

ZUE CAPITAL GROUP

ZUE CAPITAL GROUP
UL. CZAPIŃSKIEGO 3, CRACOW
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR 2015
WITH AUDITOR'S OPINION AND REPORT

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 2015

1. Consolidated statement of financial position.
2. Consolidated statement of comprehensive income.
3. Consolidated statement of changes in equity.
4. Consolidated statement of cash flows.
5. Notes to the financial statements including information on accounting principles and other explanatory information.

CAPITAL GROUP REPORT ON ACTIVITIES FOR THE FINANCIAL YEAR 2015

Deloitte

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AUDITOR'S OPINION

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

We have audited the attached consolidated financial statements of the ZUE Capital Group (hereinafter referred to as the "Capital Group") whose parent company is ZUE S.A. (hereinafter referred to as the "Parent Company") with the registered office in Cracow, ul. Czapińskiego 3, including consolidated statement of financial position as at 31 December 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2015 to 31 December 2015 and notes to the financial statements including information on accounting principles 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 set out in 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 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 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 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 Capital Group as at 31 December 2015 as well as its profit or loss in the financial year from 1 January 2015 to 31 December 2015;

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- 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 Parent Company and Capital Group companies which affect the contents of the consolidated financial statements.

The Capital Group report on activities for the financial year 2015 is complete within the meaning of Article 49.2 of the Accountancy Act and the Regulation of 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 (Journal of Laws of 2014, item 133) 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. – 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. – General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 10 March 2016

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR 2015

I. GENERAL INFORMATION

1. Details of the audited Parent Company

The Parent Company of the Capital Group (hereinafter referred to as the “Parent Company”) operates under the company name ZUE S.A. The Company’s registered office is located in Cracow, ul. Czapieńskiego 3.

The Parent Company operates as a public limited company. The Parent Company has been entered into the Register of Entrepreneurs kept by the District Court in Cracow XI Commercial Division of the National Court Register under KRS number 0000135388.

The Parent Company operates pursuant to the Polish Companies Act.

The share capital of the Parent Company as at 31 December 2015 amounted to PLN 5,757,520.75 and was divided into 23,030,083 ordinary shares with a par value of PLN 0.25 each.

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

- Wiesław Nowak – Management Board President
- Marcin Wiśniewski – Management Board Vice-President
- Jerzy Czeremuga – Management Board Vice-President
- Maciej Nowak – Management Board Member
- Anna Mroczek – Management Board Member.

The following changes to the composition of the Parent Company’s Management Board occurred in the period under analysis and by the date of the opinion:

- On 29 July 2015, the Supervisory Board passed a resolution concerning the expiry on 31 July 2015 of the term of Mr. Arkadiusz Wierciński who resigned from the position of the Management Board Member.

2. Structure of the Capital Group

The consolidated financial statements as at 31 December 2015 included the following companies:

a) Parent Company – ZUE S.A.

We have audited the financial statements of the Parent Company for the period from 1 January to 31 December 2015. As a result of our audit, we issued an unqualified opinion on 10 March 2016.

b) Companies subject to full consolidation:

Name and registered office of the Company	Interest in the share capital (%)	Entity that audited the financial statements and type of opinion	The end of the reporting period
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	100%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – opinion has not been issued	31 Dec 2015

		yet.	
Railway gft Polska Sp. z o.o.	70%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – opinion has not been issued yet.	31 Dec 2015

In the financial year under audit, Railway gft Polska Sp. z o.o. was included by the Parent Company in consolidation after it had acquired a 70% interest in the Parent Company's share capital. In the period under analysis, Biuro Inżynierskich Usług Projektowych Sp. z o.o. merged with Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. emerged as a result of the merger.

The consolidated financial statement recognises gain on bargain purchase of Railway gft Polska Sp. z o.o. of PLN 82.5 thousand.

3. Information about the consolidated financial statements for the prior financial year

The Group ended its activities in 2014 with a net profit of PLN 10,658,591.82. The consolidated financial statements of the Capital Group for 2014 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. On 12 March 2015, the certified auditor issued an unqualified opinion on the financial statements.

The consolidated financial statements for the financial year 2014 were approved by the General Meeting held on 18 June 2015.

The consolidated financial statements for the financial year 2014 were submitted to the National Court Register (KRS) on 26 June 2015.

4. Details of the authorized entity and the key certified auditor acting on its behalf

The auditor was appointed by the Supervisory Board. The audit of the consolidated financial statements was performed based on the agreement of 28 July 2014 between the Parent Company and 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 9-18 December 2015, 15-26 February 2016 and outside the Company's premises until the date of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and 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 Capital Group.

5. Availability of data and representations by the Parent Company's management

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 10 March 2016.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items of the consolidated profit or loss, consolidated statement of financial position and financial ratios describing the financial performance of the Capital Group and its economic and financial position compared to the analogous figures of 2014.

The financial data and financial ratios for 2014 have changed when compared with Deloitte's Report for 2014 because deferred tax assets and liabilities are now presented by the Company according to their netted balance.

<u>Main items of profit or loss</u> <u>(PLN '000)</u>	<u>2015</u>	<u>2014</u>
Revenue	542,122	644,131
Operating expenses	516,677	627,583
Profit (loss) on operating activities (excluding other operating income and expenses)	25,445	16,547
Net profit (loss)	17,470	10,659
<u>Main items of statement of financial position</u> <u>(PLN '000)</u>		
Inventory	25,859	17,921
Trade and receivables	77,839	180,429
Current assets	282,224	275,206
Total assets	423,545	410,694
Equity	216,344	201,450
Current liabilities (including short-term provisions and accruals)	177,998	182,200
Trade payables	117,730	132,587
Total liabilities	207,200	209,244
<u>Profitability and performance indicators</u>	<u>2015</u>	<u>2014</u>
– Return on sales	5%	3%
– Net return on equity	9%	6%
– Total asset turnover	1.28%	1.57%
– Debtor days	86	100
– Creditor days	87	64
– Days sales of inventory	15	10
<u>Liquidity/Net working capital</u>		
– Debt ratio	49%	51%
– Equity to assets ratio	51%	49%
– Net working capital (PLN '000)	104,226	93,006
– Current ratio	1.59	1.51
– Quick ratio	1.44	1.41

An analysis of the above figures and ratios indicated the following trends in 2015:

- increase in return on sales and net return on equity;
- decrease in total assets turnover;
- decrease in debtor days;
- increase in creditor days and days sales of inventory;
- decrease in debt ratio;

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- increase in equity to assets ratio;
- increase in net working capital; and
- increase in current and quick ratios.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2015 and include:

- consolidated statement of financial position as at 31 December 2015 showing the balance sheet total of PLN 423,544,511.44;
- consolidated statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 showing a net profit of PLN 17,469,984.08 and total comprehensive income of PLN 17,458,406.98;
- consolidated statement of changes in equity for the period from 1 January 2015 to 31 December 2015 showing an increase in equity of PLN 14,893,921.80;
- consolidated statement of cash flows for the period from 1 January 2015 to 31 December 2015 showing an increase in cash of PLN 100,928,848.54; and
- notes to the financial statements including information on accounting principles and other explanatory information.

The audit covered the period from 1 January 2015 to 31 December 2015 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 gain from a bargain purchase as well as impairment of goodwill;
- 7) calculation of non-controlling interests; and
- 8) calculation of foreign exchange gains/losses arising from translation of the financial statements of subsidiaries denominated in foreign currencies.

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.

The following companies were excluded from consolidation in the financial year under analysis:

- Railway Technology International Sp. z o.o. (subsidiary – 51% of shares);
- Railway Technology International Germany GmbH (subsidiary of RTI – 100% of shares).

The decision did not have any significant impact on the consolidated financial statements.

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 contain important rules governing the measurement of assets and liabilities, profit or loss and principles of preparation of the consolidated financial statements.

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

The Capital Group report on activities in the financial year 2015 has been prepared by the Management Board of the Parent Company and attached to the consolidated financial statements. The report contains information required under Article 49.2 of the Accountancy Act and the Regulation of 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 (Journal of Laws of 2014, item 133). We have audited the report with respect to the disclosed information derived directly from the audited consolidated financial statements.

IV. COMMENTS

Management Board's Statement

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. 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.

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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. – 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. – General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 10 March 2016