated 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 consolidated financial statements.

Information on preparation of the statement on non-financial information

In accordance with the Act on Statutory Auditors, we inform, that the Company has prepared a statement on non-financial information mentioned in article 49b, section 1 of the Accounting Act as a separate element of the Director's Report.

We have not performed any attestation services in respect to the statement on non-financial information and do not express any assurance in its respect.

Warsaw, 19 March 2018

Key Certified Auditor

Piotr Kuźniar
certified auditor
no in the register: 12386

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on the audit firms list: 130