

Independent statutory auditor's report

To the General Shareholders Meeting and Supervisory Board of ZUE Spółka Akcyjna

Report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of ZUE Spółka Akcyjna having its registered office in Cracow ("the Company"), address: ul. Kazimierza Czapieńskiego 3, 30-048 Cracow, which consist of the statement of financial position as at 31 December 2020 and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ending on that day and the additional information describing the adopted accounting principles and other explanatory notes ("the financial statements").

In our opinion the accompanying financial statements:

- give a true and fair view of the asset and financial situation of ZUE S.A. as at 31 December 2020 and its financial performance and cash flows for the financial year ending on that day, pursuant to the International Financial Reporting Standards approved by the European Union and the adopted accounting principles (policy);
- comply, with respect to form and content, with the provisions of the law binding on ZUE S.A. and the Articles of Association of the Company;
- have been prepared based on properly maintained accounting records in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" - i.e. the Journal of Laws of 2021, item 217 as amended).

This Opinion is consistent with the additional report to the Audit Committee, which we issued on 25 March 2021.

Basis for the opinion

Our audit was conducted in accordance with the International Auditing Standards in the version adopted as 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" - the Journal of Laws of 2020, item 1415 as amended) and the Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("the EU Regulation" - OJ EU L158). Our responsibility under afore-said standards is described hereunder in the section of our report entitled *Responsibility of the statutory auditor for auditing of the financial statements*.

We are independent from ZUE S.A. in compliance with the Code of Ethics of Professional Accountants developed by the International Federation of Accountants ("the IFAC Code"), the adopted resolutions of the National Council of Statutory Auditors and other ethical requirements which apply to the audit of financial statements in Poland. We have fulfilled our ethical duties in compliance with the said requirements and the IFAC Code. During the audit the key statutory auditor and the audit firm remained independent from ZUE S.A. in compliance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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

Explanatory notes

We note the provisions introduced under Note 7.24 in disclosures to the Financial Statements of ZUE S.A. for the year ended on 31 December 2020 in connection with the circumstances affecting the operations in 2020 and the financial statements of the Company for that year connected with ongoing Covid-19 pandemics.

Our Opinion has no reservations in this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of ZUE S.A. of the current reporting period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement 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; we summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on those matters.

Key audit matter	How our audit addressed the matter
<p>Revenue - measurement and recognition</p> <p>This matter was deemed key due to the value, dynamics and the risk of recognising the revenue not in accordance with IFRS 15. Revenues come mostly from the implementation of contracts with customers relating to the construction of railway and urban infrastructure, they are one of the main assessment factors of the Company's operations.</p> <p>Revenues from pending services are recognised in accordance with the method for measuring progress towards complete satisfaction of a performance obligation based on expenditures under IFRS 15, determined as a ratio of costs incurred to estimated costs necessary to implement the contract.</p> <p>This measurement has a significant impact on the level of the net result. Furthermore, the revenue value is determined based on estimates, which increases the risk of misstatement of the financial statements.</p>	<p>Our audit procedures, with regard to afore-described key audit matter, comprised among others:</p> <ul style="list-style-type: none">- an assessment of conformity of the accounting policy used by ZUE S.A. relating to recognition of revenue with relevant financial reporting standards,- tests of control relating to approval and recognition of particular types of revenues from sales,- tests of control relating to preparation, updating and approval of budgets, being the basis for measurement of pending construction contracts,- an assessment of effectiveness of internal controls as regards recognition and measurement of revenues from sales,- an assessment of feasibility of pending construction contracts,- an assessment of correctness of the level of completion of pending services, as accepted for the measurement,

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- agreeing the selected sample of revenues from sales to the source documentation confirming the execution of the service and also confirming the transfer of ownership of products,
 - obtaining confirmations for the selected sample of invoice payment after the balance sheet day for the key recipients of services rendered by ZUE S.A. in the audited year,
 - an assessment of adequacy of disclosures in the additional information to the extent of recognising revenues from sales from the measurement of pending construction contracts,
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Goodwill impairment analysis

ZUE S.A. is obligated to test goodwill for impairment annually. We evaluated goodwill impairment testing as a key audit matter due to the significant carrying amount of goodwill and also due to significant assumptions and estimates made by the Management Board in the conducted goodwill impairment test, such as: forecasted future cash flows of revenues and costs, weighted average capital cost, growth rate, discount rate, marginal growth rate, which depend on the future market and economic conditions.

In note 7.6 of the enclosed financial statements the Management Board of ZUE S.A. presented assumptions relating to the goodwill tested for impairment, as well as the results and disclosures relating to the test of goodwill allocation to cash-generating unit.

Our audit procedures, with regard to afore-described key audit matter, comprised among others:

- an assessment of identification of cash-generating units to which goodwill is allocated,
- an analysis and assessment of the impairment testing conducted by the Management Board.

Our procedures comprised an assessment of goodwill impairment model, a verification of the model and the assumptions and estimates made by the Management Board of ZUE S.A. for testing purposes, including but not limited to:

- a comparison of the key assumptions underlying the conducted test with market indexes, costs, the achieved margin and cash flows and, where possible, with external data,
- a verification of mathematical correctness of the calculations made as part of the test,
- an evaluation of the Management Board's forecasts on the basis of realisation of future forecasts relating to ended periods,
- an evaluation of the sensitivity analysis made by the Management Board,
- We also evaluated correctness and completeness of disclosures made in the financial statements of ZUE S.A. with regard to goodwill impairment test, as well as disclosures with regard to the sensitivity analysis of that test.

Impairment analysis of deferred tax asset due to tax losses

ZUE S.A. is obliged to test impairment of deferred tax asset in connection with tax losses realised in the previous financial years and in the reporting period. We evaluated impairment testing for deferred tax asset as a key audit matter due to the significant carrying amount of that part of the asset

Our audit procedures, with regard to afore-described key audit matter, comprised among others:

- an analysis and evaluation of the projected tax base,
- an analysis and assessment of the impairment testing conducted by the Management Board.

Our procedures comprised an assessment of impairment model for deferred tax asset, a verification of the model and the assumptions and estimates made by the Management Board of ZUE S.A. for testing

and also due to significant assumptions and estimates made by the Management Board in the conducted test such as: forecasted future taxable income, weighted average capital cost, growth rate, discount rate, marginal growth rate, which depend on the future market and economic conditions.

The Management Board of ZUE S.A. presented information relating to the conducted impairment testing in Note 2.7 of the enclosed financial statements.

purposes, including but not limited to:

- a comparison of the key assumptions underlying the conducted test to market indexes, costs, the achieved margin and tax base,
- a verification of mathematical correctness of the calculations made as part of the test,
- an evaluation of the Management Board's forecasts on the basis of realisation of future forecasts relating to ended periods,

We also evaluated correctness and completeness of disclosures made in the financial statements of ZUE S.A. with regard to impairment test of deferred tax asset, as well as disclosures related therewith.

Responsibility of the Management Board and the Supervisory Board for the financial statements

The Management Board of ZUE S.A. is responsible for preparing, on the basis of properly maintained accounting records, the financial statements that give a true and fair view of the asset and financial situation of the Company in compliance with the International Financial Reporting Standards approved by the European Union, the adopted accounting principles (policy) and with the legal regulations binding on the Company and its Articles of Association, as well as for internal control, which the Management Board finds necessary for preparation of the financial statements that are free from any material misstatement caused by fraud or error.

In preparing the financial statements, the Management Board of ZUE S.A. is responsible for assessing the Company's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and using the going concern basis of accounting, except in the situation where the Management Board either intends to liquidate the Company or to discontinue operations, or has no realistic alternative for such liquidation or discontinuation.

The Management Board of ZUE S.A. and members of the Supervisory Board are obliged to ensure that the financial statements meet the requirements provided for in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Responsibility of the statutory auditor for auditing of the financial statements

Our objective is to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NAS will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

The concept of materiality is applied by the statutory 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 are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgement.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management Board. Throughout the audit in accordance with NAS, we exercise professional judgement and maintain professional scepticism and we also:

- identify and assess the risks of material misstatement of the 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 Company'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 Board,
- conclude on the appropriateness of the Company's Management Board'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 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 independent 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 statutory 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 content 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 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 to communicate with them all relationships and other matters that may reasonably be thought to endanger our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determined 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 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 Report on the activities

Other information consists of the report on the activities of the Company for the financial year ended 31 December 2020 ("Report on the activities") and the corporate governance statement and the statement on non-financial information, referred to in Article 49b sec. 1 of the Accounting Act, which are separate parts of that Report, and the Annual Report for the financial year ended 31 December 2020 ("Annual Report") (jointly "Other information").

Responsibility of the Management Board and the Supervisory Board

The Management Board of ZUE S.A. is responsible for drawing up Other information in accordance with the law.

The Management Board of ZUE S.A. and members of the Supervisory Board are obliged to ensure the Report on the activities with its separate parts satisfies the requirements stipulated in the Accounting Act.

Responsibility of the statutory auditor

Our opinion from the audit of the financial statements does not cover Other information. In connection with our audit of the financial statements our responsibility is to read Other information and, in doing so, consider whether it is materially inconsistent with the financial statements, or our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identify a material misstatement in Other information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on Statutory Auditors, it is also our responsibility to issue an opinion as to whether Other information has been prepared in compliance with the law and whether it is consistent with the information disclosed in the financial statements. Moreover, we are obliged to inform whether the Company prepared a statement on non-financial information and to issue an opinion on whether the Company provided the required information in its corporate governance statement.

We have obtained the Report on the activities of the Company on the date of this auditor's report, and the Annual Report will be available after this date. Should we identify any material misstatement in the Annual Report, we are obliged to inform the Company's Supervisory Board about this fact.

Opinion on the Report on the activities

Based on the work performed during the audit, in our opinion, the Report on the activities of the Company:

- has been prepared in accordance with Article 49 of the Accounting Act and § 70 of the Ordinance of the Minister of Finance of 19 February 2009 on Current And Periodic Information Published By Issuers Of Securities And The Rules Of Equal Treatment Of The Information Required By The Laws Of Non-Member States ("the Ordinance on current information");
- is consistent with the information disclosed in the accompanying financial statements.

Moreover, based on our knowledge of ZUE S.A. and its business environment obtained in the course of the audit, we have not detected any material misstatements in the Report on the activities of the Company.

Opinion on the corporate governance statement

In our opinion, in the corporate governance statement, ZUE S.A. included the information specified in § 70 sec. 6 item 5 of the Ordinance on current information.

In addition, in our opinion, the information specified in § 70 sec. 6 item 5 (c)-(f), (h) and (i) of the said Ordinance, as included in the corporate governance statement, is consistent with the applicable provisions of law and with information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we confirm that ZUE S.A. has prepared a statement on non-financial information, as referred to in Article 49b sec. 1 of the Accounting Act, as a separate section of the Report on the activities.

We have not performed any assurance work pertaining to the statement on non-financial information and we do not give any assurance in respect thereof.

Statement on provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to ZUE S.A. and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services that are prohibited under Article 5(1) of the EU Regulation and Article 136 of the Act on Statutory Auditors.

The non-audit services that we have provided to the Company and its subsidiaries in the audited period are listed in Note 48 of the Report of ZUE S.A.'s Management Board on the activities of ZUE S.A.'s Parent Company and ZUE Capital Group.

Selection of the audit firm

We were selected to audit ZUE S.A.'s financial statements by the Company's Supervisory Board resolution of 10 July 2019. It's the second time we have audited the Company's financial statements.

The key statutory auditor responsible for the audit, the result of which is this independent statutory auditor's report is Ewa Sieklińska acting on behalf of Polinvest-Audit Sp. z o.o. having its registered office in Cracow, address: ul. Łukasiewicza 1, entered in the list of audit firms under number 1806, on behalf of whom the key statutory auditor has audited the financial statements.

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Ewa Sieklińska key statutory auditor No. 9771

Cracow; 25 March 2021.