

## **Deloitte**

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### **AUDITOR'S OPINION**

#### **To the Shareholders and Supervisory Board of ZUE S.A.**

We have audited the attached financial statements of ZUE S.A. with the registered office in Cracow, ul. Czapińskiego 3, including statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year from 1 January 2012 to 31 December 2012 and notes to the financial statements including information on accounting policies and other explanatory information.

The Management Board of the Company is responsible for the preparation of the financial statements and the report on activities of the Company in line with applicable laws.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on activities meet the requirements of the Polish Accountancy Act of 29 September 1994 (Journal of Laws of 2009, no. 152, item 1223, as amended), hereinafter referred to as the "Accountancy Act."

Our responsibility was to audit and express an opinion on the compliance of the financial statements with the accounting principles (policy) adopted by the Company and whether the financial statements give a true and fair view, in all material respects, the financial and economic position as well as the financial result of the Company.

We have planned and performed our audit of the financial statements in accordance with:

- chapter 7 of the Accountancy Act; and
- national auditing standards published by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements so as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification – largely on a test basis – of the bases for the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- present fairly and clearly the information material to evaluate the economic and financial position of the Company as at 31 December 2012 as well as its profit or loss in the financial year from 1 January 2012 to 31 December 2012;
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission

regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accountancy Act, secondary legislation to the Act and properly maintained accounting records; and

- comply with the laws and the Company's Statutes which affect the contents of the financial statements.

Without raising any qualifications to the correctness and fairness of the audited financial statements, we would like to stress that the financial statements this opinion relates to are the separate financial statements and should serve, first of all, statutory services. They should not be the only basis for the evaluation of the Parent Company's financial and economic position. Apart from the separate financial statements, the Company prepares the consolidated financial statements of the Capital Group for which it is the Parent Company.

The Company report on activities for the financial year 2012 is complete within the meaning of Article 49.2 of the Accountancy Act and the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent and consistent with underlying information disclosed in the audited financial statements.

*[hand-written signature]*

Marek Turczyński  
Key certified auditor  
conducting the audit  
No. 90114

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

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Marek Turczyński, Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – a General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 14 March 2013

# **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF ZUE S.A. FOR THE FINANCIAL YEAR 2012**

## **I. GENERAL INFORMATION**

### **1. Details of the audited Company**

The Company operates under the company name ZUE S.A. The Company's registered office is located in Cracow at ul. Czapińskiego 3.

The Company operates as a joint-stock company established under a notarial deed concluded on 20 May 2002 before Ewa Holoher, Notary Public in Cracow (Rep. A no. 9592/2002). The Company was entered into the Commercial Register kept by the District Court XI Business and Registry Division in Cracow, section B, under entry number 8990/05/381, based on the decision of 30 October 2002. Currently the Company is recorded in the Register of Entrepreneurs kept by the District Court XI Business and Registry Division in Cracow under KRS number 0000135388.

The Company's tax identification number (*NIP*) assigned by the Revenue Office in Cracow on 5 November 2002 is 679-27-40-329.

The *REGON* number assigned to the Company by the Statistical Office on 4 November 2002 is 365578200.

The Company operates pursuant to the Polish Companies Act.

In accordance with the Company's Statutes, the Company's activities include:

- manufacture of articles of concrete;
- manufacture of mortars;
- manufacture of metal structures and parts of structures;
- manufacture of doors and windows of metal;
- manufacture of other fabricated metal products n.e.c.;
- manufacture of electronic components;
- manufacture of communication equipment;
- manufacture of electric motors, generators, transformers;
- manufacture of electricity distribution and control apparatus;
- manufacture of wiring devices;
- manufacture of other electrical equipment;
- manufacture of railway locomotives and rolling stock;
- repair and maintenance of fabricated metal products;
- repair and maintenance of machinery;
- repair and maintenance of electronic and optical equipment;
- repair and maintenance of electrical equipment;
- repair and maintenance of other transport equipment;
- repair and maintenance of other equipment;
- installation of industrial machinery and equipment;

- dismantling of wrecks;
- development of building projects;
- construction of residential and non-residential buildings;
- construction of roads and motorways;
- construction of railways and underground railways;
- construction of bridges and tunnels;
- construction of utility projects for fluids;
- construction of utility projects for electricity and telecommunications;
- construction of water projects;
- construction of other civil engineering projects n.e.c.;
- demolition;
- site preparation;
- test drilling and boring;
- electrical installation;
- plumbing, heat and air-conditioning installation;
- other construction installation;
- other specialised construction activities n.e.c.;
- wholesale of waste and scrap;
- urban and suburban passenger land transport;
- other passenger land transport n.e.c.;
- freight transport by road;
- warehousing and storage of other goods;
- service activities incidental to land transportation;
- buying and selling of own real estate;
- renting and operating of own or leased real estate;
- architectural activities;
- engineering activities and related technical consultancy;
- engineering design.

In the audited period, the Company pursued the following activities in the field of civil works:

- maintenance of urban infrastructure,
- construction and repair of urban infrastructure,
- construction and repair of railway infrastructure,
- design, construction, upgrade and repair of energy works.

At the end of the reporting period, the Company's share capital amounted to PLN 5,500,000.00 and was divided into 22,000,000 ordinary shares with a par value of PLN 0.25 each.

As at 16 July 2012 (the date of the last Shareholders' Meeting), the Company's shareholders included:

- Wiesław Nowak – 72.73% of shares,
- other shareholders – 27.27% of shares.

No changes to the share capital occurred in the financial year.

No changes to the shareholding structure of the Company's share capital occurred in the period under analysis.

No changes to the Company's share capital occurred after the balance-sheet date.

As at 31 December 2012, the Company's equity amounted to PLN 171,412,195.68.

The Company's financial year is the calendar year.

The Company has the following related entities:

- Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. - 86% subsidiary;
- Biuro Inżynierskich Usług Projektowych Sp. z o.o. - 49% subsidiary;
- Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. - 62% subsidiary;
- Railway Technology International Sp. z o.o. - 51% subsidiary; and
- Railway Technology International Germany GmbH - 51% subsidiary.

Composition of the Company's Management Board as at the date of the opinion:

- Wiesław Nowak - Management Board President
- Maciej Nowak - Management Board Vice-President
- Marcin Wiśniewski - Management Board Vice-President
- Jerzy Czeremuga - Management Board Vice-President

No changes to the composition of the Company's Management Board occurred in the period under analysis.

## **2. Information about the financial statements for the prior financial year**

The activities of the Company in 2011 resulted in a net profit of PLN 18,718,177.90. The financial statements of the Company for 2011 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. (now Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.). On 12 March 2012, the certified auditor issued an unqualified opinion on the financial statements:

“Without raising any qualifications to the correctness and fairness of the audited financial statements, we would like to stress that the financial statements this opinion relates to are the separate financial statements and should serve, first of all, statutory services. They should not be the only basis for the evaluation of the Parent Company's financial and economic position. Apart from the separate financial statements, the Company prepares the consolidated financial statements of the Capital Group for which it is the Parent Company.”

The financial statements for the financial year 2011 were approved by the General Meeting held on 16 July 2012. The General Meeting resolved to allocate the entire 2011 net profit to reserve funds.

The financial statements for the financial year 2011 were submitted to the National Court Register (KRS) on 31 July 2012 and filed for publication in *Monitor Polski B* on 19 September 2012. The financial statements were published in *Monitor Polski B* no. 3011 on 20 November 2012.

### **3. Details of the authorized entity and the key certified auditor acting on its behalf**

The audit of the financial statements was performed based on the agreement of 23 July 2012 between ZUE S.A. and Deloitte Audyt Sp. z o.o. (now Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.) with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Marek Turczyński, key certified auditor (no. 90114) in the premises of the Company in the period 17-21 December 2012, 13 February – 8 March 2013 and outside the Company's premises until the date of this opinion.

The entity authorized to audit the financial statements was appointed by the Supervisory Board under the resolution of 12 June 2012 on the basis of the authorization set out in Para. 16.2.g of the Company's Statutes.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) and Marek Turczyński, key certified auditor, confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on Auditors and Their Self-Government, Entities Authorized to Audit Financial Statements and Public Supervision (Journal of Laws of 2009, no. 77, item 649, as amended) to express an unbiased and independent opinion on the financial statements of ZUE S.A.

### **4. Availability of data and management's representations**

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor as confirmed by the written representation of the Management Board of the Company of 14 March 2013.

## II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the profit or loss and financial ratios describing the financial performance of the Company and its economic and financial position compared to the analogous figures of 2011.

<u>Main items from the income statement</u> <u>(PLN '000)</u>	<u>2012</u>	<u>2011</u>
Sales revenue	328,247	397,739
Operating expenses	329,703	374,302
Other operating income	1,436	2,729
Other operating expenses	1,111	369
Financial income	3,222	1,393
Financial expenses	3,506	3,294
Corporate income tax	(132)	5,178
Net profit (loss)	(1,283)	18,718
Total comprehensive income	(1,283)	18,718
<u>Profitability ratios</u>	<u>2012</u>	<u>2011</u>
– gross profit margin	2.6%	8.7%
– net profit margin	(0.4%)	4.7%
– net return on equity	(0.7%)	12.2%
<u>Effectiveness ratios</u>		
– assets turnover ratio	1.0	1.2
– receivables turnover in days	205	168
– liabilities turnover in days	95	100
– inventory turnover in days	19	10
<u>Liquidity/Net working capital</u>		
– debt ratio	50.1%	49.9%
– equity to fixed assets ratio	49.9%	50.1%
– net working capital (PLN '000)	56,849	74,122
– current ratio	1.4	1.5
– quick ratio	1.3	1.4

An analysis of the above figures and ratios indicated the following trends in 2012:

- drop in gross profit margin;
- drop in net return on equity;
- drop in assets and liabilities turnover ratios;
- increase in receivables and inventory turnover ratios;
- increase in debt ratio;
- drop in equity to fixed assets ratio;
- drop in net working capital; and
- drop in liquidity ratios.

### **III. DETAILED INFORMATION**

#### **1. Evaluation of the accounting system**

The Company has valid documentation required by Article 10 of the Polish Accountancy Act of 29 September 1994 (Journal of Laws of 2009, no. 152, item 1223, as amended), hereinafter referred to as the "Accountancy Act," referring, in particular, to definition of the financial year and reporting periods thereof, methods of measuring assets and liabilities and determining the financial result, method of keeping the accounting records and the system of data and file protection. The documentation of the accounting policy was developed in line with the Accountancy Act and with respect to the measurement of assets and liabilities as well as presentation of the financial statements – in line with IFRS and approved for use as of 1 January 2010 by a resolution of the Management Board of 26 April 2010. Principal methods of measuring assets and liabilities and the financial result have been presented in the explanatory notes.

Accounting principles selected at the Company's discretion pursuant to IFRS have been selected in a manner that correctly reflects specifics of its business operations, its financial standing and performance. The accounting principles have been applied in a continuous manner and have not changed compared to those applied to the accounting records and financial statements in the preceding financial year.

The Company uses Microsoft Dynamics AX computerized accounting system to record all business transactions. The Microsoft Dynamics AX system is password-protected against unauthorized access and has functional access controls. The description of the IT system complies with the requirements of Article 10.1.3c of the Accountancy Act.

The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

In the part we have audited, documentation of business transactions, accounting records and the relationships between accounting entries, documents and financial statements complied with the requirements of section 2 of the Accountancy Act.

The accounting records and evidence, the documentation of the accounting system and the approved financial statements of the Company are stored in compliance with section 8 of the Accountancy Act.

The Company performed a physical count of assets and liabilities within the scope, timing and frequency required by the Accountancy Act. Identified differences have been recorded and settled in the accounting records for the audited period.

#### **2. Information about the audited financial statements**

The audited financial statements were prepared as at 31 December 2012 and include:

- statement of financial position as at 31 December 2012 showing the balance sheet total of PLN 343,583,900.07;
- statement of comprehensive income for the period from 1 January 2012 to 31 December 2012 showing a net loss of PLN 1,282,892.38 and negative total comprehensive income of PLN 1,282,892.38;
- statement of changes in equity for the period from 1 January 2012 to 31 December 2012 showing a decrease in equity of PLN 1,282,892.38;
- statement of cash flows for the period from 1 January 2012 to 31 December 2012 showing a decrease in cash of PLN 9,493,102.47; and



- notes to the financial statements including information on accounting policies and other explanatory information.

The structure of assets and liabilities and items affecting the financial result has been presented in the financial statements.

### **3. Information about selected material items of the financial statements**

#### Property, plant and equipment

Property, plant and equipment in the Company include:

- fixed assets of PLN 24,138,620.72.

The notes correctly describe changes in fixed assets and fixed assets under construction and disclose any revaluation write-downs on such assets.

#### Long-term investments

The Company's long-term investments include:

- shares in subsidiaries of PLN 80,605,209.38.

The notes correctly describe changes in investments during the financial year.

#### Structure of inventories

The structure of inventories has been correctly presented in the respective explanatory to the statement of financial position.

#### Structure of receivables

Ageing of trade receivables has been correctly presented in the respective explanatory note to the statement of financial position. The audited sample did not include past-due or redeemed receivables.

#### Liabilities

Ageing and types of liabilities have been correctly presented in the respective explanatory note to the statement of financial position.

Key items of the Company's liabilities include:

- long-term credit facilities and loans in the amount of PLN 39,133,333.52; and
- trade and other payables of PLN 81,639,405.83.

The nature of contracted credit facilities and security has been presented in notes. The audited sample did not include past-due or redeemed liabilities.

#### Prepayments, accruals and provisions for liabilities

The explanatory notes to prepayments, accruals and provisions for liabilities correctly present the structure of the items. Deferred expenses and income have been correctly classified with respect to the audited financial year. Provisions for liabilities have been determined at reliably estimated amounts. The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

### **4. Completeness and correctness of drawing up notes and explanations and the Company's report on activities**

The Company confirmed the validity of the going concern basis in preparation of the financial statements. The notes to the financial statements give a correct and complete description of

measurement principles regarding assets, liabilities, profit or loss and principles of preparation of the financial statements.

The ability to use individual assets recognised in the statement of financial position was presented given the security for creditors. The notes to the financial statements provide a complete description of items and fairly present other information required under IFRS.

The Management Board prepared and supplemented the financial statements with the Company report on activities in the financial year 2012. The report contains all information required under Article 49.2 of the Accountancy Act and the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent. We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

#### IV. FINAL COMMENTS

##### Management Board's Statement

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) and the key certified auditor received a written statement of the Company's Management Board according to which the Company complied with applicable laws.

*[hand-written signature]*

Marek Turczyński  
Key certified auditor  
conducting the audit  
No. 90114

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

*[hand-written signature]*

Marek Turczyński, Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – a General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 14 March 2013