

ZUE S.A.

Cracow

Chartered Auditor's Opinion

Report supplementing the opinion on the audit of the financial statements as at
31 December 2013

Roedl Audit Sp. z o.o.

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INDEPENDENT AUDITOR'S OPINION

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

We have audited the attached financial statements of the ZUE S.A. with registered office in Cracow, which comprise:

1. Statement of financial position as at 31.12.2013 showing the total assets and liabilities of PLN 390,169,123.86;
2. Statement of comprehensive income for the financial year 01.01.2013–31.12.2013 showing the total comprehensive income of PLN 7,632,651.59 and net profit of PLN 7,641,695.79;
3. Statement of changes in equity for the financial year 01.01.2013–31.12.2013 showing the increase in equity by PLN 22,043,489.80;
4. Statement of cash flows for the financial year 01.01.2013–31.12.2013 showing the increase in cash by PLN 39,402,192.10; and
5. Notes to the financial statements including information on accounting policies and other explanatory information.

The Management Board of ZUE S.A. 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 and Members of the Supervisory Board are obliged to ensure that the financial statements and the report on activities have met the requirements of the IAS/IFRS and the Polish Accountancy Act of 29 September 1994 (Journal of Laws of 2013, no. 47, item 330, as amended), hereinafter referred to as the "Accountancy Act". Our responsibility has been to audit and express an opinion on the compliance of the financial statements with the accounting principles (policy) and whether the financial statements give a true and fair view, in all material respects, of the financial and economic position as well as the profit or loss of the company, and on the correctness of the accounting records on the basis of which the financial statements have been prepared.

We have audited 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 has included, in particular, verification of the correctness of the accounting principles (policy) and significant 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 2013 as well as its profit or loss in the financial year from 1 January 2013 to 31 December 2013;
- 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 on the basis of properly maintained accounting records; and
- comply with the laws which affect the contents of the financial statements and the provisions of the company's articles of association.

Without qualifying our opinion, we inform that the financial statements this opinion refers to are the separate financial statements and should not be the only basis for the evaluation of the financial and economic position of the Company. Apart from the separate financial statements, the Company prepares the consolidated financial statements of the Capital Group.

We have read the report on activities for the period 01.01.2013-31.12.2013 prepared by the Management Board. We believe that the report contains the data compliant with the data presented in the financial statements, contains the 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.

Warsaw, 14 March 2014

Małgorzata Pietyszek

Auditor

Reg. no. 11931

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**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT
OF THE FINANCIAL STATEMENTS OF ZUE S.A.
AS AT 31 DECEMBER 2013**

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1. AUDIT COMMISSIONING AND PERFORMANCE

We have been commissioned by the Management Board of:

ZUE S.A.

Cracow, Poland,

hereinafter referred to as the Company, to audit the financial statements for the period 01.01.2013-31.12.2013 prepared on the basis of the accounting records and to prepare the report and opinion.

The audit has been carried out by Roedl Audit Sp. z o.o. of Warsaw, ul. Sienna 73, Gliwice Branch, entered on the list of entities authorized to audit financial statements under entry no. 2623. Małgorzata Pietyszek (reg. no. 11931) has been a key certified auditor managing the audit. Both the company and the auditor have met the requirements of Article 56.3 and Article 56.4 of the of the Polish Act on Auditors and Their Self-Government, Entities Authorized to Audit Financial Statements and Public Supervision to express an unbiased and independent opinion on the financial statements.

The audit agreement was concluded on 5 June 2013 with the Management Board of ZUE S.A. on the basis of the resolution passed by the Supervisory Board of ZUE S.A. on 14 May 2013.

The audit was conducted in December 2013 and February and March 2014 and completed on 14 March 2014.

The scope of the audit was not limited. Auditors were provided with any requested information and explanations. On 14 March 2014, the Management Board of ZUE S.A. confirmed in writing that the financial statements were complete. No significant violation of the law with an impact on the financial statements were found.

2. LEGAL STATUS

2.1 Basic details of the Company

Company name, legal form, registered office and national court register

The Company has been registered under the company name:

ZUE S.A.

with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register under entry no. 135388 according to the excerpt of 5 February 2014 (last entry of 31 January 2014).

The Company's registered office is located in Cracow, 30-048, ul. Kazimierza Czapińskiego 3.

Core business of the Company

The Company's core business is:

- construction of railways and underground railways;
- repair of urban and railway infrastructure;
- maintenance of urban infrastructure;
- design, construction, upgrade and repair of power works.

Share capital

The share capital of ZUE S.A. amounts to PLN 5,757,520.75 and is divided into 23,030,083 shares with a par value of PLN 0.25 each.

The share capital of ZUE S.A. was increased in the reporting period from PLN 5,500,000.00 to PLN 5,757,520.75; i.e. by PLN 257,520.75 through the issue of 1,030,083 new class C bearer shares with a par value of PLN 0.25 each.

The share capital was increased as a result of the merger of ZUE S.A. with registered office in Cracow with Przedsiębiorstwo Robót Komunikacyjnych S.A. with registered office in Cracow effected on 20 December 2013 on the basis of the resolution passed by the Extraordinary General Meeting of ZUE S.A. on 6 December 2013.

The Company shares are held by:

	PLN	%
Wiesław Nowak	3,600,080.00	62.53
Amplico OFE	365,414.75	6.35
PKO BP Bankowy OFE	281,536.00	4.89
Other	1,510,490.00	26.23
	5,757,520.75	100.00

No changes to the shareholding structure of the Company occurred between the end of the reporting period and the end of the audit.

2.2 Governing bodies of the Company

The Management Board and representatives of the Company

Composition of the Management Board in the reporting period:

- Mr. Wiesław Nowak – Management Board President
- Mr. Marcin Wiśniewski – Management Board Vice-President
- Mr. Jerzy Czeremuga – Management Board Vice-President
- Mr. Maciej Nowak – Management Board Vice-President
- Ms. Anna Mroczek – Management Board Member (as of 24 December 2013).

President of the Management Board or two Members of the Management Board acting jointly or a Member of the Management Board with the Proxy are authorised to represent the Company.

No changes to the composition of the Management Board occurred between the end of the reporting period and the end of the audit.

On 9 January 2014, the Supervisory Board of the Company resolved to appoint Mr. Arkadiusz Wierciński as Member of the Management Board of ZUE S.A. as of 9 January 2014.

On 9 January 2014, the Supervisory Board of the Company resolved to dismiss Mr. Maciej Nowak from the position of the Vice-President of the Management Board of ZUE S.A. and to appoint him as Member of the Management Board of ZUE S.A.

2.3 Details for statistical and tax purposes

2.3.1 Statistical number (*REGON*)

The following statistical number has been assigned to the Company by the Statistical Office in Cracow:

356578200

2.3.2. Tax identification number (*NIP*)

The following tax identification number has been assigned to the Company by the Revenue Office in Cracow:

679-27-40-329

2.4 Financial statements for 2012

The financial statements for 2012 were audited by Deloitte Polska Sp. z o.o. Sp.k. An unqualified opinion was expressed on the audited financial statements.

The financial statements were approved of under the resolution of the General Meeting of 27 May 2013.

The General Meeting decided to cover a loss of PLN 1,282,892.38 from reserve funds.

The reviewed financial statements were submitted to the Revenue Office on 6 June 2013 and to the District Court on 7 June 2013.

3. FINANCIAL ANALYSIS

Since the data is presented in the financial statements in PLN '000 and the numbers are rounded, certain items may not sum up to the amounts disclosed therein.

The financial statements for the financial year 2013 are the first financial statements prepared after the merger of ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych S.A. effected on 20 December 2013. The statement of financial position presents financial data of the merged companies at 31.12.2013 and the statement of comprehensive income contains the profit or loss of PRK S.A. for 12 months.

Below please find the basic items of the statement of financial position and the statement of comprehensive income and the profit or loss of ZUE S.A. and its economic and financial position compared to the analogous items of the prior year. The data for the prior financial year comes from the financial statements of ZUE S.A. (the parent company) as at 31.12.2012. This is the main reason for highly dynamic changes in certain items that occurred on a year-on-year basis.

Statement of financial position

	31.12.2013 PLN '000	%	31.12.2012 PLN '000	%	31.12.2011 PLN '000	%
Property, plant and equipment	64,166	16.4	24,139	7.0	27,022	7.8
Investment property	8,660	2.2	0	0.0	0	0.0
Intangible assets	11,223	2.9	1,628	0.5	1,616	0.5
Goodwill	31,172	8.0	0	0.0	0	0.0
Investments in subsidiaries	3,100	0.8	80,605	23.5	78,956	22.9
Long-term receivables	0	0.0	37,957	11.1	0	0.0
Retentions on construction contracts	1,644	0.4	53	0.0	3,176	0.9
Deferred tax assets	21,915	5.6	12,413	3.6	14,573	4.2
Other assets	27	0.0	0	0.0	236	0.1
Non-current assets	141,907	36.4	156,795	45.8	125,579	36.5
Inventories	18,010	4.6	16,548	4.8	18,019	5.2
Trade and other receivables	171,696	44.0	152,704	44.6	178,243	51.8
Retentions on construction contracts	5,219	1.3	3,644	1.1	298	0.1
Other assets	1,938	0.5	1,856	0.5	2,471	0.7
Loans advanced	1,754	0.4	785	0.2	44	0.0
Cash and cash equivalents	49,645	12.7	10,231	3.0	19,724	5.7
Current assets	248,262	63.6	185,768	54.2	218,799	63.5
Assets	390,169	100.0	342,563	100.0	344,378	100.0

Statement of financial position

	31.12.2013 PLN '000	%	31.12.2012 PLN '000	%	31.12.2011 PLN '000	%
Share capital	5,757	1.5	5,500	1.6	5,000	1.6
Share premium account	93,837	24.1	85,360	24.9	85,360	24.8
Retained earnings	92,841	23.8	79,531	23.2	81,834	23.8
Equity	192,435	49.3	170,391	49.7	172,694	50.1
Long-term bank borrowings and other debt instruments	9,551	2.4	22,840	6.7	2,841	0.8
Retentions on construction contracts	8,958	2.3	3,046	0.9	3,543	1.0
Liabilities under employee benefits	705	0.2	128	0.0	133	0.0
Deferred tax liabilities	19,959	5.1	14,121	4.1	16,413	4.8
Long-term provisions	6,637	1.7	2,097	0.6	4,077	1.2
Non-current liabilities	45,810	11.7	42,232	12.4	27,006	7.8
Trade and other payables	88,318	22.6	80,913	23.6	89,101	25.9
Retentions on construction contracts	6,630	1.7	7,134	2.1	1,950	0.6
Short-term bank borrowings and other debt instruments	40,377	10.3	39,133	11.4	46,202	13.4
Liabilities under employee benefits	7,321	1.9	2,345	0.7	2,311	0.7
Current tax liabilities	2,943	0.8	0	0.0	3,460	1.0
Short-term provisions	6,335	1.6	415	0.1	1,654	0.5
Current liabilities	151,924	38.9	129,940	37.9	144,678	42.1
Equity and liabilities	390,169	100.0	342,563	100.0	344,378	100.0

Statement of comprehensive income

	2013	%	2012	%	2011	%
	PLN '000		PLN '000		PLN '000	
Revenue	402,796	100.0	328,247	100.0	397,740	100.0
Cost of sales	379,045	94.1	319,731	97.4	363,210	91.3
Gross profit (loss) on sales	23,751	5.9	8,516	2.6	34,530	8.7
General and administrative expenses	17,867	4.4	10,993	3.3	11,093	2.8
Other operating income	5,328	1.3	1,436	0.4	2,729	0.7
Other operating expenses	2,958	0.7	1,111	0.3	369	0.1
Profit (loss) on operating activities	8,254	2.0	-2,152	-0.7	25,797	6.5
Financial income	3,417	0.8	3,222	1.0	1,393	0.4
Financial expenses	2,238	0.6	3,506	1.1	3,294	0.8
Pre-tax profit (loss)	9,433	2.3	-2,436	-0.7	23,896	6.0
Corporate income tax	1,791	0.4	-132	0.0	5,178	1.3
Net profit (loss) on activities	7,642	1.9	-2,304	-0.7	18,718	4.7
Net profit (loss)	7,642	1.9	-2,304	-0.7	18,718	4.7
Other comprehensive net income	-9	0.0	0	0.0	0	0.0
Total comprehensive income	7,633	1.9	-2,304	-0.7	18,718	4.7

Ratios

		2013	2012	2011
Total assets and liabilities	PLN '000	390,169	342,563	344,378
Net profit	PLN '000	7,633	-2,304	18,718

Margins

			2013	2012	2011
ROA	Net profit / assets	%	2.0	-0.7	5.4
Net margin	Net profit / revenue	%	1.9	-0.7	4.7
Gross margin	Gross profit / revenue	%	5.9	2.6	8.7
ROE	Net profit / equity	%	4.0	-1.4	12.2

Debt

Debt ratio	Liabilities / assets	%	0.5	0.5	0.5
Equity to non-current assets	Equity + non-current liabilities / non-current assets	%	1.7	1.4	1.6

Liquidity

I degree	Current assets / current liabilities		1.6	1.4	1.5
II degree	Current assets – inventory / current liabilities		1.5	1.3	1.4
III degree	Cash and cash equivalents / current liabilities		0.3	0.1	0.1
	Equity, provisions and non-current liabilities / total equity and liabilities	%	0.6	0.6	0.6

Effectiveness ratios

Receivables turnover	Trade receivables / revenue	days	147	184	168
Liabilities turnover	Trade payables / cost of sales	days	81	97	45
Inventory turnover	Inventories / cost of sales	days	17	20	11

4. ACCOUNTING SYSTEM EVALUATION

Business transactions have been properly recorded. Entries in the accounting records are complete, correct and properly linked to invoices or other source documents.

The accounting records are maintained in a reliable, correct and verifiable manner using a computer technique (Microsoft Dynamics AX 5.0 software). The Company uses sufficient methods of protecting its data against unauthorised access and the processing thereof.

An inventory of assets and liabilities has been taken according to the Accountancy Act. Its results have been properly settled and disclosed in the accounting records. The statutory frequency has been observed.

The accounting records are maintained and kept in the Company's registered office in line with Chapter 8 of the Act.

5. NOTES TO OTHER ELEMENTS OF THE COMPANY'S STATEMENT OF FINANCIAL POSITION AND THE REPORT ON ACTIVITIES

1. Statement of changes in equity

Statement of changes in equity has been properly prepared in line with Articles 48a of the Accountancy Act and the requirements of the International Accounting Standards and the International Financial Reporting Standards.

2. Statement of cash flows

Statement of cash flows has been properly prepared. It is linked to the statement of financial position, statement of comprehensive income and the accounting records.

3. Notes and explanations

Notes and explanations meet the requirements of the International Accounting Standards and the International Financial Reporting Standards.

4. Report on activities

Report on activities contains the data compliant with the data presented in the financial statements, contains the 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.

FINAL COMMENTS

On the basis of the audit of the accounting records of ZUE S.A. with registered office in Cracow, we certify that:

1. The financial statements for the financial year 2013 have been correctly prepared and the data contained in the financial statements is compliant with the relevant items of the accounting records;
2. The consistency principle has been observed;
3. The financial statements have been signed by authorised people; and
4. No events in breach of the law have occurred.

The result of the audit of the Company's financial statements for the financial year 2013 has been presented by the chartered auditor in her opinion.

An unqualified opinion has been issued.

The report contains 18 pages.

Warsaw, 14 March 2014

Małgorzata Pietyszek

Auditor

Reg. no. 11931

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