

**ZUE Capital Group**

**SEMI-ANNUAL CONSOLIDATED REPORT  
FOR 6 MONTHS ENDED 30 JUNE 2012**



**GRUPA ZUE**

**Cracow, 24 August 2012**

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Abbreviations and Definitions:

ZUE, Company	<p>ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,500,000 paid up in full.</p> <p>Parent company of the ZUE Capital Group.</p>
PRK	<p>Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000150723, share capital of PLN 9,500,000 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
BIUP	<p>Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 19,400 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
RTI	<p>Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
RTI Germany	<p>Railway Technology International Germany GmbH i.G. with registered office in Essen, Germany. Share capital of EUR 25,000 paid up in full.</p> <p>Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.</p>
BPK	<p>Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 747,500 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
ZUE Group, Capital Group, Group	<p>ZUE Capital Group comprising: ZUE S.A., 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 i.G.</p>
PLN	<p>Polish złoty.</p>
EUR	<p>Euro.</p>

**ZUE Capital Group**

**SEMI-ANNUAL ABBREVIATED CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR 6 MONTHS ENDED 30 JUNE 2012**

**Prepared in Accordance with International Financial Reporting  
Standards as approved by the European Union.**

**Cracow, 24 August 2012**

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## **APPROVAL OF SEMI-ANNUAL ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS**

These abbreviated consolidated financial statements for the 6 months ended 30 June 2012 were approved for publication by the Management Board of ZUE S.A. on 24 August 2012.

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Wiesław Nowak – President of the Management Board

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Marcin Wiśniewski – Vice-President of the Management Board

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Maciej Nowak – Vice-President of the Management Board

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Jerzy Czeremuga – Vice-President of the Management Board

Cracow, 24 August 2012

**I. SELECTED FINANCIAL DATA OF THE ZUE CAPITAL GROUP**

Rules adopted to translate selected financial data into euro:

Items	Exchange rate	Exchange rate	Exchange rate	Exchange rate
		on 30 June 2012	on 31 December 2011	on 30 June 2011
Balance sheet items	Mid exchange rate as at the balance sheet date	4.2613	4.4168	n/a
Profit and loss account and cash flow statement items	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each ended month of the period	4.2246	n/a	3.9673
“Cash at beginning of period” and “Cash at end of period” items in cash flow statement	Mid exchange rate as at the balance sheet date	4.2613	4.4168	3.9866

Key items of the semi-annual abbreviated consolidated statement of financial position translated into EUR:

	As at 30.06.2012		As at 31.12.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Fixed assets	140,634	33,003	136,744	30,960
Current assets	336,646	79,001	289,728	65,597
<b>Total assets</b>	<b>477,280</b>	<b>112,004</b>	<b>426,472</b>	<b>96,557</b>
Shareholders' equity	190,683	44,748	185,353	41,965
Long-term liabilities	47,466	11,139	43,557	9,862
Short-term liabilities	239,131	56,117	197,562	44,730
<b>Total equity and liabilities</b>	<b>477,280</b>	<b>112,004</b>	<b>426,472</b>	<b>96,557</b>

Key items of the semi-annual abbreviated consolidated statement of comprehensive income translated into EUR:

	Period ended 30.06.2012		Period ended 30.06.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	233,903	55,367	206,996	52,175
Cost of sales	219,880	52,047	192,900	48,622
Gross profit (loss) on sales	14,023	3,320	14,096	3,553
Profit (loss) on operating activities	3,824	905	5,616	1,416
Gross profit (loss)	5,332	1,262	5,680	1,432
Net profit (loss) on continued activities	4,149	982	4,570	1,152

Key items of the semi-annual abbreviated consolidated statement of cash flows translated into EUR:

	Period ended 30.06.2012		Period ended 30.06.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-29,012	-6,867	-21,063	-5,309
Cash flows from investing activities	3,896	922	-6,260	-1,578
Cash flows from financial activities	20,506	4,854	-26,120	-6,584
<b>Total net cash flow</b>	<b>-4,610</b>	<b>-1,091</b>	<b>-53,443</b>	<b>-13,471</b>
Cash at beginning of period	48,392	10,956	53,675	13,553
Cash at end of period	43,751	10,267	232	58

## II. ZUE CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income

	Period ended 30/06/2012	Period ended 30/06/2011
Sales revenue	233,902,687.89	206,995,591.84
Cost of sales	219,879,694.05	192,899,672.78
<b>Gross profit (loss) on sales</b>	<b>14,022,993.84</b>	<b>14,095,919.06</b>
General and administrative expenses	8,752,511.02	8,640,298.31
Other operating income	1,134,550.81	1,415,918.52
Other operating expenses	2,580,914.46	1,255,102.63
<b>Profit (loss) on operating activities</b>	<b>3,824,119.17</b>	<b>5,616,436.64</b>
Financial income	3,505,913.18	1,907,711.70
Financial expenses	1,998,277.30	1,844,096.35
<b>Pre-tax profit (loss)</b>	<b>5,331,755.05</b>	<b>5,680,051.99</b>
Corporate income tax	1,183,094.77	1,110,483.44
<b>Consolidated net profit (loss)</b>	<b>4,148,660.28</b>	<b>4,569,568.55</b>
<b>Total comprehensive income</b>	<b>4,148,660.28</b>	<b>4,569,568.55</b>
<b>Attributable to:</b>		
Shareholders of the Parent	4,122,066.07	4,499,900.57
Minority shareholders	26,594.21	69,667.98
Net profit (loss) per share (PLN) (basic and diluted)	0.19	0.20
Total comprehensive income per share (PLN)	0.19	0.20

**Consolidated Statement of Financial Position**

(PLN)

	As at 30/06/2012	As at 31/12/2011
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible fixed assets	64,225,748.34	62,857,989.76
Investment real property	9,251,220.19	9,351,484.27
Intangible assets	11,164,158.96	10,613,110.51
Goodwill	31,171,913.65	31,171,913.65
Investments in non-consolidated subsidiaries	28,585.50	660,735.18
Advance payments for investments in subsidiaries	0.00	0.00
Retentions on construction contracts	3,256,866.07	3,178,705.45
Deferred tax assets	21,085,029.88	18,292,856.23
Other assets	450,953.57	617,046.86
<b>Total fixed assets</b>	<b>140,634,476.16</b>	<b>136,743,841.91</b>
<b>Current assets</b>		
Inventories	18,900,577.64	18,725,816.67
Trade and other receivables	269,572,223.53	216,549,266.13
Retentions on construction contracts	1,034,723.39	299,483.98
Current tax assets	0.00	434,029.00
Other assets	3,278,194.71	3,083,191.46
Loans advanced	108,663.15	43,964.36
Cash and cash equivalents	43,751,489.45	48,392,136.44
<b>Current assets</b>	<b>336,645,871.87</b>	<b>287,527,888.04</b>
<b>Assets held for sale</b>	<b>0.00</b>	<b>2,200,000.00</b>
<b>Total current assets</b>	<b>336,645,871.87</b>	<b>289,727,888.04</b>
<b>Total assets</b>	<b>477,280,348.03</b>	<b>426,471,729.95</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,500,000.00	5,500,000.00
Share premium account	85,360,680.68	85,360,680.68
Retained earnings	90,219,607.79	85,550,781.44
<b>Equity attributable to shareholders of ZUE</b>	<b>181,080,288.47</b>	<b>176,411,462.12</b>
Equity attributable to non-controlling interests	9,602,752.04	8,941,250.04
<b>Total equity</b>	<b>190,683,040.50</b>	<b>185,352,712.16</b>
<b>Long-term liabilities</b>		
Long-term bank borrowings and other debt instruments	4,020,186.19	5,271,281.77
Retentions on construction contracts	3,900,578.71	4,173,789.16
Other financial liabilities	1,960,000.00	0.00
Liabilities under employee benefits	2,451,300.92	2,259,087.29
Deferred tax provision	28,314,559.92	24,418,723.37
Long-term provisions	6,819,490.35	7,434,133.06
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
<b>Total long-term liabilities</b>	<b>47,466,116.09</b>	<b>43,557,014.65</b>
<b>Short-term liabilities</b>		
Trade and other payables	150,128,573.23	132,493,771.33
Retentions on construction contracts	5,047,907.77	3,715,478.92
Short-term bank borrowings and other debt instruments and other financing sources	71,983,314.02	48,514,608.14
Other financial liabilities	210,000.00	0.00
Liabilities under employee benefits	6,153,576.65	5,692,596.10
Current tax liabilities	1,043,402.00	3,460,174.42
Short-term provisions	4,564,417.77	3,685,374.23
<b>Total short-term liabilities</b>	<b>239,131,191.44</b>	<b>197,562,003.14</b>
<b>Total liabilities</b>	<b>286,597,307.53</b>	<b>241,119,017.79</b>
<b>Total equity and liabilities</b>	<b>477,280,348.03</b>	<b>426,471,729.95</b>

**Consolidated Statement of Changes in Equity***(PLN)*

	Share capital	Share premium account	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
<b>As at 1 Jan 2012 – ZUE Group</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>85,550,781.44</b>	<b>176,411,462.12</b>	<b>8,941,250.04</b>	<b>185,352,712.16</b>
Decrease in equity attributable to non-controlling interests - PRK	0.00	0.00	496,864.30	496,864.30	-635,724.27	-138,859.97
Increase in equity attributable to non-controlling interests – BIUP	0.00	0.00	0.00	0.00	462,920.66	462,920.66
Increase in equity attributable to non-controlling interests – BPK	0.00	0.00	0.00	0.00	937,299.37	937,299.37
Acquisition of additional interests – BPK	0.00	0.00	49,895.97	49,895.97	-129,587.97	-79,692.00
Dividend paid	0.00	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	4,122,066.07	4,122,066.07	26,594.21	4,148,660.28
<b>As at 30 Jun 2012 – ZUE Group</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>90,219,607.78</b>	<b>181,080,288.46</b>	<b>9,602,752.04</b>	<b>190,683,040.50</b>
<b>As at 1 Jan 2011 as reported by the Parent</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>64,286,385.29</b>	<b>155,147,065.97</b>	<b>8,540,778.13</b>	<b>163,687,844.10</b>
Increase in equity attributable to non-controlling interests – PRK	0.00	0.00	0.00	0.00	0.00	0.00
Dividend paid	0.00	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	4,499,900.57	4,499,900.57	69,667.98	4,569,568.55
<b>As at 30 Jun 2011 – ZUE Group</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>68,786,285.86</b>	<b>159,646,966.54</b>	<b>8,610,446.11</b>	<b>168,257,412.65</b>

**Consolidated Statement of Cash Flows**

	Period ended 30/06/2012	(PLN) Period ended 30/06/2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>5,331,755.05</b>	<b>5,680,051.99</b>
<b>Adjustments:</b>		
Depreciation and amortisation	3,501,646.32	3,858,419.69
Foreign exchange gains / (losses)	-26,638.94	-16,908.74
Interest and share in profit (dividends)	749,552.00	293,308.44
(Gain) / loss on disposal of investments	627,267.22	824,395.04
Accrued expenses under commission on loans	104,062.50	104,062.50
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
<b>Operating profit before changes in working capital</b>	<b>10,287,644.15</b>	<b>10,743,328.92</b>
Change in receivables and retentions on construction contracts	-37,908,887.69	-3,464,596.99
Change in inventories	-7,205.15	-10,810,689.61
Change in provisions and liabilities under employee benefits	-830,467.03	-706,452.06
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	3,231,865.90	-12,187,862.93
Change in accrued expenses	-324,582.83	-4,508,322.13
Change in amounts payable to customers under construction contracts	0.00	0.00
Change of value of received advance payments	0.00	0.00
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	32,700.00
Income tax paid / tax refund	-3,460,174.00	-161,011.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>-29,011,806.65</b>	<b>-21,062,905.80</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of tangible and intangible fixed assets	3,901,231.25	3,721,989.36
Purchase of tangible and intangible fixed assets	-1,362,701.50	-11,498,286.74
Sale of investments in real property and intangible fixed assets	0.00	0.00
Sale of assets for sale	2,000,000.00	0.00
Investments in real property and intangible fixed assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	-22,950.00	0.00
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,552,919.86	0.00
Purchase of financial assets available for sale	0.00	0.00
Loans advanced	-108,663.15	0.00
Dividends received	0.00	0.00
Interest received	902,188.57	662,513.23
Settlement of financial instruments – expenses	0.00	-181,753.07
Sale of financial assets in associates	0.00	707,250.15
Other investment income / (expenses)	139,555.37	328,438.87
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>3,895,740.68</b>	<b>-6,259,848.20</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments	31,898,883.78	30,510,258.39
Repayment of borrowings and other debt instruments	-7,965,706.35	-52,424,378.91
Decrease in finance lease liabilities	-1,942,423.73	-2,831,638.92
Interest paid	-1,484,954.81	-1,374,436.69
Other cash provided by / (used in) financing activities – dividends	0.00	0.00
Net cash from issue of shares	0.00	0.00
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>20,505,798.89</b>	<b>-26,120,196.13</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-4,610,267.08</b>	<b>-53,442,950.13</b>
Net foreign exchange gains / (losses)	-30,379.91	555.75
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>48,392,136.44</b>	<b>53,674,752.55</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>43,751,489.45</b>	<b>232,358.17</b>

### III. NOTES TO ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. General

##### 1.1. Capital Group Composition and Core Business

As at the balance sheet date, the ZUE Capital Group was composed of ZUE S.A. (the parent) and 5 subsidiaries including 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 i.G.

ZUE Spółka Akcyjna ("ZUE") with registered office in Cracow, ul. Kazimierza Czapińskiego 3, is the parent company of the ZUE Capital Group.

The Company was established under the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000135388.

ZUE is the parent company responsible for coordinating the operation of the subsidiaries and optimising the Capital Group's operating expenses through, *inter alia*, the coordination of investment projects and bank borrowings, financial management and the management of the supply of materials. In addition, ZUE's task is to create a uniform trade and marketing policy of the Capital Group and to promote the Group's potential among its clients.

As at the date of these financial statements' approval, the Parent Company's governing and supervisory bodies were as follows:

##### Management Board:

Wiesław Nowak	President of the Management Board
Marcin Wiśniewski	Vice-President of the Management Board
Maciej Nowak	Vice-President of the Management Board
Jerzy Czeremuga	Vice-President of the Management Board

##### Supervisory Board:

Mariusz Szubra	Chairman of the Supervisory Board
Magdalena Lis	Member of the Supervisory Board
Bogusław Lipiński	Member of the Supervisory Board
Piotr Korzeniowski	Member of the Supervisory Board
Michał Lis	Member of the Supervisory Board

Subsidiary – Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna ("PRK") was established under the notarial deed of 18 December 2000 in the Notary's Office in Warsaw, ul. Długa 31 (Rep. A no. 26183/2000). The company transformed as a result of the commercialisation process from Państwowe Przedsiębiorstwo Robót Kolejowych w Krakowie into the company owned by the State Treasury on 1 January 2001. Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000150723.

Subsidiary – Biuro Inżynierskich Usług Projektowych Sp. z o.o. ("BIUP") was established under the notarial deed of 15 June 2009 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000332405.

Subsidiary– Railway Technology International Sp. z o.o. (“RTI”) was established under the notarial deed of 20 July 2011 in the Notary’s Office in Warsaw, al. Jerozolimskie 29/26 (Rep. A no. 2582/2011). Cracow is the company’s registered office. The company has been entered into the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division, under entry no. KRS 0000397032.

Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (“BPK”) was established under the agreement of 31 December 2004 whereby Biuro Projektów Kolejowych w Poznaniu, a State-owned enterprise, was handed over for paid use. Consequently, BPK acquired all rights and obligations of the acquired entity. Poznań is the company’s registered office. The company has been registered with the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry no. KRS 0000160302.

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH i.G. was established under the notarial deed of 8 May 2012 in the Notary’s Office in Radebeul, Rathenaustrasse 6, Germany (no. 1090/2012). Essen (Germany) is the company’s registered office.

The companies comprising the Capital Group have been incorporated for indefinite period. The financial statements of all subsidiaries have been prepared for the same reporting period as the parent company using consistent accounting policies. The parent company and the subsidiaries have the calendar year as their financial year.

The activity of the ZUE Group consists of:

- Design, construction and comprehensive modernisation of urban transport systems;
- Design, construction and comprehensive modernisation of railway lines;
- Services related to power networks and power electronics; and
- Steel and aluminium structures (as part of PRK’s activity).

## 1.2. Consolidated Entities

Consolidated entities as at 30 June 2012:

Name	Registered office	Interests as at			Consolidation method
		30 Jun 2012	31 Dec 2011	30 Jun 2011	
Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.	Cracow	86%	85%	85%	Full
Biuro Inżynieryjnych Usług Projektowych Sp. z o.o.	Cracow	49%	49%	34%	Full
Biuro Projektów Komunikacyjnych w Poznaniu Sp. Z o.o.	Poznań	62%	-	-	Full

Biuro Inżynieryjnych Usług Projektowych Sp. z o.o. has been a member of the Capital Group since its creation. However, it was not consolidated in previous periods given an insignificant impact of the subsidiary’s financial data on the assets and financial condition. The Management Board of ZUE decided to consolidate the company as of 1 January 2012 as a result of which the Group’s net assets grew by PLN 907,687.57.

ZUE S.A. is entitled to manage BIUP’s financial and operating policy since:

- It holds 49% of BIUP shares;
- 25.5% of BIUP shares are held by a member of the Management Board of ZUE S.A.;
- 25.5% of BIUP shares are held by a member of the Supervisory Board of ZUE S.A.

ZUE S.A. holds 51% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary’s financial data on the assets and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 30 June 2012.

### 1.3. Changes in the Group's Structure and Their Consequences

In the first six months of 2012 and after 30 June 2012, ZUE S.A. purchased the employee shares of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (the subsidiary). As at the date of this report, ZUE held 824,163 shares of PRK; i.e. 86.84% of the subsidiary's share capital.

During the six months ended 30 June 2012, the ZUE Group expanded to include Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., a subsidiary of ZUE.

On 19 March 2012, ZUE purchased 830 BPK shares at PLN 1,593.84 per share; i.e. 58.5% of the company's share capital. On 24 April, ZUE bought another 50 BPK shares at PLN 1,593.84 per share. The total of 880 shares in BPK cost PLN 1,402,579.20. The par value of each share was PLN 500. As at the date of this report, ZUE held the total of 880 BPK shares; i.e. 62.06% of the company's share capital.

As part of the purchase of BPK shares, ZUE acquired cash of PLN 3,932.34.

BPK's core business consists of the preparation of comprehensive design documentation including feasibility studies, concepts, basic designs including construction designs, tender materials and detailed construction designs for high complexity investments with a focus on:

- Railway lines, stations and sidings (with drainage);
- Tramways;
- Roads, streets and crossings;
- Road and railway bridges, overpasses, tunnels and passages;
- Rail traffic control equipment;
- Wire and radio communication, line and junction digitalisation, computer network and computer science devices;
- Buildings and structures with technology (stations, switch towers, technical bases);
- Tram depots;
- Environmental protection and water and sewage management;
- High-, medium- and low-voltage power systems;
- OCL network and non-OCL lines.

The purchase of BPK shares will enable the development of the Group's design activities. The transaction will provide for the execution of major projects on the railway and tram market, more flexible margins and completion dates, lower standing costs of the ZUE Group's operation and better service quality management.

<b>BPK Goodwill</b>	<b>Settlement of acquisition as at 31.03.2012</b>
Fair value of transferred consideration	-1,322,887.20
Fair value of acquired net assets	2,260,186.57
Equity attributable to non-controlling interests	-937,299.37
<b>Goodwill as at 31.03.2012</b>	<b>0.00</b>

Given the events identified after the transaction date, it became necessary to verify the initial goodwill. During the valuation, ZUE S.A. (the acquirer) learnt of new facts and circumstances as at the acquisition date and, consequently, disclosed additional assets and liabilities. Consequently, the original goodwill disclosed in the abbreviated consolidated financial statements as at 31 March 2012 (PLN 477,779.98) was changed and amounted to PLN 0.00.

On 8 May 2012, Railway Technology International Sp. z o.o. established Railway Technology International Germany GmbH i.G. with registered office in Essen, Germany. The share capital of RTI Germany amounts to EUR 25,000. According to the company's articles of association, the activities of RTI Germany consist of:

- Planning and designing tasks and research in the rail sector;
- Research and development in the rail sector;
- Trade in goods and materials used in the construction of railway lines and rolling stock;
- Manufacture of goods and materials used in the construction of railway lines and rolling stock;
- Advisory services concerning the organization of railways all over the world;
- Construction services;
- Commissioning of construction services;
- Engineering services.

RTI holds a 100% stake in RTI Germany.

#### **1.4. Functional and Reporting Currency**

These financial statements have been prepared in Polish zloty (PLN). Polish zloty is the Group's functional and reporting currency. The data in the financial statements has been disclosed in Polish zloty.

## **2. Shareholders of the Parent Company**

According to information held by the Management Board of ZUE S.A., the Parent Company had the following shareholder structure as at the date of the report:

Shareholder	Type of shares	Number of shares	% share in the share capital	Number of votes at the GM	% of votes at the GM
Wiesław Nowak	Ordinary	16,000,000	72.73	16,000,000	72.73
PKO Bankowy OFE	Ordinary	1,126,144	5.12	1,126,144	5.12
Other	Ordinary	4,873,856	22.15	4,873,856	22.15
<b>Total</b>	<b>Ordinary</b>	<b>22,000,000</b>	<b>100</b>	<b>22,000,000</b>	<b>100</b>

## **3. Statement by the ZUE Management Board**

### **3.1. Statement on Reliability of Semi-Annual Abbreviated Consolidated Financial Statements**

On the basis of the Regulation of the Minister of Finance of 19 February 2009, as amended, on current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent, the Management Board of ZUE S.A. states that according to its best knowledge, these semi-annual abbreviated consolidated financial statements and the comparable data have been prepared according to the accounting principles binding on the Group, give a true, clear and fair view of the Group's assets and financial standing and the financial result, and the Directors' Report contains a true description of the Group's development, achievements and situation, including a description of fundamental risks and threats.

### **3.2. Statement on Entity Authorised to Review Semi-Annual Abbreviated Consolidated Financial Statements**

The Management Board of ZUE S.A. states that the entity authorised to audit financial statements responsible for the review of the semi-annual abbreviated consolidated financial statements has been appointed according to the law and that the said entity and chartered auditors involved in the review have met the requirements to issue an objective and independent report on the semi-annual abbreviated consolidated financial statements pursuant to applicable laws and professional standards.

### **3.3. Statement on Non-Submission of Semi-Annual Separate Report**

Pursuant to § 83.3 of the Regulation of the Minister of Finance of 19 February 2009, ZUE S.A. does not submit any semi-annual separate report. The semi-annual abbreviated financial statements of ZUE S.A. and Auditor's Report on the review of these statements supplement the semi-annual consolidated report of the ZUE Capital Group.

## **4. Use of International Financial Reporting Standards**

### **4.1. Statement on Compliance**

The semi-annual abbreviated consolidated financial statements of the ZUE Capital Group cover the six months ended 30 June 2012 and the comparable data for the six months ended 30 June 2011.

The semi-annual abbreviated consolidated financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 June 2012 as approved by

the European Union.

These semi-annual abbreviated consolidated financial statements have been prepared by the Group according to the regulations set forth in IAS 34 "Semi-Annual Financial Reporting." The same rules have been applied for both current and comparable period.

These semi-annual abbreviated consolidated financial statements for the first six months of 2012 have been prepared according to the requirements binding on public companies.

These semi-annual abbreviated consolidated financial statements do not include all information and disclosures required in the case of annual financial statements and they should be read together with the annual financial statements of ZUE S.A and the consolidated financial statements of the ZUE Capital Group.

These semi-annual abbreviated consolidated financial statements have been presented based on the assumption that the Group will continue as a going concern in the foreseeable future. No threats to the Group's ability to continue as a going concern were identified during the reporting period until the preparation date of these statements.

#### **4.2. Standards and Interpretations Used for the First Time in the Reporting Period**

In 2012, the following amendments to the standards published by the International Accounting Standards Board and approved of by the European Union come into force:

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – transfer of financial assets, approved in the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The abovementioned standards, interpretations and amendments to the standards have not had any significant impact on the accounting policy adopted by the entity.

#### **4.3. Approval of Standards in the EU**

The International Financial Reporting Standards (IFRS) as approved by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following interpretations, which were published and approved for use in the EU but did not yet come into force as at 30 June 2012:

- **Amendments to IAS 1 "Presentation of Financial Statements"** – presentation of items of other comprehensive income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 19 "Employee Benefits"** – amendments to post-employment benefits (effective for annual periods beginning on or after 1 January 2013).

The Management Board of ZUE S.A. decided not to apply the foregoing standards, amendments to the standards and interpretations. According to the estimates by the Management Board of ZUE S.A., these standards, amendments to the standards and interpretations would not have any significant impact on the financial statements if used by the ZUE Group at the balance sheet date.

#### **4.4. Standards and Interpretations Adopted by the IASB but not Yet Approved by the EU**

The International Financial Reporting Standards (IFRS) as approved by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 30 June 2012:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015),
- **IFRS 10 "Consolidated Financial Statements"** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 "Joint Arrangements"** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 "Disclosure of Interests in Other Entities"** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 "Fair Value Measurement"** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (as amended in 2011) "Separate Financial Statements"** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (as amended in 2011) "Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards"** – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 July 2011),

- **Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards”** – Government Loans (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”** – Mandatory Date of Entry into Force and Interim Provisions,
- **Amendments to IAS 12 “Income Tax”** – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 32 “Financial Instruments: Presentation”** – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to different standards “Amendments to IFRS (2012)”** – amendments made as part of making annual amendments to IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (effective for annual periods beginning on or after 1 January 2013),
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”** (effective for annual periods beginning on or after 1 January 2013).

The estimated impact of these amendments on future consolidated financial statements of the Group is being analysed.

## **5. Significant Accounting Principles Used in Consolidated Financial Statements for the Period 1 January 2012 – 30 June 2012**

### **5.1. Preparation Basis**

The semi-annual abbreviated consolidated financial statements have been presented assuming that the Parent Company and all entities comprising the ZUE Capital Group will continue in operational existence for the foreseeable future. No going concern risks were identified during the reporting period or by the date of the financial statements preparation.

The semi-annual abbreviated consolidated financial statements have been prepared according to the same accounting principles and measurement methods as those used in the ZUE S.A. annual financial statements and the Group annual consolidated financial statements as at 31 December 2011.

## 6. Revisions to Estimates

The preparation of financial statements in conformity with the IFRS requires the Management Board to make judgments, estimates and assumptions that affect the adopted policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods.

### Changes in provisions

	(PLN)			
	As at 31.12.2011	Created	Utilised	As at 30.06.2012
Provisions for retirement severance pays	2,882,806.16	303,392.84	250,976.00	2,935,223.00
Provisions for warranty repairs	10,960,000.93	1,561,398.29	1,454,583.06	11,066,816.16
Other provisions	159,506.36	317,091.96	159,506.36	317,091.96
<b>Total provisions</b>	<b>14,002,313.45</b>	<b>2,181,883.09</b>	<b>1,865,065.42</b>	<b>14,319,131.12</b>

The Group companies are obliged to give warranty for the construction services they provide. The amount of provisions for warranty repairs is estimated separately for each construction contract and ranges from 0.05% to 1.0% of revenue from a given contract. The value is analysed on an individual basis and may increase or decrease as the case may be. As at 30 June 2012, the balance of provisions for warranty repairs stood at PLN 11,067 thousand and as at 31 December 2011, at PLN 10,960 thousand. During the six months ended 30 June 2012, the balance of provisions for warranty repairs increased by PLN 107 thousand.

### Deferred tax assets and liabilities

	(PLN)			
	As at 31.12.2011	Created	Utilised	As at 30.06.2012
Deferred tax assets	18,292,856.23	4,501,988.24	1,709,814.59	21,085,029.88
Deferred tax liabilities	24,418,723.37	4,948,566.00	1,052,729.45	28,314,559.92
<b>Assets and liabilities balance</b>	<b>-6,125,867.14</b>	<b>-446,577.76</b>	<b>657,085.14</b>	<b>-7,229,530.04</b>

In the first six months of 2012, deferred tax assets increased by PLN 2,792 thousand compared with the figure disclosed as at 31 December 2011. Deferred tax liabilities increased by PLN 3,896 thousand compared with the figure reported at the end of 2011.

## 7. Trade and other receivables

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
Trade receivables	179,173,156.97	144,952,594.68
Trade receivables revaluation write-offs	-1,197,979.43	-864,975.42
Receivables from the state budget other than corporate income tax	230,354.97	0.00
Receivables under contracts (valuation)	91,097,998.60	72,284,080.79
Other receivables	268,692.42	177,566.08
<b>Total trade and other receivables</b>	<b>269,572,223.53</b>	<b>216,549,266.13</b>

**7.1. Age profile of trade receivables**

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
Not past due receivables	<b>157,815,104.47</b>	<b>136,154,805.59</b>
Receivables past due but not impaired	<b>20,160,073.07</b>	<b>7,932,813.67</b>
1-30 days	7,633,089.41	5,265,093.77
31-60 days	3,362,011.34	1,814,644.49
61-90 days	208,102.37	763,443.50
91-180 days	7,038,463.35	50,411.53
181-360 days	955,702.08	30,660.39
Over 360 days	962,704.52	8,559.99
Past due receivables for which revaluation write-offs were made	<b>1,197,979.43</b>	<b>864,975.42</b>
1-30 days	0.00	0.00
31-60 days	189,954.00	15,543.78
61-90 days	55,346.62	27,365.62
91-180 days	92,162.30	29,067.18
181-360 days	198,831.59	99,983.64
Over 360 days	661,684.92	693,015.20
<b>Total trade receivables (gross)</b>	<b>179,173,156.97</b>	<b>144,952,594.68</b>
<b>Trade receivables revaluation write-offs</b>	<b>-1,197,979.43</b>	<b>-864,975.42</b>
<b>Total trade receivables (net)</b>	<b>177,975,177.54</b>	<b>144,087,619.26</b>

**8. Trade and other payables**

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
Trade payables	107,885,307.54	97,303,296.00
Liabilities to the state budget other than corporate income tax	11,598,393.53	13,586,406.66
Accruals	14,369,557.67	9,026,223.23
Liabilities under contracts (valuation)	15,064,072.53	12,118,673.79
Other liabilities	1,211,241.96	459,171.65
<b>Total trade and other payables</b>	<b>150,128,573.23</b>	<b>132,493,771.33</b>

**8.1. Age profile of trade payables**

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
<b>Not past due payables</b>	<b>100,820,076.02</b>	<b>92,825,702.80</b>
<b>Past due payables</b>	<b>7,065,231.52</b>	<b>4,477,593.20</b>
1-30 days	2,889,308.11	4,009,153.57
31-60 days	168,575.98	43,166.28
61-90 days	147,048.71	269,376.32
91-180 days	247,628.49	88,167.25
181-360 days	1,958,289.83	52,914.41
Over 360 days	1,654,380.40	14,815.37
<b>Total trade payables</b>	<b>107,885,307.54</b>	<b>97,303,296.00</b>

## 9. Revenue Discount Under Construction Contracts

According to IAS 18, revenue from construction contracts due and payable after 1 year have been disclosed by the Company at the fair value of the consideration taking account of the discount.

Influence of the discount on the financial result as at 30 June 2012:

<b>Reversal of discounting receivables under contracts as at 31.12.2011</b>		
a) invoices net value	1,291,911.83	Financial income
b) VAT	297,139.72	Financial income
<b>Disclosure of discounting receivables under contracts as at 30.06.2012</b>		
a) invoices issued before 2012		
- invoices net value	239,196.86	Financial expenses
- VAT	55,015.28	Financial expenses
b) invoices issued before 2012		
- invoices net value	17,301.41	Sales revenue (in minus)
- VAT	3,979.32	Financial expenses

## 10. Discontinued Operations

No operations were discontinued within the meaning of the IFRS 5 during the six months ended 30 June 2012 or the six months ended 30 June 2011.

## 11. Segmental Reporting

The ZUE Group's reporting is based on operating segments.

In previous reporting periods, the Group presented one aggregate operating segment: engineering construction and assembly services.

Given the development of design activities, the Management Board of ZUE S.A. identified the two aggregate operating segments to enable a proper assessment of the type and financial consequences of the Group's operations as required by the IFRS 8:

- Construction; and
- Design.

These operating segments jointly meet the following rules:

- Their aggregation is consistent with the objectives and principles of the IFRS 8;
- They have similar economic characteristics;
- They are similar in the following areas: the nature of the products and services, the nature of the production process, the class and type of clients and the methods used to distribute products and services.

The construction activities conducted by ZUE and PRK include the construction and comprehensive modernisation of urban transport systems, the construction and comprehensive modernisation of railway lines, power engineering and power electronics services as well as steel and aluminium structures.

Design activities related to urban and railway transport systems supplement the construction activities. This segment includes contracts performed by BIUP and BPK.

The accounting principles applied for the segments are the same as the principles set forth in the description of significant accounting principles. The Group settles sales and transfers between the segments based on current market prices like with transactions with third parties.

Operating segments' results for the first six months of 2012:

	(PLN '000)		
	Construction	Design	Group total
Sales revenue	229,883.25	4,019.44	233,902.69
including			
Revenue from external clients	229,817.22	2,929.12	232,746.34
Inter-segment revenues	66.03	1,090.33	1,156.35
Gross profit	12,948.19	1,074.80	14,022.99
Financial income / expenses	1,489.58	18.05	1,507.64
Profit before tax	5,235.50	96.26	5,331.76
Income tax	1,281.58	-98.48	1,183.09
Net profit	3,953.92	194.74	4,148.66
Depreciation and amortisation	3,425.90	75.75	3,501.65
Tangible fixed assets	60,974.81	3,250.93	64,225.74
Fixed assets	137,747.97	2,886.51	140,634.48

## 12. Major Events in the First Six Months of 2012 and After Balance Sheet Date

### Major Contracts (1 January 2012 – 30 June 2012)

- On 23 January 2012, PRK, a subsidiary of ZUE, and Elektrownia "Rybnik" S.A. with registered office in Rybnik signed the construction contract for the following project: "Reconstruction of railway siding and internal access roads at Elektrownia "Rybnik" S.A. with associated infrastructure." Net value of the contract: PLN 89,975,323.72. Completion date: August 2013.
- On 15 February 2012, ZUE and PRK, a subsidiary of the Company, and Powszechny Zakład Ubezpieczeń S.A. with registered office in Warsaw signed an annex to the agreement of 29 April 2010 (as amended) for project-related bonding products. Under the annex:
  - The maximum limit in respect of the bonding products provided by PZU was increased from PLN 79,700,000 to PLN 120,000,000;
  - The agreement was extended until 31 December 2012.
- On 17 February 2012, ZUE and Tramwaje Warszawskie Sp. z o.o. with registered office in Warsaw signed the construction contract for the following project: "Construction of tram route OCL infrastructure elements on the Marii Skłodowskiej–Curie Bridge (previously: Północny Bridge) with *Obrazkowa* rectifier substation." Net value of the contract: PLN 8,288,600.00. Completion date: December 2012.
- On 17 February 2012, ZUE and BNP Paribas Bank Polska S.A. with registered office in Warsaw concluded the agreement for the registered pledge on movable property to secure the Bank's claims under the revolving loan agreement no. WAR/2001/11/198/CB of 28 September 2011. An application to enter the registered pledge into the register of pledges maintained by the District Court for Cracow - Śródmieście in Cracow was submitted on 7 March 2012.
- On 20 February 2012, ZUE and PRK, a subsidiary of the Company, and Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A. with registered office in Sopot (the "Guarantor") concluded the agreements for the provision of bonding product (bid bond).

Under the said agreements, the Guarantor provided the bonding product (bid bond) and undertook to pay PKP Polskie Linie Kolejowe S.A. with registered office in Warsaw (the "Beneficiary"), at their first request, between 21 February 2012 and 25 May 2012, the amounts up to:

- PLN 22,500,000 (PRK), and
- PLN 10,000,000 (ZUE).

PRK issued a blank bill of exchange guaranteed by the Company and ZUE issued a blank bill of exchange guaranteed by PRK to secure any claims the Guarantor may have in connection with the payment under the abovementioned guarantee.

- On 16 April 2012, PRK and Swietelsky Baugesellschaft m.b.h. with registered office in Linz, represented by Swietelsky Baugesellschaft M.B.H Sp. z o.o. Polish Branch with registered office in Cracow, signed the contract for the reconstruction of the Tarnów Mościce station (72.8km – 74.6km) involving track, drainage and construction works as part of the following task: “Design and completion of construction works on the Kraków – Medyka – state border railway line, Biadoliny – Tarnów section between 61,300km and – 80,200km” as part of the following Project: “Modernisation of E 30/C-E 30 railway line, Kraków – Rzeszów section, stage III” (“Main Contract”). Net value of the contract: PLN 21,681,992.42. Completion date: December 2014.
- On 18 April 2012, ZUE and PRK, and Generali Towarzystwo Ubezpieczeń S.A. with registered office in Warsaw (the “Guarantor”) signed an annex to the master agreement of 22 April 2012 for the provision of project-related guarantees under a revolving guarantee facility. Under the annex, the limit of the facility was raised from PLN 39,660,000.00 to PLN 44,200,000.00 with the following breakdown:
  - ZUE: PLN 44,200,000.00
  - PRK: PLN 15,000,000.00
- On 14 May 2012, PRK and PKP Polskie Linie Kolejowe S.A. with registered office in Warsaw signed the contract for the reconstruction of the Pyskowice station and the replacement of OCL network in the tracks no. 1 and no. 2 of the Pyskowice – Paczyna route up to 44,480km and the reinforcement of the substructure in the tracks no. 1 and no. 2 between 43,100km and 43,500km of the line 132 as part of the following project: “Upgrade of the railway line no. 132/135 on the Gliwice Łabędy – Strzelce Opolskie – Opole Groszowice section.” Net value of the contract: PLN 27,389,200.00. Completion date: November 2012.
- On 22 June 2012, ZUE and Zarząd Infrastruktury Komunalnej i Transportu w Krakowie signed the contract for ongoing maintenance, servicing and emergency repairs of tram infrastructure in Cracow. Net value of the contract: PLN 26,944,876.10. Completion date: April 2015.

#### **Events After the Balance Sheet Date**

- On 11 July 2012, ZUE and PRK, and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. with registered office in Warsaw (the “Guarantor”) concluded the agreement for project-related bonding products (bid bonds, performance bonds, defects liability bonds and advance payment bonds) within a specified guarantee limit. The maximum guarantee limit: PLN 50,000,000.00. Term of the agreement: June 2013.
- On 16 July 2012, the Annual General Meeting of ZUE resolved to allocate the entire separate net profit for the 2011 financial year of PLN 18,718,177.90 to reserve funds.
- On 16 July 2012, Mr. Michał Lis was appointed a Member of ZUE Supervisory Board under the resolution no. 18 adopted by the Annual General Meeting of ZUE.
- On 16 July 2012, Mr. Mariusz Szubra was appointed the Chairman of ZUE Supervisory Board under the resolution no. 19 adopted by the Annual General Meeting of ZUE. Ms. Beata Jaglarz, who resigned on 19 June 2012, was dismissed from the position.
- On 6 August 2012, the consortium of:
  - Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. with registered office in Cracow (Leader),
  - Przedsiębiorstwo Remontowo Budowlane “TOR” Sp. z o.o. with registered office in Mysłowice (Partner), and
  - ZUE S.A. with registered office in Cracow (Partner),concluded the contract with PKP Polskie Linie Kolejowe S.A. with registered office in Warsaw to reconstruct the railway infrastructure on the line no. 61, Koniecpol - Turów section, as part of the following project: “Revitalization of the track no. 1 of the railway line no. 61.” Net value of the contract: PLN 68,452,400.00. Net value of the contract assignable to ZUE: PLN 17,550,000.00. Completion date: November 2012.

### **13. Notes on Seasonal and Cyclical Nature of the ZUE Capital Group’s Operations**

Construction and assembly operations are marked by the seasonality of production and sales. The main factors with a bearing on the revenue and profits in a financial year include atmospheric conditions, schedule of payments and the dates of putting contracts out for tender and awarding contracts.

Rail and urban infrastructure projects undertaken by the ZUE Group cannot be executed in unfavourable weather

conditions. Due to low temperature or snow in winter, many tasks are stopped or slowed down to meet technological regimes.

Another factor with an impact on the seasonal nature of the industry is the fact that investment and modernisation projects executed by clients on the construction market primarily take place in spring, summer and autumn.

To generate revenue, the ZUE Group undertakes marketing activities aimed at the preparation of tender bids. However, a long procedure of putting contracts out for tender and awarding contracts may have an impact on a precise planning of sales revenue.

#### 14. Information on Issue and Redemption of Debt and Equity Securities

During the reporting period, no company comprising the ZUE Capital Group issued or redeemed any debt or equity securities.

#### 15. Information on Dividend

On 16 July 2012, the Annual General Meeting of ZUE S.A. resolved to allocate the entire net profit of ZUE S.A. of PLN 18,718,177.90 disclosed in the separate financial statements as at 31 December 2011 to reserve funds.

#### 16. ZUE S.A. Shareholding Structure as at the Date of the Report and Changes Therein in I Half Year of 2012

Person	Position at ZUE S.A.	Number of shares held	Number of votes at GM	% share of votes at GM	Changes in shareholding structure in I half year of 2012
Wiesław Nowak	Management Board President	16,000,000	16,000,000	72.73	None
Maciej Nowak	Management Board Vice-President	7,706	7,706	0.04	Purchase of 154 shares
Marcin Wiśniewski	Management Board Vice-President	969	969	0.00	None
Jerzy Czeremuga	Management Board Vice-President	136	136	0.00	None
Magdalena Lis	Supervisory Board Member	3,327	3,327	0.02	Purchase of 260 shares
Michał Lis	Supervisory Board Member	661	661	0.00	None

**17. Transactions with Related Entities**

The following transactions between the related entities occurred during the reporting period:

(PLN)

	Receivables		Liabilities	
	As at 30/06/2012	As at 31/12/2011	As at 30/06/2012	As at 31/12/2011
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	3,690.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,690.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

	Sales revenue		Acquisition cost	
	Period ended 30/06/2012	Period ended 30/06/2011	Period ended 30/06/2012	Period ended 30/06/2011
Wiesław Nowak	0.00	0.00	180,000.00	0.00
RTI	6,000.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	6,728.04	0.00	17,609.16
<b>Total</b>	<b>6,000.00</b>	<b>6,728.04</b>	<b>180,000.00</b>	<b>17,609.16</b>

	Advanced loans		Financial income	
	As at 30/06/2012	As at 31/12/2011	Period ended 30/06/2012	Period ended 30/06/2011
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	108,663.15	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	707,250.15
<b>Total</b>	<b>108,663.15</b>	<b>0.00</b>	<b>0.00</b>	<b>707,250.15</b>

	Received loans		Financial expenses	
	As at 30/06/2012	As at 31/12/2011	Period ended 30/06/2012	Period ended 30/06/2011
Wiesław Nowak	0.00	5,020,000.00	0.00	211,297.24
RTI	0.00	0.00	0.00	0.00
Torbud Sp. z o.o. likwidacji	0.00	0.00	0.00	42,715.00
<b>Total</b>	<b>0.00</b>	<b>5,020,000.00</b>	<b>0.00</b>	<b>254,012.24</b>

All transactions with the related entities were executed at arm's length.

Railway Technology International Sp. z o.o. rented a business establishment of 20m<sup>2</sup> in the office and service facility at ul. Jugowicka 6A for the total amount of PLN 6,000 under the rental agreement of 4 November 2011.

Under the rental agreement of 28 December 2011, Wiesław Nowak rented the office and warehouse space of 800m<sup>2</sup> to ZUE S.A.

ZUE S.A. granted the loan of EUR 25,500 to Railway Technology International Sp. z o.o. with a repayment date falling due by 31 December 2012. The interest rate on the loan was 1.5% per annum plus 3M EURIBOR. The borrower allocated the amount of EUR 25,000 for the payment of share capital in Railway Technology International Germany GmbH i.G. and ongoing expenses.

The amounts due are not secured and will be settled in cash. No guarantees were given or received. No costs of debts at risk in connection with the transactions with the related entities were disclosed during the accounting period.

## 18. Proceedings Before Court, Arbitration Court or Public Administration Authority as at 30 June 2012

The companies comprising the ZUE Capital Group are not the parties to any proceedings concerning liabilities or debts whose total value exceeds 10% of the Company's equity as at 30 June 2012.

## 19. Off-Balance Sheet Items

### 19.1. Contingent Liabilities

(PLN)

	As at 30/06/2012	As at 31/12/2011
Guarantees	199,330,773.18	178,896,609.31
Sureties	4,460,893.30	760,893.30
Bills of exchange	173,868,459.56	174,357,730.99
Mortgages	38,150,550.00	38,420,550.00
Pledges	16,832,015.68	3,690,045.51
<b>Total contingent liabilities</b>	<b>432,642,691.72</b>	<b>396,125,829.11</b>

The contingent liabilities resulting from guarantees and bill of exchange guarantees include, in particular, the guarantees provided by insurance companies to the ZUE Capital Group's clients to secure their claims against the Group under construction contracts. This is an alternative to retained deposits used to secure any claims clients may have in connection with the performance of construction contracts.

The contingent liabilities including bills of exchange, mortgages and registered pledge are mainly the security under loan and lease agreements.

### 19.2. Contingent Assets

(PLN)

	As at 30/06/2012	As at 31/12/2011
Guarantees	28,847,536.85	29,750,244.17
Bills of exchange	106,300.43	106,300.43
<b>Total contingent assets</b>	<b>28,953,837.28</b>	<b>29,856,544.60</b>

The contingent assets are the ZUE Group's security under the construction contracts concluded between the companies comprising the ZUE Capital Group and subcontractors.

The ZUE Group's contingent assets do not include the mortgage securing the loan granted by ZUE S.A. to BPK Poznań.

The financial statements have been prepared by:

Barbara Stępak – Chief Accountant .....

The financial statements have been presented by the  
Parent's Management Board:

Wiesław Nowak – Management Board President .....

Marcin Wiśniewski – Management Board Vice-President .....

Maciej Nowak – Management Board Vice-President .....

Jerzy Czeremuga – Management Board Vice-President .....

Cracow, 24 August 2012

**ZUE S.A.**

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

**ZUE S.A.**

**SEMI-ANNUAL ABBREVIATED SEPARATE FINANCIAL  
STATEMENTS**

**FOR 6 MONTHS ENDED 30 JUNE 2012**

**Prepared in Accordance with International Financial Reporting  
Standards as approved by the European Union.**

**Cracow, 24 August 2012**

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**ZUE S.A.**

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

## **APPROVAL OF SEMI-ANNUAL ABBREVIATED SEPARATE FINANCIAL STATEMENTS**

These abbreviated separate financial statements for the 6 months ended 30 June 2012 were approved for publication by the Management Board of ZUE S.A. on 24 August 2012.

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Wiesław Nowak – President of the Management Board

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Marcin Wiśniewski – Vice-President of the Management Board

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Maciej Nowak – Vice-President of the Management Board

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Jerzy Czeremuga – Vice-President of the Management Board

Cracow, 24 August 2012

**Selected financial data from the abbreviated separate financial statements**

Rules adopted to translate selected financial data into euro:

Items	Exchange rate	Exchange rate on 30 June 2012	Exchange rate on 31 December 2011	Exchange rate on 30 June 2011
Balance sheet items	Mid exchange rate as at the balance sheet date	4.2613	4.4168	n/a
Profit and loss account and cash flow statement items	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each ended month of the period	4.2246	n/a	3.9673
“Cash at beginning of period” and “Cash at end of period” items in cash flow statement	Mid exchange rate as at the balance sheet date	4.2613	4.4168	3.9866

Key items of the separate statement of financial position translated into EUR:

	As at 30.06.2012		As at 31.12.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Fixed assets	126,390	29,660	125,579	28,432
Current assets	242,854	56,990	218,800	49,538
<b>Total assets</b>	<b>369,244</b>	<b>86,650</b>	<b>344,379</b>	<b>77,970</b>
Shareholders' equity	177,182	41,579	172,695	39,100
Long-term liabilities	28,628	6,718	27,006	6,114
Short-term liabilities	163,434	38,353	144,678	32,756
<b>Total equity and liabilities</b>	<b>369,244</b>	<b>86,650</b>	<b>344,379</b>	<b>77,970</b>

Key items of the separate statement of comprehensive income translated into EUR:

	Period ended 30.06.2012		Period ended 30.06.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	166,792	39,481	156,172	39,365
Cost of sales	156,312	37,001	145,236	36,608
<b>Gross profit (loss) on sales</b>	<b>10,480</b>	<b>2,480</b>	<b>10,936</b>	<b>2,757</b>
Profit (loss) on operating activities	4,640	1,098	6,006	1,514
Gross profit (loss)	5,651	1,338	5,293	1,334
<b>Net profit (loss) on continued activities</b>	<b>4,487</b>	<b>1,062</b>	<b>3,852</b>	<b>971</b>

Key items of the separate statement of cash flows translated into EUR:

	Period ended 30.06.2012		Period ended 30.06.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-32,760	-7,754	-2,119	-534
Cash flows from investing activities	1,506	356	-5,200	-1,311
Cash flows from financial activities	21,428	5,072	-24,792	-6,249
<b>Total net cash flow</b>	<b>-9,826</b>	<b>-2,326</b>	<b>-32,111</b>	<b>-8,094</b>
Cash at beginning of period	19,724	4,466	32,204	8,132
Cash at end of period	9,869	2,316	94	23

**ZUE S.A.**

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

**Separate Statement of Comprehensive Income**

	(PLN)	
	6 months ended 30/06/2012	6 months ended 30/06/2011
Sales revenue	166,791,640.38	156,172,402.05
Cost of sales	156,312,427.38	145,236,868.65
<b>Gross profit (loss) on sales</b>	<b>10,479,213.00</b>	<b>10,935,533.40</b>
General and administrative expenses	5,586,914.52	4,926,578.78
Other operating income	694,083.14	183,845.24
Other operating expenses	946,302.13	186,795.69
<b>Profit (loss) on operating activities</b>	<b>4,640,079.49</b>	<b>6,006,004.17</b>
Financial income	2,559,650.58	903,808.50
Financial expenses	1,548,926.34	1,616,431.20
<b>Pre-tax profit (loss)</b>	<b>5,650,803.73</b>	<b>5,293,381.47</b>
Corporate income tax	1,163,491.27	1,441,508.82
<b>Net profit (loss) on activities</b>	<b>4,487,312.46</b>	<b>3,851,872.65</b>
Net profit (loss)	4,487,312.46	3,851,872.65
<b>Total comprehensive income</b>	<b>4,487,312.46</b>	<b>3,851,872.65</b>
<b>Number of shares</b>	22,000,000	22,000,000
<b>Net profit (loss) per share (PLN) (basic and diluted)</b>	0.20	0.18
<b>Total comprehensive income (loss) per share (PLN)</b>	0.20	0.18

## Separate Statement of Financial Position

(PLN)

	As at 30/06/2012	As at 31/12/2011
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible fixed assets	25,330,108.01	27,022,340.55
Intangible assets	1,453,991.26	1,615,867.46
Investments in subsidiaries	80,535,756.38	78,955,954.18
Advance payments for investments in subsidiaries	0.00	0.00
Retentions on construction contracts	3,256,866.07	3,176,366.08
Deferred tax assets	15,689,469.00	14,572,868.62
Other assets	123,454.32	235,821.94
<b>Total fixed assets</b>	<b>126,389,645.04</b>	<b>125,579,218.83</b>
<b>Current assets</b>		
Inventories	16,519,088.56	18,019,131.17
Trade and other receivables	213,254,758.63	178,242,678.44
Retentions on construction contracts	238,233.05	297,695.86
Current tax assets	0.00	0.00
Other assets	2,401,274.64	2,471,482.21
Loans advanced	572,627.51	43,964.36
Cash and cash equivalents	9,868,522.15	19,724,363.88
<b>Total current assets</b>	<b>242,854,504.54</b>	<b>218,799,315.92</b>
<b>Total assets</b>	<b>369,244,149.58</b>	<b>344,378,534.75</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,500,000.00	5,500,000.00
Share premium account	85,360,680.68	85,360,680.68
Retained earnings	86,321,719.84	81,834,407.38
<b>Total equity</b>	<b>177,182,400.52</b>	<b>172,695,088.06</b>
<b>Long-term liabilities</b>		
Long-term bank borrowings and other debt instruments	2,467,042.69	2,840,679.95
Retentions on construction contracts	3,320,337.77	3,542,825.05
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	145,657.85	132,677.59
Deferred tax provision	18,693,381.06	16,413,289.41
Long-term provisions	4,001,269.95	4,076,916.46
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
<b>Total long-term liabilities</b>	<b>28,627,689.32</b>	<b>27,006,388.46</b>
<b>Short-term liabilities</b>		
Trade and other payables	86,376,922.98	89,100,646.51
Retentions on construction contracts	3,917,255.39	1,950,015.99
Short-term bank borrowings and other debt instruments	69,408,297.88	46,201,775.39
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	2,177,257.33	2,310,657.28
Current tax liabilities	0.00	3,460,174.42
Short-term provisions	1,554,326.16	1,653,788.64
<b>Total short-term liabilities</b>	<b>163,434,059.74</b>	<b>144,677,058.23</b>
<b>Total liabilities</b>	<b>192,061,749.06</b>	<b>171,683,446.69</b>
<b>Total equity and liabilities</b>	<b>369,244,149.58</b>	<b>344,378,534.75</b>

**ZUE S.A.**

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

**Separate Statement of Changes in Equity***(PLN)*

	Share capital	Share premium account	Retained earnings	Total
<b>As at 1 January 2012</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>81,834,407.38</b>	<b>172,695,088.06</b>
Dividend paid	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	4,487,312.46	4,487,312.46
<b>As at 30 June 2012</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>86,321,719.84</b>	<b>177,182,400.52</b>
<b>As at 1 January 2011</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>63,116,229.48</b>	<b>153,976,910.16</b>
Dividend paid	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	3,851,872.65	3,851,872.65
<b>As at 30 June 2011</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>66,968,102.13</b>	<b>157,828,782.81</b>

**ZUE S.A.**

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

**Separate Statement of Cash Flows**

	(PLN)	
	Period ended 30/06/2012	Period ended 30/06/2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>5,650,803.73</b>	<b>5,293,381.47</b>
<b>Adjustments:</b>		
Depreciation and amortisation	1,506,300.60	1,405,911.19
Foreign exchange gains / (losses)	30,395.73	-17,271.07
Interest and share in profit (dividends)	1,227,288.02	1,026,319.11
(Gain) / loss on disposal of investments	628,639.48	25,403.01
Accrued expenses under commission on loans	104,062.50	104,062.50
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
<b>Operating profit before changes in working capital</b>	<b>9,147,490.06</b>	<b>7,837,806.21</b>
Change in receivables and retentions on construction contracts	-38,924,321.37	5,072,402.59
Change in inventories	1,500,042.61	-12,049,459.62
Change in provisions and liabilities under employee benefits	-295,528.68	1,128,658.32
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	-909,710.25	-4,294,011.73
Change in accrued expenses	182,575.19	185,791.36
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	0.00
Income tax paid / tax refund	-3,460,174.00	0.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>-32,759,626.44</b>	<b>-2,118,812.87</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of tangible and intangible fixed assets	3,891,204.00	3,719,865.68
Purchase of tangible and intangible fixed assets	-350,092.50	-9,358,868.35
Investments in real property and intangible fixed assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	-22,950.00	0.00
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,556,852.20	0.00
Purchase of financial assets available for sale	0.00	0.00
Loans advanced	-528,663.15	0.00
Dividends received	0.00	0.00
Interest received	73,370.60	439,448.48
Settlement of financial instruments – expenses	0.00	0.00
Other investment income / (expenses)	0.00	0.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1,506,016.75</b>	<b>-5,199,554.19</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments	31,554,739.91	23,540,743.58
Repayment of borrowings and other debt instruments	-7,932,055.54	-45,924,378.91
Decrease in finance lease liabilities	-850,315.05	-1,231,977.39
Interest paid	-1,344,205.63	-1,177,132.46
Other cash provided by / (used in) financing activities – dividends	0.00	0.00
Net cash from issue of shares	0.00	0.00
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>21,428,163.69</b>	<b>-24,792,745.18</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-9,825,446.00</b>	<b>-32,111,112.24</b>
Net foreign exchange gains / (losses)	-30,395.73	576.64
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>19,724,363.88</b>	<b>32,204,201.71</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>9,868,522.15</b>	<b>93,666.11</b>

## **IV. NOTES TO ABBREVIATED SEPARATE FINANCIAL STATEMENTS OF ZUE S.A. FOR THE 6 MONTHS ENDED 30 JUNE 2012**

### **1. Information on the Company**

ZUE Spółka Akcyjna was established under the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow–Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000135388.

As at the date of these financial statements' approval, the Parent Company's governing and supervisory bodies were as follows:

#### Management Board:

Wiesław Nowak	President of the Management Board
Marcin Wiśniewski	Vice-President of the Management Board
Maciej Nowak	Vice-President of the Management Board
Jerzy Czeremuga	Vice-President of the Management Board

#### Supervisory Board:

Mariusz Szubra	Chairman of the Supervisory Board
Magdalena Lis	Member of the Supervisory Board
Bogusław Lipiński	Member of the Supervisory Board
Piotr Korzeniowski	Member of the Supervisory Board
Michał Lis	Member of the Supervisory Board

### **2. Statement by the Management Board of ZUE S.A.**

#### **2.1. Statement on Reliability of Semi-Annual Abbreviated Separate Financial Statements**

On the basis of the Regulation of the Minister of Finance of 19 February 2009, as amended, on current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent, the Management Board of ZUE S.A. states that according to its best knowledge, these semi-annual abbreviated separate financial statements and the comparable data have been prepared according to the accounting principles binding on the Company and give a true, clear and fair view of the assets and financial standing of ZUE S.A. and its the financial result.

#### **2.2. Statement on Entity Authorised to Review Semi-Annual Abbreviated Separate Financial Statements**

The Management Board of ZUE S.A. states that the entity authorised to audit financial statements responsible for the review of the semi-annual abbreviated separate financial statements has been appointed according to the law and that the said entity and chartered auditors involved in the review have met the requirements to issue an objective and independent report on the semi-annual abbreviated separate financial statements pursuant to applicable laws and professional standards.

#### **2.3. Statement on Non-Submission of Semi-Annual Separate Report**

Pursuant to § 83.3 of the Regulation of the Minister of Finance of 19 February 2009, ZUE S.A. does not submit any semi-annual separate report. The semi-annual abbreviated financial statements of ZUE S.A. and Auditor's Report on the review of these statements supplement the semi-annual consolidated report of the ZUE Capital Group.

## ZUE S.A.

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

### 3. Use of International Financial Reporting Standards

#### 3.1. *Statement on Compliance*

The separate financial statements of ZUE S.A. cover the six months ended 30 June 2012 and the comparable data for the six months ended 30 June 2011.

These financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 June 2012 as approved by the European Union.

These separate financial statements have been prepared by ZUE S.A. according to the regulations set forth in IAS 34 "Semi-Annual Financial Reporting." The same rules have been applied for both current and comparable period.

These abbreviated separate financial statements for the first six months of 2012 have been prepared according to the requirements binding on public companies.

These abbreviated separate financial statements do not include all information and disclosures required in the case of annual financial statements and they should be read together with the annual financial statements of ZUE S.A.

These abbreviated financial statements have been presented based on the assumption that the Company will continue as a going concern in the foreseeable future. No threats to the Company's ability to continue as a going concern were identified during the reporting period until the preparation date of these statements.

#### 3.2. *Standards and Interpretations Used for the First Time in the Reporting Period*

In 2012, the following amendments to the standards published by the International Accounting Standards Board and approved of by the European Union come into force:

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – transfer of financial assets, approved in the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The abovementioned standards, interpretations and amendments to the standards have not had any significant impact on the accounting policy adopted by the entity.

#### 3.3. *Approval of Standards in the EU*

The International Financial Reporting Standards (IFRS) as approved by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following interpretations, which were published and approved for use in the EU but did not yet come into force as at 30 June 2012:

- **Amendments to IAS 1 "Presentation of Financial Statements"** – presentation of items of other comprehensive income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 19 "Employee Benefits"** – amendments to post-employment benefits (effective for annual periods beginning on or after 1 January 2013).

The Company decided not to apply the foregoing standards, amendments to the standards and interpretations. According to the estimates, these standards, amendments to the standards and interpretations would not have any significant impact on the financial statements if used by the Company at the balance sheet date.

#### 3.4. *Standards and Interpretations Adopted by the IASB but not Yet Approved by the EU*

The International Financial Reporting Standards (IFRS) as approved by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 30 June 2012:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015),
- **IFRS 10 "Consolidated Financial Statements"** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 "Joint Arrangements"** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 "Disclosure of Interests in Other Entities"** (effective for annual periods beginning on or after 1 January 2013),

## ZUE S.A.

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

- **IFRS 13 “Fair Value Measurement”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (as amended in 2011) “Separate Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards” – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters** (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards” – Government Loans** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Mandatory Date of Entry into Force and Interim Provisions**,
- **Amendments to IAS 12 “Income Tax” – Deferred Tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to different standards “Amendments to IFRS (2012)”** – amendments made as part of making annual amendments to IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (effective for annual periods beginning on or after 1 January 2013),
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”** (effective for annual periods beginning on or after 1 January 2013).

According to the Company's estimates, the foregoing standards, interpretations and amendments to the standards would not have any significant impact on the financial statements if used by the Company as at the balance sheet date.

In addition, apart from the regulations adopted by the EU, there is also hedge accounting for a portfolio of financial assets and financial liabilities whose principles have not yet been approved for use in the EU.

According to the Company's estimates, the adoption of hedge accounting for a portfolio of financial assets and financial liabilities according to IAS 39 “Financial Instruments: Recognition and Measurement” would not have any significant impact on the financial statements if used by the Company as at the balance sheet date.

#### 4. Adopted Accounting Principles

These semi-annual abbreviated separate financial statements for the six months ended 30 June 2012 have been prepared according to the same accounting principles and measurement methods as those used in the ZUE S.A. annual financial statements as at 31 December 2011. The Company's financial statements for the financial year ended 31 December 2011 contain a detailed description of the accounting principles adopted by the Company.

The Company has decided not to apply the published standards or interpretations to these financial statements before their entry into force.

#### 5. Notes on Seasonal and Cyclical Nature of ZUE S.A. Operations

All construction and assembly operations are seasonal and cyclical in nature. The industry's seasonal and cyclical nature has been discussed in detail in item 13. Notes on Seasonal and Cyclical Nature of the ZUE Capital Group's Operations.

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Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

### 6. Revisions to Estimates

The preparation of financial statements in conformity with the IFRS requires the Management Board of ZUE S.A. to make judgments, estimates and assumptions that affect the adopted policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods.

#### Changes in provisions

	(PLN)			
	As at 31.12.2011	Created	Utilised	As at 30.06.2012
Provisions for retirement severance pays	132,677.59	12,980.26	0.00	145,657.85
Provisions for warranty repairs	5,726,067.73	1,041,861.53	1,212,333.15	5,555,596.11
Other provisions	4,637.37	0.00	4,637.37	0.00
<b>Total provisions</b>	<b>5,863,382.69</b>	<b>1,054,841.79</b>	<b>1,216,970.52</b>	<b>5,701,253.96</b>

The Company is obliged to give warranty for the construction services it provides. The amount of provisions for warranty repairs is estimated separately for each construction contract and ranges from 0.05% to 1.0% of revenue from a given contract. The value is analysed on an individual basis and may increase or decrease as the case may be. As at 30 June 2012, the balance of provisions for warranty repairs stood at PLN 5,556 thousand and as at 31 December 2011, at PLN 5,726 thousand. During the six months ended 30 June 2012, the balance of provisions decreased by PLN 170 thousand.

#### Deferred tax assets and liabilities

	(PLN)			
	As at 31.12.2011	Created	Utilised	As at 30.06.2012
Deferred tax assets	14,572,868.62	2,545,473.10	1,428,872.72	15,689,469.00
Deferred tax liabilities	16,413,289.41	2,806,270.85	526,179.20	18,693,381.06
<b>Assets and liabilities balance</b>	<b>-1,840,420.79</b>	<b>-260,797.75</b>	<b>902,693.52</b>	<b>-3,003,912.06</b>

In the first six months of 2012, deferred tax assets increased by PLN 1,117 thousand compared with the figure disclosed as at 31 December 2011. Deferred tax liabilities increased by PLN 2,280 thousand compared with the figure reported as at 31 December 2011.

### 7. Trade and other receivables

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
Trade receivables	132,677,894.44	108,964,321.78
Trade receivables revaluation write-offs	-86,666.29	-86,666.29
Receivables from the state budget other than corporate income tax	0.00	0.00
Receivables under contracts (valuation)	80,529,633.24	69,256,094.42
Other receivables	133,897.24	108,928.53
<b>Total trade and other receivables</b>	<b>213,254,758.63</b>	<b>178,242,678.44</b>

#### 7.1. Age profile of trade receivables

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
Not past due receivables	115,116,617.92	102,042,346.43
Receivables past due but not impaired	17,474,610.23	6,835,309.06
1-30 days	7,197,395.38	4,187,858.32

## ZUE S.A.

### Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

31-60 days	2,691,268.81	1,794,903.20
61-90 days	155,436.80	762,915.63
91-180 days	7,044,083.83	50,411.53
181-360 days	225,339.20	30,660.39
Over 360 days	161,086.21	8,559.99
Past due receivables for which revaluation write-offs were made	<b>86,666.29</b>	<b>86,666.29</b>
1-30 days	0.00	0.00
31-60 days	0.00	0.00
61-90 days	0.00	0.00
91-180 days	0.00	0.00
181-360 days	0.00	0.00
Over 360 days	86,666.29	86,666.29
<b>Total trade receivables (gross)</b>	<b>132,677,894.44</b>	<b>108,964,321.78</b>
<b>Trade receivables revaluation write-offs</b>	<b>-86,666.29</b>	<b>-86,666.29</b>
<b>Total trade receivables (net)</b>	<b>132,591,228.15</b>	<b>108,877,655.49</b>

## 8. Trade and other payables

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
Trade payables	76,673,471.65	68,644,998.10
Liabilities to the state budget other than corporate income tax	7,686,978.10	8,546,969.16
Accruals	0.00	0.00
Liabilities under contracts (valuation)	1,956,513.21	11,905,423.39
Other liabilities	59,960.02	3,255.86
<b>Total trade and other payables</b>	<b>86,376,922.98</b>	<b>89,100,646.51</b>

### 8.1. Age profile of trade payables

	(PLN)	
	As at 30/06/2012	As at 31/12/2011
<b>Not past due payables</b>	<b>74,901,637.32</b>	<b>64,957,645.16</b>
<b>Past due payables</b>	<b>1,771,834.33</b>	<b>3,687,352.94</b>
1-30 days	1,650,378.19	3,378,237.48
31-60 days	8,725.07	14,342.11
61-90 days	95,237.18	267,836.35
91-180 days	17,470.57	26,937.00
181-360 days	0.00	0.00
Over 360 days	23.32	0.00
<b>Total trade payables</b>	<b>76,673,471.65</b>	<b>68,644,998.10</b>

## 9. Revenue Discount Under Construction Contracts

According to IAS 18, revenue from construction contracts due and payable after 1 year have been disclosed by the Company at the fair value of the consideration taking account of the discount.

## ZUE S.A.

Śemi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

Influence of the discount on the financial result as at 30 June 2012:

<b>Reversal of discounting receivables under contracts as at 31.12.2011</b>		
a) invoices net value	1,291,911.83	Financial income
b) VAT	297,139.72	Financial income
<b>Disclosure of discounting receivables under contracts as at 30.06.2012</b>		
a) invoices issued before 2012		
- invoices net value	239,196.86	Financial expenses
- VAT	55,015.28	Financial expenses
b) invoices issued in 2012		
- invoices net value	17,301.41	Sales revenue (in minus)
- VAT	3,979.32	Financial expenses

### 10. Discontinued Operations

No operations were discontinued within the meaning of the IFRS 5 in the first half of 2012 or the first half of 2011.

### 11. Information on Dividend

On 16 July 2012, the Annual General Meeting of ZUE S.A. resolved to allocate the entire net profit of ZUE S.A. of PLN 18,718,177.90 disclosed in the separate financial statements as at 31 December 2011 to reserve funds.

### 12. Information on Issue and Redemption of Debt and Equity Securities

ZUE Spółka Akcyjna did not issue or redeem any equity securities or bonds in the first half or 2012.

### 13. Information on Operating Segments at ZUE S.A.

ZUE S.A.'s reporting is based on operating segments. In accordance with the aggregation criteria set out in IFRS 8.12, the Company presents one aggregate operating segment: engineering construction and assembly services.

ZUE S.A. is organised and managed within the abovementioned segment. The Company applies a uniform accounting policy for all operating areas within the segment.

**14. Transactions with Related Entities**

The following transactions between the related entities occurred during the reporting period:

(PLN)

	Receivables		Liabilities	
	As at 30/06/2012	As at 31/12/2011	As at 30/06/2012	As at 31/12/2011
PRK	1,140,082.25	2,892,366.52	311,905.95	3,636,726.72
BIUP	24,176.54	320,480.18	0.00	214,200.00
BPK	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	60,117.74
RTI	3,690.00	0.00	0.00	0.00
<b>Total</b>	<b>1,167,948.79</b>	<b>3,212,846.70</b>	<b>311,905.95</b>	<b>3,911,044.46</b>

	Sales revenue		Acquisition cost	
	Period ended 30/06/2012	Period ended 30/06/2011	Period ended 30/06/2012	Period ended 30/06/2011
PRK	1,079,413.32	476,302.81	1,518,854.03	4,622,231.14
BIUP	18,809.20	3,967.00	8,565.04	112,413.65
BPK	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	180,000.00	0.00
RTI	6,000.00	0.00	0.00	0.00
<b>Total</b>	<b>1,104,222.52</b>	<b>480,269.81</b>	<b>1,707,419.07</b>	<b>4,734,644.79</b>

	Advanced loans		Financial income/expenses	
	As at 30/06/2012	As at 31/12/2011	Period ended 30/06/2012	Period ended 30/06/2011
PRK	0.00	0.00	0.00	0.00
BIUP	43,964.36	0.00	0.00	25,033.44
BPK	420,000.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	108,663.15	0.00	0.00	0.00
<b>Total</b>	<b>572,627.51</b>	<b>0.00</b>	<b>0.00</b>	<b>25,033.44</b>

	Received loans		Financial income/expenses	
	As at 30/06/2012	As at 31/12/2011	Period ended 30/06/2012	Period ended 30/06/2011
PRK	0.00	0.00	0.00	0.00
BIUP	0.00	0.00	0.00	0.00
BPK	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	211,297.24
RTI	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>211,297.24</b>

ZUE's transactions with the affiliates involved:

- Construction and assembly services;
  - Subcontracting Agreement no. 132/ZUE/2010 of 8 November 2010: "Construction of platform shelters at the Metro Ratusz Arsenal and Park Praski stops along the W-Z tramway in Warsaw;"
- Diagnostic testing and repair of vehicles;
- Equipment and transport services;
- Lease of dump cars;
- Rental of offices and telephone services under agreements;
- Transfer of employees between ZUE and PRK;
- Re invoicing of guarantee and insurance costs;
- Trade in fixed and current assets;
- Fees for language courses for employees.

## ZUE S.A.

Semi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

The Company sold goods and services to the related entities according to the rules set out in the transaction price policy. The transaction price policy sets out the detailed rules of settlements among the related entities.

ZUE S.A. granted the loan of PLN 420 thousand to Biuro Projektów Komunikacyjnych w Poznaniu with a repayment date falling due by 31 December 2012. The interest rate on the loan was 1% per annum plus 3M WIBOR.

ZUE S.A. granted the loan of EUR 25,500 to Railway Technology International Sp. z o.o. with a repayment date falling due by 31 December 2012. The interest rate on the loan was 1.5% per annum plus 3M EURIBOR.

### 15. Off-Balance Sheet Items

#### 15.1. Contingent Liabilities

	As at 30/06/2012	As at 31/12/2011
Guarantees	138,229,948.83	138,905,966.91
Sureties	4,460,893.30	760,893.30
Bills of exchange	153,903,645.39	154,683,396.43
Mortgages	35,420,550.00	38,420,550.00
Pledges	16,832,015.68	3,690,045.51
<b>Total contingent liabilities</b>	<b>348,847,053.20</b>	<b>336,460,852.15</b>

(PLN)

The contingent liabilities resulting from guarantees include, in particular, the guarantees provided by insurance companies and banks to the Company's clients to secure their claims against the Company mainly under construction contracts. Insurance companies and banks have recourse against the Company.

Bill of exchange guarantees secure the loan agreements, lease agreements and performance bonds concluded by BIUP, a subsidiary.

The liabilities secured by the bills of exchange and mortgages mainly include loan and lease agreements and guarantee facility agreements.

The loan agreement no. WAR/2001/11/198/CB is secured by the registered pledge.

#### 15.2. Contingent Assets

	As at 30/06/2012	As at 31/12/2011
Guarantees	28,847,536.85	29,750,244.17
Bills of exchange	52,706.20	52,706.20
Mortgages	600,000.00	0.00
<b>Total contingent assets</b>	<b>29,500,243.05</b>	<b>29,802,950.37</b>

(PLN)

The contingent assets resulting from guarantees and sureties are the guarantees provided by insurance companies and banks to ZUE S.A.'s contractors to secure their claims related to subcontract construction services provided to the Company.

The loan granted to BPK Poznań is secured by the mortgage.

### 16. Major Events After the Balance Sheet Date

On 11 July 2012, ZUE and PRK, and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. with registered office in Warsaw (the "Guarantor") concluded the agreement for project-related bonding products (bid bonds, performance bonds, defects liability bonds and advance payment bonds) within a specified guarantee limit. The maximum guarantee limit: PLN 50,000,000.00. Term of the agreement: June 2013.

## **ZUE S.A.**

Śemi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

Changes to the structure and composition of the Supervisory Board of ZUE:

On 19 June 2012, the Management Board of ZUE received a notice by Beata Jaglarz of resignation from the position of the Chairperson and Member of the Company's Supervisory Board. The resignation took effect on 16 July 2012.

Michał Lis was appointed a Member of the Supervisory Board of ZUE under the resolution no. 18 adopted by the Annual General Meeting of ZUE on 16 July 2012.

Mariusz Szubra was appointed the Chairman of the Supervisory Board of ZUE under the resolution no. 19 adopted by the Annual General Meeting of ZUE on 16 July 2012.

On 6 August 2012, the consortium of Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. with registered office in Cracow (Leader), Przedsiębiorstwo Remontowo Budowlane "TOR" Sp. z o.o. with registered office in Mysłowice (Leader) and ZUE S.A. with registered office in Cracow (Partner) concluded the contract with PKP Polskie Linie Kolejowe S.A. with registered office in Warsaw to reconstruct the railway infrastructure on the line no. 61, Koniecpol - Turów section, as part of the following project: "Revitalization of the track no. 1 of the railway line no. 61." Net value of the contract: PLN 68,452,400.00. Net value of the contract assignable to ZUE S.A.: PLN 17,550,000.00. Completion date: November 2012.

**ZUE S.A.**

Śemi-Annual Abbreviated Separate Financial Statements for 6 Months Ended 30 June 2012

The financial statements have been prepared by:

Barbara Stępak – Chief Accountant .....

The financial statements have been presented by the  
Management Board:

Wiesław Nowak – Management Board President .....

Marcin Wiśniewski – Management Board Vice-  
President .....

Maciej Nowak – Management Board Vice-President .....

Jerzy Czeremuga – Management Board Vice-President .....

Cracow, 24 August 2012

*The above report is a translation from the original polish version. In case of any discrepancies between the polish and english version, the polish version shall prevail.*