

ZUE CAPITAL GROUP

Cracow

Chartered Auditor's Opinion

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

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INDEPENDENT AUDITOR'S OPINION

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

We have audited the attached consolidated financial statements of the ZUE Capital Group with ZUE S.A. with registered office in Cracow as the Group's parent company, which comprise:

1. Consolidated statement of financial position as at 31.12.2013 showing the total assets and liabilities of PLN 398,906,989.85;
2. Consolidated statement of comprehensive income for the financial year 01.01.2013–31.12.2013 showing the total comprehensive income of PLN 5,597,954.04 and net profit of PLN 5,606,998.24;
3. Consolidated statement of changes in equity for the financial year 01.01.2013–31.12.2013 showing the increase in equity by PLN 3,228,396.55;
4. Consolidated statement of cash flows for the financial year 01.01.2013–31.12.2013 showing the decrease in cash by PLN 20,043,178.37; and
5. Notes to the consolidated 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 consolidated financial statements and the report on activities of the capital group in line with applicable laws. The Management Board and Members of the Supervisory Board of ZUE S.A. are obliged to ensure that the consolidated financial statements and the report on activities of the ZUE Capital Group have met the requirements of the IAS/IFRS and the Polish Accountancy Act of 29 September 1994 (Journal of Laws of 2013, 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 consolidated financial statements with the accounting principles (policy) adopted by the ZUE Capital Group 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 ZUE Capital Group.

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 consolidated 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) 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 ZUE Capital Group 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
- comply with the laws applicable to the ZUE Capital Group which affect the contents of the consolidated financial statements.

Without qualifying our opinion, we inform that the financial statements of Biuro Usług Projektowych Sp. z o.o., a subsidiary whose share in the Group's total assets and liabilities and revenue is less than 1%, have not been audited by a chartered auditor. This complies with the provisions of Article 64 of the Polish Accountancy Act.

We have read the Capital Group report on activities for the period 01.01.2013-31.12.2013 prepared by the Management Board of the parent. 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 (Dz.U. no. 33, item 259, as amended) and consistent with underlying information disclosed in the audited financial statements.

Warsaw, 14 March 2014

Małgorzata Pietyszuk

Auditor

Reg. no. 11931

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**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT OF THE
CONSOLIDATED FINANCIAL STATEMENTS 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 Parent Company, to audit the consolidated financial statements for the period 01.01.2013-31.12.2013 prepared on the basis of the financial statements of related entities 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 Pietyszuk (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 consolidated financial statements were complete and contained all the contingent liabilities, and informed of major events that occurred between 31 December 2013 and the date the statement was made.

2. LEGAL STATUS

2.1 Basic details of the ZUE Capital Group

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

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

Core business of the Parent Company

The Parent 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.

Financial year and the end of reporting period of the ZUE Capital Group

The Capital Group uses a calendar year as its financial year. The end of a reporting period of the ZUE Capital Group coincides with the end of a reporting period of the related entities.

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 (the Parent Company) 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.

At 31 December 2013, the shareholders of the Patent Company included:

	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
	<u>5,757,520.75</u>	<u>100.00</u>

No changes to the shareholding structure of the ZUE Capital Group occurred between the end of the reporting period and the end of the audit.

2.2 Governing bodies of the Parent Company

The Management Board and representatives of the Parent 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 Parent 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 Parent 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 Parent 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 Equity links at the ZUE Capital Group

At 31 December 2013, the ZUE Capital Group was composed of ZUE S.A. (the Parent Company) and the following subsidiaries:

- Biuro Inżynierskich Usług Projektowych Sp. z o.o.;
- Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.;
- Railway Technology International Sp. z o.o.; and
- Railway Technology International Germany GmbH.

The Parent Company holds the following shares in the following companies:

	Number of shares	Interest (%)
Biuro Inżynierskich Usług Projektowych Sp. z o.o.	190	48.97
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	2880	84.26
Railway Technology International Sp. z o.o.	510	51.00

Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. The company is an indirect subsidiary of ZUE S.A.

At the end of the reporting period, Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. held a 49.05% interest in Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji. On 30 December 2013, BPK Poznań lost control of BPK Gdańsk following the sale of a portion of shares. At 31 December 2013, Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji was an associate of ZUE S.A.

Companies covered by the consolidated financial statements of the ZUE Capital Group.

The following companies are covered by the consolidated financial statements of the ZUE Capital Group:

Company	Registered office	Consolidation method	Auditing entity	Type of opinion
ZUE S.A.	Cracow	Parent company	Roedl Audit Sp. z o.o.	Unqualified with a note*
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	Full	Deloitte Polska Sp. z o.o. Sp.k.	Unqualified with a note**
Biuro Inżynierskich Usług Projektowych Sp. z o.o.	Cracow	Full	No audit of the financial statements according to Article 64 of the Accountancy Act	-
Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji	Gdańsk	Equity		-

*Note to the opinion on the audit of ZUE S.A. expressed by Roedl Audit Sp. z o.o. concerned the fact that the audited financial statements were the separate financial statements and could not be the only basis for the evaluation of the financial and economic position of the Parent Company. Apart from the separate financial statements, the Company prepared the consolidated financial statements of the Capital Group.

**Note to the opinion on the audit of Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. expressed by Deloitte Polska Sp. z o.o. Sp.k. concerned the following issues:

1. At 31 December 2013, the Company's current liabilities exceeded the Company's current assets by PLN 477,291.02 and the Company's operation could be conditional upon the proceeds from the both intended and performed contracts, further financial support offered by the related entities within the Group or external financing. According to the note no. 3.1 of the Notes, the Management Board of the Company prepared the financial statements on the assumption that the Company would continue as a going concern referring to the plans and paths of development in 2014 and subsequent years. The attached financial statements did not contain any adjustments to the measurement or qualification of assets and liabilities that would be necessary if the Company were no longer able to continue its operation.

2. At 31 December 2013, the retained earnings exceeded half of the share capital. Pursuant to Article 233.1 of the Polish Companies Act, the Management Board of the Company was obliged to promptly convene the shareholders meeting to pass a resolution on the continued existence of the Company. No such resolution was adopted by the date of the opinion.

3. On 27 September 2013, the Management Board of the Company resolved to accept the plan of merger of Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. ("BPK" as the Acquired Company) and Biuro Inżynieryjnych Usług Projektowych Sp. z o.o. ("BIUP" as the Acquiring Company). The plan of merger was audited by the chartered auditor who expressed her opinion on its accuracy and reliability on 30 December 2013. Following the merger, the Management Boards of the merging companies intend to continue the operation in subsequent years under the name of the Acquiring Company; i.e. Biuro Inżynieryjnych Usług Projektowych Sp. z o.o. At the date of the opinion, no resolution on the merger of Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Biuro Inżynieryjnych Usług Projektowych Sp. z o.o. was passed by the Extraordinary Shareholders Meeting of Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.

Given an insignificant impact on the consolidated financial statements, Railway Technology International and Railway Technology International Germany GmbH (the subsidiaries) were not consolidated at 31 December 2013.

2.4 Merger of ZUE and PRK

On 15 July 2013, the Management Board of the Company decided about the merger of ZUE and PRK. On 6 December 2013, the Extraordinary General Meeting of ZUE resolved under the resolution no. 4 to merge ZUE with PRK. The merger took place on 20 December 2013 by registering the transaction with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register. The consolidated financial statements for the financial year 2013 were the

first annual report prepared after the merger of ZUE with Przedsiębiorstwo Robót Komunikacyjnych S.A. effected on 20 December 2013.

At the end of the prior reporting period, PRK S.A. was a subsidiary of ZUE S.A. included in the consolidated financial statements. The control of PRK S.A. was taken in 2010. The goodwill and the fair value of net assets were measured on the control taking date in 2010. Changes in interests resulting from the merger were accounted for as changes in equity.

2.5 Details for statistical and tax purposes

2.5.1 Statistical number (*REGON*)

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

356578200

2.5.2 Tax identification number (*NIP*)

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

679-27-40-329

2.6 Consolidated financial statements for 2012

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

The reviewed consolidated financial statements were submitted 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.

Statement of financial position

	31.12.2013 PLN '000	%	31.12.2012 PLN '000	%	31.12.2011 PLN '000	%
Property, plant and equipment	68,980	17.3	66,142	14.1	62,858	14.7
Investment property	8,660	2.2	9,009	1.9	9,351	2.2
Intangible assets	12,202	3.1	11,381	2.4	10,613	2.5
Goodwill	32,646	8.2	32,646	7.0	31,172	7.3
Investments in non-consolidated subsidiaries	28	0.0	28	0.0	0	0.0
Advance payments for investments in subsidiaries	0	0.0	0	0.0	661	0.2
Long-term receivables	0	0.0	37,957	8.1	0	0.0
Retentions on construction contracts	2,311	0.6	1,393	0.3	3,179	0.7
Deferred tax assets	22,392	5.6	21,963	4.7	18,293	4.3
Other assets	152	0.0	239	0.1	617	0.1
Non-current assets	147,370	36.9	180,758	38.6	136,744	32.1
Inventories	18,011	4.5	20,328	4.3	18,726	4.4
Trade and other receivables	175,821	44.1	190,328	40.6	216,549	50.8
Retentions on construction contracts	5,538	1.4	3,677	0.8	299	0.1
Current tax assets	43	0.0	585	0.1	434	0.1
Other assets	2,286	0.6	2,711	0.6	3,083	0.7
Loans advanced	109	0.0	103	0.0	44	0.0
Cash and cash equivalents	49,729	12.5	69,761	14.9	48,392	11.3
Assets held for sale	0	0.0	0	0.0	2,200	0.5
Current assets	251,537	63.1	287,493	61.4	289,728	67.9
Assets	398,907	100.0	468,251	100.0	426,472	100.0

Statement of financial position

	31.12.2013 PLN '000	%	31.12.2012 PLN '000	%	31.12.2011 PLN '000	%
Share capital	5,758	1.4	5,500	1.2	5,500	1.3
Share premium account	93,837	23.5	85,361	18.2	85,361	20.0
Retained earnings	91,802	23.0	87,804	18.8	85,551	20.1
Equity attributable to shareholders of ZUE	191,397	48.0	178,665	38.2	176,412	41.4
Equity attributable to non-controlling interests	-342	-0.1	9,161	2.0	8,941	2.1
Equity	191,055	47.9	187,826	40.1	185,353	43.5
Long-term bank borrowings and other debt instruments	9,765	2.4	25,090	5.4	5,271	1.2
Retentions on construction contracts	8,969	2.2	4,464	1.0	4,174	1.0
Other financial liabilities	1,470	0.4	1,750	0.4	0	0.0
Liabilities under employee benefits	2,511	0.6	2,324	0.5	2,259	0.5
Deferred tax liabilities	21,347	5.4	23,276	5.0	24,419	5.7
Long-term provisions	6,643	1.7	5,353	1.1	7,434	1.7
Non-current liabilities	50,705	12.7	62,257	13.4	43,557	10.2
Trade and other payables	91,206	22.9	151,652	32.4	132,494	31.1
Retentions on construction contracts	6,793	1.7	8,201	1.8	3,715	0.9
Short-term bank borrowings and other debt instruments	40,570	10.2	41,185	8.8	48,515	11.4
Other financial liabilities	280	0.1	280	0.1	0	0.0
Liabilities under employee benefits	8,044	2.0	8,500	1.8	5,693	1.3
Current tax liabilities	3,037	0.8	124	0.0	3,460	0.8
Short-term provisions	7,217	1.8	8,226	1.8	3,685	0.9
Current liabilities	157,147	39.4	218,168	46.6	197,562	46.4
Equity and liabilities	398,907	100.0	468,251	100.0	426,472	100.0

Statement of comprehensive income

	2013	%	2012	%	2011	%
	PLN '000		PLN '000		PLN '000	
Revenue	410,547	100.0	518,140	100.0	525,341	100.0
Cost of sales	387,852	94.5	495,932	95.7	480,505	91.5
Gross profit (loss) on sales	22,695	5.5	22,208	4.3	44,836	8.5
General and administrative expenses	19,735	4.8	17,605	3.4	18,398	3.5
Other operating income	8,357	2.0	3,950	0.8	3,327	0.6
Other operating expenses	7,291	1.8	5,704	1.2	1,070	0.2
Loss of control of subsidiary	2,951	0.7	0	0.0	0	0.0
Profit (loss) on operating activities	6,977	1.7	2,849	0.5	28,695	5.5
Financial income	3,353	0.8	4,995	1.0	2,836	0.5
Financial expenses	2,857	0.7	4,240	0.8	4,207	0.8
Pre-tax profit (loss)	7,473	1.8	3,603	0.7	27,324	5.2
Corporate income tax	1,866	0.5	1,198	0.2	5,660	1.1
Net profit (loss) on activities	5,607	1.4	2,405	0.5	21,664	4.1
Net profit (loss)	5,607	1.4	2,405	0.5	21,664	4.1
Other comprehensive income	-9	0.0	0	0.0	0	0.0
Total comprehensive income	5,598	1.4	2,405	0.5	21,664	4.1

Ratios

		2013	2012	2011
Total assets and liabilities	PLN '000	398,907	468,251	426,472
Net profit	PLN '000	5,607	2,405	21,664

Margins

			2013	2012	2011
ROA	Net profit / assets	%	1.4	0.5	5.1
Net margin	Net profit / revenue	%	1.4	0.5	4.1
Gross margin	Gross profit / revenue	%	5.5	4.3	8.5
ROE	Net profit / equity	%	2.9	1.3	13.2

Debt

Debt ratio	Liabilities / assets	%	0.6	0.6	0.6
Equity to non-current assets	Equity + non-current liabilities / non-current assets	%	1.6	1.4	1.7

Liquidity

I degree	Current assets / current liabilities		1.6	1.3	1.5
II degree	Current assets – inventory / current liabilities		1.5	1.2	1.4
III degree	Cash and cash equivalents / current liabilities		0.3	0.3	0.2
	Equity, provisions and non-current liabilities / total equity and liabilities	%	0.6	0.5	0.5

Effectiveness ratios

Receivables turnover	Trade receivables / revenue	days	163	143	140
Liabilities turnover	Trade payables / cost of sales	days	114	105	94
Inventory turnover	Inventories / cost of sales	days	18	14	8

5. COMPLETENESS AND CORRECTNESS OF OTHER ELEMENTS OF THE CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENTS AND THE REPORT ON ACTIVITIES

1. Notes and explanations

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

2. Consolidation documentation

During the audit, we did not find any consolidation documentation irregularities likely to have a significant influence on the consolidated financial statements, including any failure to meet the requirements the consolidation documentation should comply with (including in particular the exclusions of consolidation adjustments).

FINAL COMMENTS

On the basis of the audit of the consolidated financial statements of the ZUE Capital Group with registered office of the Parent Company in Cracow, we certify that:

1. The consolidated financial statements for the financial year 2013 have been correctly prepared;
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 Group's consolidated 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 19 pages.

Warsaw, 14 March 2014

Małgorzata Pietyszuk

Auditor

Reg. no. 11931

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