



KRUK S.A.

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2011**

The opinion contains 2 pages
The report supplementing the auditor's opinion
contains 10 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2011

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of KRUK S.A.

We have audited the accompanying separate financial statements of KRUK S.A., seated in Wrocław, ul. Legnicka 56 (“the Company”), which comprise the separate statement of financial position as at 31 December 2011, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management’s and Supervisory Board’s Responsibility for the Financial Statements

Management of the Company is responsible for the correctness of the accounting records and the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, as adopted by European Union and with other applicable regulations and preparation of the Report on the Company’s activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) (“the Accounting Act”), Management of the Company and members of the Supervisory Board are required to ensure that the separate financial statements and the Report on the Company’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility, based on our audit, is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements of KRUK S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2011 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Other Matters

As required under the Accounting Act, we also report that the Report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original

.....
Certified Auditor No. 90100
Karol Wolniakowski

Signed on the Polish original

.....
Certified Auditor No. 10615
Limited Liability Partner with power of
attorney
Janusz Charytonowicz

Wrocław, 14 March 2012



KRUK S.A.

Report supplementing
the auditor's opinion
on the separate financial
statements
Financial Year ended
31 December 2011

The report supplementing the auditor's opinion
contains 10 pages
Report supplementing the auditor's opinion
on the separate financial statements
for the financial year ended
31 December 2011



KRUK S.A.

*Report supplementing the opinion on the financial statements
for the financial year ended 31 December 2011*

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1. General

1.1. General information about the Company

1.1.1. Company name

KRUK Spółka Akcyjna (“the Company”)

1.1.2. Registered office

ul. Legnicka 56,
54-204 Wrocław

1.1.3. Registration in the National Court Register

Registration court: District Court in Wrocław for Wrocław-Fabryczna,
VI Commercial Department of the National Court Register

Date: 7th September 2005

Registration number: KRS0000240829

Share capital as at balance
sheet date: PLN 16,900,340

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2011, the Management Board of the Company was comprised of the following members:

- Piotr Krupa - President of the Management Board
- Rafał Janiak - Member of the Management Board,
- Agnieszka Kułton - Member of the Management Board,
- Urszula Okarma - Member of the Management Board,
- Iwona Słomska - Member of the Management Board,
- Michał Zasępa - Member of the Management Board.

1.2. Auditor information

1.2.1 Key certified auditor information

Name and surname: Janusz Charytonowicz
Registration number: 10615

Name and surname: Karol Wolniakowski
Registration number: 90100

1.2.2 Audit firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City Warsaw in Warsaw,
XII Commercial Department of the National Court Register
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms under number 3546.

1.3. Prior period financial statements

The separate financial statements for the period ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 17 March 2011 where it was resolved to allocate the profit for the prior financial year of PLN 4,274 thousand to increase reserve capital. After approval of the separate financial statements the Company has accounted for corrections of prior period error. The correction resulted in a decrease in net equity by PLN 1,715 thousand as of 31 December 2010. The correction had no impact on net result for the year ended 31 December 2010.

The separate financial statements were submitted to the Registry Court on 18 March 2011 and were published in Monitor Polski B No. 983 dated 31 May 2011.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of KRUK S.A. seated in Wrocław, ul. Legnicka 56 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2011, the separate income statement and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 9 September 2010.

The separate financial statements have been audited in accordance with the contract dated 14 July 2011, concluded on the basis of the resolution of Supervisory Board dated 12 May 2011 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements in the Company's head office during the period from 21 to 25 November 2011 and from 6 to 17 February 2012.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated the same date as this report as to the true and fair presentation of the separate financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditors and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649).

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

2. Financial analysis of the Company

2.1. Summary of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2011	% of total	31.12.2010	% of total
	PLN '000		PLN '000	
Non-current assets				
Property, plant and equipment	12 144	1,9	8 511	4,0
Intangible assets	6 385	1,0	4 796	2,2
Investment in associates	483 235	74,3	133 008	61,7
Deferred tax assets	1 671	0,3	3 007	1,4
Total non-current assets	503 435	77,5	149 322	69,3
Current assets				
Inventories	393	0,1	377	0,2
Other investments	106 566	16,4	24 454	11,3
Trade and other receivables from related parties	12 599	1,9	18 001	8,4
Trade and other receivables from third parties	5 799	0,9	6 600	3,0
Other receivables	9 444	1,5	6 664	3,1
Prepayments	1 460	0,2	1 654	0,8
Cash and cash equivalents	10 023	1,5	8 509	4,0
Total current assets	146 284	22,5	66 259	30,7
TOTAL ASSETS	649 719	100,0	215 581	100,0
EQUITY AND LIABILITIES				
	31.12.2011	% of total	31.12.2010	% of total
	PLN '000		PLN '000	
Equity				
Share capital	16 900	2,6	15 309	7,1
Share premium	45 107	6,9	5 308	2,5
Other reserve capital	43 365	6,7	2 967	1,4
Retained earnings	2 606	0,4	42 089	19,4
Total equity	107 978	16,6	65 673	30,4
Non-current liabilities				
Interest-bearing loans and borrowings	339 272	52,2	77 860	36,1
Total non-current liabilities	339 272	52,2	77 860	36,1
Current liabilities				
Interest-bearing loans and borrowings	137 371	21,1	44 048	20,5
Trade and other payables	50 373	7,8	14 824	6,9
Income tax payable	660	0,1	1 715	0,8
Employee benefits	14 065	2,2	11 461	5,3
Total current liabilities	202 469	31,2	72 048	33,5
Total liabilities	541 741	83,4	149 908	69,6
TOTAL EQUITY AND LIABILITIES	649 719	100,0	215 581	100,0

2.1.2. Separate statement of comprehensive income

	1.01.2011 - 31.12.2011 zł '000	% of total sales	1.01.2010 - 31.12.2010 zł '000	% of total sales
Revenue	82 221	100,0	65 287	100,0
Other operating income	1 721	2,1	1 799	2,8
Operating expenses				
Cost of merchandise and raw materials sold	(432)	0,5	(256)	0,4
Payroll	(53 478)	65,1	(44 022)	67,4
Depreciation	(4 476)	5,5	(3 185)	4,9
External services	(27 971)	34,0	(22 147)	33,9
Other operating expenses	(16 796)	20,4	(15 189)	23,3
	(103 153)	125,5	(84 799)	129,9
Results from operating activities	(19 211)	23,4	(17 713)	27,1
Finance income	52 055	63,3	31 528	48,3
Finance expenses	(30 331)	36,9	(9 947)	15,2
Net finance income	21 724	26,4	21 581	33,1
Profit before income tax	2 513	3,0	3 868	6,0
Income tax expense	(1 996)	2,4	406	0,6
Profit for the period	517	0,6	4 274	6,6
Total comprehensive income for the period	517	0,6	4 274	6,6
Earnings per share				
Basic earnings per share (PLN)	0,03		0,28	
Diluted earnings per share (PLN)	0,03		0,28	

2.2. Selected financial ratios

	2011	2010	2009
1. Return on sales			
<u>profit for the period x 100%</u> revenue	0,6%	6,6%	5,6%
2. Return on equity			
<u>profit for the period x 100%</u> equity - profit for the period	0,5%	7,0%	7,0%
3. Debtors' days			
<u>average trade receivables (gross) x 365 days</u> revenue	104 days	164 days	107 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	83,4%	69,5%	56,9%
5. Current ratio			
<u>current assets</u> current liabilities	0,72	0,92	1,19

3. Detailed report

3.1. Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

3.2. Notes to the financial statements

All information included in the notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the financial statements.

3.3. Report on the Company's activities

The Report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the financial statements.



3.4. Information on the opinion of the independent auditor

Based on our audit of the financial statements as at and for the year ended 31 December 2011, we have issued an unqualified opinion.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original

.....
Certified Auditor No. 90100
Karol Wolniakowski

Signed on the Polish original

.....
Certified Auditor No. 10615
Limited Liability Partner with power of
attorney
Janusz Charytonowicz

Wrocław, 14 March 2012