

## **Deloitte**

Deloitte Polska Spółka z ograniczoną  
odpowiedzialnością Sp. k.  
(formerly Deloitte Audyt Sp. z o.o.)  
with registered office in Warsaw  
Al. Jana Pawła II 19  
00-854 Warsaw  
Poland  
Tel.: +48 22 511 08 11, 511 08 12  
Fax: +48 22 511 08 13  
[www.deloitte.com/pl](http://www.deloitte.com/pl)

### **AUDITOR'S OPINION**

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

We have audited the attached consolidated financial statements of the ZUE S.A. Capital Group with ZUE S.A. with registered office in Cracow, ul. Czapińskiego 3, as the Parent Company, including consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Parent Company is responsible for the preparation of the consolidated financial statements and the report on activities of the Capital Group in line with applicable laws.

The Management Board of the Parent Company and members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on activities of the Capital Group 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 consolidated financial statements with the accounting principles (policy) adopted by the Capital Group 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 Capital Group.

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 consolidated 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 Parent Company and the subsidiaries, verification – largely on a test basis – of the bases for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

- present fairly and clearly the information material to evaluate the economic and financial position of the Capital Group 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 and secondary legislation to the Act; and
- comply with the laws applicable to the Capital Group which affect the contents of the consolidated financial statements.

The Capital Group 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 consolidated financial statements.

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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 CONSOLIDATED FINANCIAL STATEMENTS OF THE ZUE S.A. CAPITAL GROUP FOR THE FINANCIAL YEAR 2012**

## **I. GENERAL INFORMATION**

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

The Parent Company of the Capital Group 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 in Cracow XI Business Division of the National Court Register 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 Capital Group's equity amounted to PLN 188,352,712.16.

The Capital Group's financial year is the calendar year.

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.

Composition of the ZUE S.A. Capital Group as at 31 December 2012:

- Parent Company – ZUE S.A.; and
- subsidiaries:
  - Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.;
  - Biuro Inżynierskich Usług Projektowych Sp. z o.o.;
  - Railway Technology International Sp. z o.o.;
  - Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.; and
  - Railway Technology International Germany GmbH.

The consolidated financial statements as at 31 December 2012 included the following companies:

- a) Parent Company – ZUE S.A.

We have audited the financial statements of ZUE S.A., the Parent Company, for the period from 1 January to 31 December 2012. As a result of our audit, we issued an unqualified opinion on 14 March 2013.

- b) Companies subject to full consolidation:

<b>Name and registered office of the Company</b>	<b>Interest in the share capital (%)</b>	<b>Name of entity that audited the financial statements and type of opinion issued</b>	<b>Balance sheet date of the consolidated entity</b>	<b>Opinion date</b>
Przedsiębiorstwo Robót Komunikacyjnych S.A. in Cracow	87.18%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.)	31 Dec 2012	1 Mar 2013
Biuro Inżynierskich Usług Projektowych Sp. z	48.96%	No audit requirement	31 Dec 2012	n/a

o.o. in Cracow				
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	62.15%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.)	31 Dec 2012	Opinion has not been issued yet. Consolidation procedures completed.

The Parent Company preparing the consolidated financial statements did not simplify or alter consolidation principles in relation to the consolidated entities.

In the financial year, the following companies were included in consolidation:

- Biuro Inżynierskich Usług Projektowych Sp. z o.o.; and
- Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.

Impact of the decision on the consolidated financial statements:

- consolidated net profit increase by PLN 640.7 thousand; and
- balance sheet total increase by PLN 14,054.0 thousand.

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

The activities of the Capital Group in 2011 resulted in a net profit of PLN 21,664,868.06. The consolidated financial statements of the Capital Group 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.

The consolidated financial statements for the financial year 2011 were approved by the General Meeting held on 16 July 2012.

The consolidated 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 consolidated 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 consolidated 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 consolidated financial statements was conducted under the supervision of Marek Turczyński, key certified auditor (no. 90114) in the premises of the Parent 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 consolidated 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 Parent 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 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 consolidated financial statements of the ZUE S.A. Capital Group.

#### **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 Parent Company of 14 March 2013.

## II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

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

<u>Main items from the comprehensive income statement</u> <u>(PLN '000)</u>	<u>2012</u>	<u>2011</u>
Sales revenue	518,140	525,340
Operating expenses	512,516	498,902
Other operating income	3,950	3,327
Other operating expenses	5,704	1,070
Financial income	4,995	2,835
Financial expenses	4,241	4,206
Corporate income tax	1,198	5,660
Net profit (loss)	3,426	21,664
Total comprehensive income	3,426	21,664
<u>Profitability ratios</u>	<u>2012</u>	<u>2011</u>
– gross profit margin	4.3%	5%
– net profit margin	0.7%	4%
– net return on equity	2%	13%
<u>Effectiveness ratios</u>		
– assets turnover ratio	1.1	1.2
– receivables turnover in days	157	152
– liabilities turnover in days	101	102
– inventory turnover in days	14	9
<u>Liquidity/Net working capital</u>		
– debt ratio	59.8%	56.5%
– equity to fixed assets ratio	40.2%	43.5%
– net working capital (PLN '000)	70,346	92,165
– current ratio	1.3	1.5
– quick ratio	1.2	1.4

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

- drop in profitability ratios;
- drop in assets turnover ratio and liabilities turnover in days;
- increase in receivables turnover and inventory turnover in days;
- increase in debt ratio and drop in equity to fixed assets ratio; and
- drop in liquidity ratio.



### **III. DETAILED INFORMATION**

#### **1. Information about the audited consolidated financial statements**

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

- consolidated statement of financial position as at 31 December 2012 showing the balance sheet total of PLN 469,271,548.59;
- consolidated statement of comprehensive income for the period from 1 January 2012 to 31 December 2012 showing a net profit of PLN 3,425,546.89 and total comprehensive income of PLN 3,425,546.89;
- consolidated statement of changes in equity for the period from 1 January 2012 to 31 December 2012 showing an increase in equity of PLN 3,494,196.32;
- consolidated statement of cash flows for the period from 1 January 2012 to 31 December 2012 showing an increase in cash of PLN 21,355,560.59; 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 consolidated financial statements.

The audit covered the period from 1 January 2012 to 31 December 2012 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Company;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation; and
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

#### **2. Consolidation documentation**

The Parent Company presented the consolidation documentation including:

- 1) financial statements of entities included in the consolidated financial statements;
- 2) financial statements of subsidiaries adjusted to the accounting principles (policy) applicable during consolidation;
- 3) financial statements of subsidiaries translated into the Polish currency;
- 4) all consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements;
- 5) calculation of the fair value of the net assets of subsidiaries;
- 6) calculation of goodwill and negative goodwill as well as their write-downs, also due to impairment;
- 7) calculation of minority interest; and
- 8) calculation of exchange differences arising from translation of the financial statements of subsidiaries denominated in foreign currencies.

#### Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group for the financial year 2012 have been prepared in accordance with the International Financial Reporting Standards.

### Entities in the Capital Group

The scope and method of consolidation as well as the relationship between entities in the Capital Group have been determined based on the criteria specified in the International Financial Reporting Standards.

### Financial period

The consolidated financial statements have been prepared as at the same balance sheet date and for the same financial year as the financial statements of the Parent Company – ZUE S.A. Subsidiaries included in consolidation prepared their financial statements as at the same balance sheet date as the Parent Company. The financial year of all subsidiaries included in consolidation ended on 31 December 2012.

### Consolidation method

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent Company and the subsidiaries included in consolidation were summed up.

Once the values had been summed up, consolidation adjustments and eliminations were applied to:

- the cost of shares held by the Parent Company in subsidiaries and the part of net assets of subsidiaries corresponding to the interest of the Parent Company in these companies;
- mutual receivables and liabilities of entities included in consolidation; and
- material revenue and expenses concerning transactions between entities included in consolidation.

### **3. Completeness and correctness of drawing up notes and explanations and the Capital Group report on activities**

The Parent Company confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes to the consolidated financial statements give a correct and complete description of measurement principles regarding assets, liabilities, profit or loss and principles of preparation of the consolidated financial statements.

The Parent Company prepared notes in the form of tables to individual items of the consolidated statement of financial position and statement of comprehensive income as well as narrative descriptions in line with the requirement of IFRS.

Notes describing property, plant and equipment, intangible assets, investments, liabilities and provisions correctly present increases and decreases as well as their basis during the financial year.

Limitations imposed on individual assets disclosed in the consolidated statement of financial position arising from security granted to creditors have been described.

Individual assets and liabilities as well as revenue and expenses have been correctly presented by the Parent Company in the consolidated financial statements. The consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as notes which constitute an integral part of the financial statements contain all items required for disclosure in the consolidated financial statements under IFRS.

The Management Board prepared and supplemented the consolidated financial statements with the Capital Group 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 consolidated 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 Parent Company's Management Board according to which the Capital Group 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