



GRUPA ZUE

## **MANAGEMENT BOARD REPORT**

**For the Period 1 January 2014 - 30 June 2014**

Cracow, 25 August 2014

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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 5,757,520.75 paid up in full.</p> <p>Parent company of the ZUE 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. On 20 December 2013, PRK was removed from the register as a result of merger with ZUE.</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 1,269,400 paid up in full.</p> <p>Subsidiary of ZUE.</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 Cracow-Śródmieście in Cracow, XI 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.</p>
RTI Germany	<p>Railway Technology International Germany GmbH with registered office in Hamburg, 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 Poznań	<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 2,170,000 paid up in full.</p> <p>Subsidiary of ZUE.</p>
BPK Gdańsk	<p>Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji with registered office in Gdańsk, entered into the National Court Register maintained by the District Court Gdańsk-Północ, VII Commercial Division of the National Court Register, under entry no. KRS 0000273363, share capital of PLN 1,000,000 paid up in full.</p> <p>Associate.</p>
ZUE Group, Group, Capital Group	<p>ZUE Capital Group comprising: ZUE, Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Germany GmbH.</p>
PLN	<p>Polish złoty.</p>
EUR	<p>Euro.</p>
Act	<p>Polish Companies Act (Dz.U. 2000, no. 94, item 1037, as amended).</p>

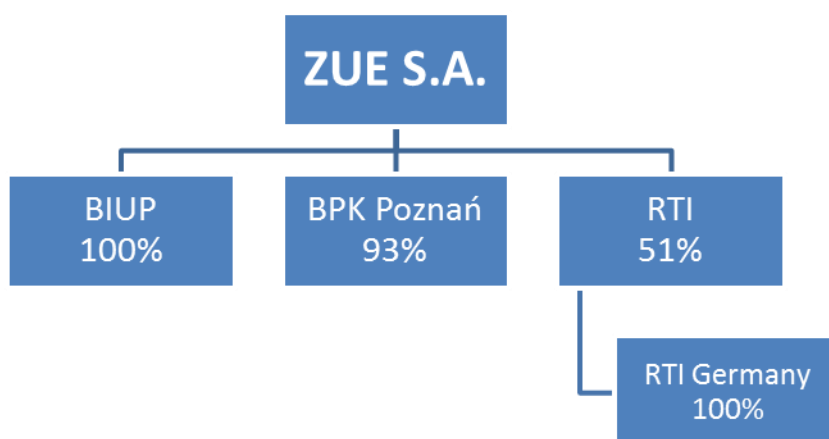
## 1. ORGANISATION OF ZUE GROUP

Composition of the ZUE Group:

- ZUE S.A. with registered office in Cracow (the parent) is one of major players in the urban and railway infrastructure development market. ZUE focuses on development services as a general contractor for comprehensive tram and railway tracks development and upgrade projects, along with the ancillary infrastructure (e.g. earthworks and railway substructure, drainage systems, civil structure and building development, including railway stations) and power engineering.
- Biuro Inżynierskich Usług Projektowych Sp. z o.o. (subsidiary – 100% of shares) whose core business is the preparation of tram and rail infrastructure projects.
- Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (subsidiary – 93.20% of shares at 30 June 2014) whose 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 in the road, tram and rail infrastructure and power engineering.
- Railway Technology International Sp. z o.o. (subsidiary – 51% of shares) – the company is not operating.
- Railway Technology International Germany GmbH (subsidiary of RTI – 100% of shares) whose core business is the winning and execution of foreign projects.

ZUE coordinates the operation of the Group companies and optimizes the Group's operating expenses through, *inter alia*, the coordination of investment projects and bank borrowings, supplies and logistics. 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 customers.

**Structure of the ZUE Group as at 30 June 2014:**



ZUE is entitled to manage BIUP's financial and operating policy because it holds 100% of BIUP shares.

ZUE holds 51% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the economic and financial position, Railway Technology International Sp. z o.o. was not consolidated as at 30 June 2014.

Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the economic and financial position, Railway Technology International Germany GmbH was not consolidated as at 30 June 2014.

At 30 June 2014, Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. held 964 shares in Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji; i.e. a 49.06% interest in the company. BPK Gdańsk was presented as an associate.

Consolidated companies include: BIUP, BPK Poznań. Given an insignificant impact of the financial data of RTI on the economic and financial position, the subsidiary was not consolidated as at 30 June 2013.

Acting pursuant to Article 255, Article 257 § 1 and Article 258 of the Act, the Extraordinary Shareholders Meeting of BIUP resolved on 18 April 2014 under the resolution no. 1/04/2014 to increase the share capital of BIUP from PLN 19,400 to PLN 1,269,400 through the creation of 25,000 shares with a par value of PLN 50 each. All the newly created shares were the preference shares giving their holders an entitlement to dividend that would exceed by half the non-preference shares dividend. All the newly created shares were fully paid up by ZUE in cash of PLN 1,250,000 in the following way:

- Payment of cash of PLN 20,960.61; and
- Set-off of ZUE's claims against BIUP in connection with the loans advanced to BIUP in the total amount of PLN 1,229,039.39.

On 9 May 2014, the Ordinary Shareholders Meeting of BPK Poznań resolved to increase the share capital of BPK Poznań from PLN 1,747,500 to PLN 2,170,000 through the creation of 845 new shares with a par value of PLN 500 each.

Acquisition of shares:

- New shares in the increased share capital are taken up by the existing shareholders of BPK Poznań pro rata to the shares already held by them within 7 days of the relevant resolution passed by the Ordinary Shareholders Meeting of BPK Poznań.
- If the shares are not taken up by the shareholders within 7 days as specified in item 1) above, the shares will be offered by the Management Board of BPK Poznań, within 7 days, to the remaining shareholders pro rata to the shares already held by them.
- If the shares are not taken up by the shareholders within 7 days as specified in item 2) above, the shares will be offered by the Management Board of BPK Poznań to ZUE.

The shares that have been taken up will be paid up in cash.

Between the beginning of the financial year 2014 and this report publication date, ZUE acquired the total of 1381 shares in BPK Poznań; i.e. the total of 4261 shares and a 100% interest in the share capital of BPK Poznań.

On 23 May 2014, the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, registered the increase of BIUP's share capital with the National Court Register.

On 17 June 2014, Mr. Maciej Nowak and Ms. Magdalena Lis, and ZUE entered into the agreement for the sale of BIUP shares.

Under the agreement:

- Mr. Maciej Nowak sold 99 BIUP shares to the Company for the total of PLN 7,425;
- Ms. Magdalena Lis sold 99 BIUP shares to the Company for the total of PLN 7,425.

Consequently, ZUE holds 100% of BIUP shares.

At the date of publication of this report, ZUE holds 45.72% of shares in Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji - (subsidiary of BPK Poznań – 49% of shares) whose core business is the provision of comprehensive services related to communications, transport, industry, construction, urban planning and architecture including, in particular, design and supervision services, technical research and analysis, research and development.

## 2. SCOPE OF OPERATIONS

The ZUE Group is a major player in the urban and railway infrastructure development sector.

The ZUE Group focuses on design and development services as a general contractor for comprehensive tram and railway tracks development and upgrade projects, along with the ancillary infrastructure (e.g. earthworks and railway substructure, drainage systems, civil structure and building development, including railway stations) and power engineering.

The ZUE Group also provides comprehensive development; upgrade and maintenance services for OCL (OCL substations) power supply systems and offers development and upgrade services for tram and railway OCL networks. The machinery, vehicles and specialty equipment held by the Group enable it to perform any OCL-related project in basically any city/land infrastructure conditions.

The ZUE Group also builds complete medium and low-voltage power networks, in particular for tram and railway power systems, and holds the necessary technical expertise and human resources to construct high-voltage systems.

The activities of the ZUE Group include:

- design, construction and comprehensive modernisation of urban transport systems and comprehensive tram depot fittings;

- design, construction and comprehensive modernisation of railway lines;
- services related to power networks and power electronics.

Other activities of the ZUE Group include the manufacture of tram switch controllers, the construction of steel and aluminium structures, land surveying services, construction equipment (excavators, bulldozers, cranes, loaders), automotive equipment (tractors with trailers, dump trucks), rail equipment (tamping machines, wagons, locomotives), containers for construction site facilities (such as office, locker rooms, wash-rooms with toilets), services in the field of repair and diagnostics of vehicles at the inspection station in the service and repair centre and the sale of fuels.

*Design, construction and comprehensive modernisation of urban transport systems*

The ZUE Group uses a number of modern and tested solutions on the urban transport infrastructure market to provide as a general contractor the services related to the design, construction and comprehensive modernisation of urban road systems along with the associated infrastructure including, in particular, the construction, upgrade and repairs of OCL networks, tram tracks, OCL substations as well as the construction of street lighting and traffic lights.

As regards the construction and comprehensive upgrade of tram tracks, the ZUE Group offers comprehensive solutions based on different technologies covering all track widths. Track design and construction technologies include classic tracks on wooden and prestressed concrete sleepers, tracks on grass (green), gravel or asphalt/concrete subgrade, embedded in the roadway, tracks with a reduced noise level - damping by means of vibration isolation padding or appropriately selected track fasteners.

All the projects, including delivery and assembly at the site, are executed by a team of competent employees and the cooperation with recognised suppliers combined with the specialty equipment and machinery owned by the ZUE Group guarantee the timely delivery and high quality of the service, as demonstrated by ISO 9001 certificate awarded for those operations.

As regards the construction of tracks, the infrastructure elements offered by the ZUE Group include the delivery and assembly of tram point switches, crossings, safe-locking of point mechanisms, state-of-the-art point mechanisms, track drainage systems and rail lubrication systems.

As part of OCL development and upgrade, the ZUE Group offers:

- comprehensive development and maintenance of tram OCL;
- development, upgrade and maintenance of OCL substations; and
- related design services.

The comprehensive services ranging from design to development of tram OCL network have been provided by the Group almost since its creation. The Group delivers complete solutions, including the delivery of all necessary elements, relying on both Polish and European technologies.

The construction, upgrade and maintenance of OCL substations are also the key elements of the Group's operations. OCL network power supply system is inseparably connected with OCL network. The Group offers the construction of OCL substations developed with components manufactured by Polish and international manufacturers, harnessing advanced world-class technologies. The expertise and experience of the Group's personnel coupled with an efficient substation support system make

the Group perfectly positioned to respond speedily to emergencies and remove them in an efficient manner.

BIUP and BPK complement the Group's comprehensive activities by developing the following rail transport engineering projects:

- tram infrastructure – design of new OCL networks and tram depots, upgrade of existing tracks;
- rail infrastructure – preparation of upgrade documentation – repair of railway lines, stations and sidings (with drainage), OCL networks, bridges, tunnels and passages;
- power engineering – electric installations and systems – street lighting development and maintenance design and high-, medium- and low-voltage power systems; and
- water, gas and air systems – water supply, sewerage, heat and gas networks.



### 3. GOVERNING BODIES

#### 3.1. MANAGEMENT BOARD

At the date of this report's approval, the Management Board of ZUE comprised:

<b>Wiesław Nowak</b>	President of the Management Board – Chief Executive Officer
<b>Marcin Wiśniewski</b>	Vice-President of the Management Board – Director of the Urban Infrastructure Unit
<b>Jerzy Czeremuga</b>	Vice-President of the Management Board – Director of the Power Infrastructure Unit
<b>Maciej Nowak</b>	Member of the Management Board – Legal and Corporate Director
<b>Anna Mroczek</b>	Member of the Management Board – Financial Director
<b>Arkadiusz Wierciński</b>	Member of the Management Board – Strategy and Investor Relations Director

#### 3.2.SUPERVISORY BOARD

At the date of this report's approval, the Supervisory Board of ZUE comprised:

<b>Mariusz Szubra</b>	Chairman of the Supervisory Board
<b>Bogusław Lipiński</b>	Member of the Supervisory Board
<b>Magdalena Lis</b>	Member of the Supervisory Board
<b>Piotr Korzeniowski</b>	Member of the Supervisory Board
<b>Michał Lis</b>	Member of the Supervisory Board

## 4. MAJOR EVENTS IN THE REPORTING PERIOD

### 4.1. Contracts

- 21 February 2014      ZUE entered into the contract for a part of the construction works concerning the OCL and track services as part of the following project executed by Mota – Engil Central Europe S.A. of Cracow: “Extension of a tramway under the KST project Phase II B including the road system (the Lipska Street – the Wielicka Street) in Cracow.” The contracting authority: Mota – Engil Central Europe S.A. of Cracow.
- Net value of the contract: PLN 26,650,000.00.
- Completion date: 15 August 2015.
- Term of warranty: 60 months.
- Performance bond: standard bond provided by the Company at 5% of the contract gross value.
- 28 February 2014      ZUE and Tramwaje Warszawskie Sp. z o.o. of Warsaw signed the contract for the construction of the tram line to Tarchomin in Warsaw.
- Net value of the contract: PLN 52,195,121.13.
- Completion date: 10 months of the contract date.
- Term of warranty: 36 months.
- Performance bond: standard bond provided by the Company at 5% of the contract gross value.
- 4 March 2014      ZUE and Pomorskie Przedsiębiorstwo Mechaniczno – Torowym Sp. z o.o. of Gdańsk entered into the contract for the provision of construction services on the section named V Grodzisk Mazowiecki station in connection with the following tasks performed by Pomorskie Przedsiębiorstwo Mechaniczno – Torowe Sp. z o.o. of Gdańsk for PKP Polskie Linie Kolejowe of Warsaw:
- Design and upgrade of the Warsaw – Łódź railway line, stage II, the Warszawa Zachodnia – Miedniewice (Skierniewice) section, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – the Warszawa Zachodnia – Skierniewice section;”
  - Supplementary works related to civil structures, railway substructure and elements of telecommunications engineering on the 6,500km - 54,100km section, line no. 1 Warszawa Centralna – Katowice, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – the

Warszawa Zachodnia – (Miedniewice) Skierniewice section;”

- Supplementary works related to the reinforcement of the track substructure and reconstruction of the track layout at the Pruszków station, the Pruszków – Grodzisk Mazowiecki route, the Grodzisk Mazowiecki station, the Żyrardów station and power engineering works at the Pruszków station, the Żyrardów station, line no. 1 Warszawa Centralna–Katowice, as part of the POIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – Warszawa Zachodnia – (Miedniewice) Skierniewice section.”

Net value of the contract: PLN 71,758,000.00.

Completion date: 30 September 2015.

Term of warranty: 12 months.

Performance bond: standard bond provided by the Company at 5% of the contract gross value.

21 March 2014

ZUE and PKP Polskie Linie Kolejowe S.A. of Warsaw, the contracting authority, entered into the contract for the following project: “Upgrade of the Wrocław Zgorzelec railway line no. 274 on the Wrocław-Jelenia Góra section - upgrade of the railroad surface with auxiliary works, Smolec junction signal box, track no. 1, the Smolec – Kąty Wrocławskie route, track no. 1, the Kąty Wrocławskie – Mietków route and track no. 3 in the Boguszów Gorce Zachód station.”

Net value of the contract: PLN 42,436,450.00.

Completion date: 30 October 2015.

Term of warranty: 36 months.

Performance bond: standard bond provided by the Company set at 10% of the contract gross value.

25 March 2014

The consortium including ZUE (the Consortium Leader) and Polskie Sieci Elektroenergetyczne S.A. of Konstancin – Jeziorna (the Contracting Authority) signed the contract for the following project: “Construction of the double track 400 kV Kozienice – Ołtarzew.”

Net value of the contract: PLN 469,000,000 (gross value: PLN 576,870,000).

Completion date: 30 June 2019.

In connection with the abovementioned contract, ZUE (the Consortium Leader) provided the Contracting Authority with a standard performance bond. The performance bond set at 10% of the contract gross value was provided in the form of the three bonds of approx. ten, twenty five and sixty five percent, respectively, of the abovementioned performance

bond provided by the insurance companies cooperating with the Company (TU Euler Hermes S.A. Česká Pojišťovna a.s and Powszechny Zakład Ubezpieczeń S.A.) as part of the bond limit agreements. The bonds were provided for seven years for the double track 400 kV Kozienice – Ołtarzew and five years for the 400/220/110 kV Kozienice Świerże Górne 26-900 Kozienice station and the 400/220/110 kV Ołtarzew station. The contractor would be liable under warranty for the same period.

## 4.2.Credit facility agreements

5 May 2014	ZUE and mBank Spółka Akcyjna signed the Annex no. 12 to the overdraft facility agreement no. 07/183/04/Z/W whereby the term of the facility was extended until 15 May 2015.
8 May 2014	The loan agreement was concluded by and between Mr. Wiesław Nowak, President of the Management Board of ZUE S.A. and Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. whereby the loan of PLN 500,000 at variable interest rate was advanced to BPK Poznań.
18 June 2014	<p>ZUE S.A. signed an annex to the revolving credit facility agreement of PLN 35m concluded with Bank Millennium S.A. of Warsaw.</p> <p>Under the annex, the term of the credit facility was extended until 22 June 2015. According to the annex, security had to be provided for the term to be extended. The credit facility repayment was secured by the assignment of claims under specified contracts of at least 200% of the principal with the confirmation of existing and future claims under the specified contracts or the contracts taken for the assignment and under the annex, the confirmed assignments could be reduced to 100% of the principal. The credit facility repayment was additionally secured by the power of attorney granted to the bank and authorising it to repay the outstanding debt using the Company's bank accounts maintained with the bank. In connection with the annex, the Company submitted to enforcement under Article 97 of the Banking Law up to the total of PLN 52.5m until 22 June 2018. The remaining material provisions of the Agreement remained unchanged.</p>

## 4.3.Corporate events

5 June 2014	The Supervisory Board of ZUE resolved to appoint Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, 00-854, to review the separate and consolidated semi-annual financial statements and to audit the separate and consolidated annual financial statements of the Company for the financial years 2014-2016.
18 June 2014	The Ordinary General Meeting of ZUE resolved to allocate the net profit of PLN 7,641,695.79 generated by the Company in the financial year 2013 to reserve funds.

## 5. EVENTS AFTER THE REPORTING PERIOD

7 July 2014

ZUE received a notice from DÚHA a.s. of Prešov according to which DÚHA, leader of the consortium of:

- 1) DÚHA a.s. of Prešov, Slovakia (consortium leader); and
- 2) ZUE S.A. of Cracow, Poland (consortium partner);

signed on 4 July 2014 a contract with Košice (Mesto Košice – the contracting authority) for comprehensive construction works as part of the following project: “Construction of IKD Košice, Maratónu Mieru Square – Station Yard” in Košice, Slovakia. Net value of the contract was EUR 33,284,447.25 and the amount was the equivalent of PLN 138,037,259.64 at the mid-exchange rate quoted by the National Bank of Poland on 7 July 2014. The Company’s share was 30% of the project (including all the specialist works relating to the construction of tramway track and OCL network) and this corresponded to the net amount of approx. PLN 41.4m at the mid-exchange rate quoted by the National Bank of Poland on 7 July 2014.

Completion date: 31 July 2015.

The warranty given by the consortium to the contracting authority was 60 months of the acceptance protocol date.

29 July 2014

The Management Board of ZUE S.A. of Cracow and mBank S.A. of Warsaw (the “Bank”) entered into the cooperation agreement whereby the Company would use the Bank’s products and services to finance the Company’s day-to-day operations (the “Agreement”). The Bank provided the Company with the right to use the following products within the limit provided by the Bank:

- PLN- and EUR-denominated guarantees valid for up to 60 months and provided by the Bank at the Company’s request. Additional security in the form of a deposit (the “Deposit”) of 15% of the provided guarantee on the terms and conditions as set out in the Deposit Agreement concluded on 29 July 2014 between the Bank and the Company was required for the bank guarantees expiring after 36 months;
- PLN-denominated non-revolving working capital facilities granted by the Bank at the Company’s request according to the working capital facility agreement concluded each time between the Bank and the Company.

The maximum limit provided to the Company by the Bank for all

the products was PLN 70m with the following product sub-limits:

- Sub-limit for guarantees up to PLN 30m;
- Sub-limit for non-revolving working capital facilities up to PLN 70m.

The limit was provided for a term from the date of the Agreement to 20 July 2017. However, the final guarantee expiry date could exceed the limit's basic expiry date.

The Bank's claims against the Company under the Agreement were secured by:

- Blanket ordinary mortgage on the developed land located in Magdalenka, Lesznów administrative district, the Orzechowa Street no. 2 and the developed land located in Cracow in the Półanki Street no. 21, and the transfer to the Bank of the Company's right to entire damages under the insurance agreement for the abovementioned real property;
- Assignment to Bank of the Company's receivables under contracts specified by the Company; and
- Deposit paid to the Bank on the terms and conditions as set out in the Deposit Agreement concluded on 29 July 2014 between the Company and the Bank (guarantees expiring after 36 months).

14 August 2014

The consortium of:

- 1) Bilfinger Infrastructure S.A of Warsaw (leader);
- 2) ZUE S.A. of Cracow (partner);
- 3) Przedsiębiorstwo Budowy Kopalń PEBKA S.A of Lubin (partner);
- 4) Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o.; and
- 5) Kolejowe Zakłady Automatyki Katowice S.A.;

(jointly referred to as the "Petitioner" and the "Contractor") filed a lawsuit with the District Court of Warsaw – XXVI Commercial Division (the "Court") against PKP Polskie Linie Kolejowe S.A. of Warsaw (the "Defendant").

The Plaintiff sued the Defendant for the contractual penalty of PLN 72,835,010.99 plus interest from 18 August 2012 until payment (with PLN 18,521,943.30 plus interest from 18 August 2012 until payment attributable to the Company) for the Defendant's delay in the handover of the construction site in connection with the construction contract performed by the Contractor and concerning the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding. Phase 3: construction work on the siding as part of the project no. POIiŚ 7.1-18: "Modernisation of the

railway line no. 8, construction of the Okęcie Airport siding” (the “Contract”).

The case was described in detail in the financial statements for the first six months of 2014.

## 6. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT GENERAL MEETING OF ZUE AT THE DATE OF REPORT APPROVAL

Shareholders holding at least 5% of the total vote at the General Meeting of ZUE according to the information held by the Management Board of ZUE on this report approval date:

Shareholder	Type of shares	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM
Wiesław Nowak	Ordinary	14,400,320	62.53	14,400,320	62.53
PKO Bankowy OFE	Ordinary	1,500,000*	6.51%*	1,500,000*	6.51%*
AMPLICO PTE S.A.	Ordinary	1,461,659	6.35%	1,461,659	6.35%
Other	Ordinary	5,668,104	24.61%	5,668,104	24.61%

\* - Holdings according to the list of shareholders holding at least 5% of votes at the Ordinary General Meeting of ZUE on 18 June 2014 published in the current report 31/2014 of 18 June 2014.



## 7. HOLDINGS OF ZUE SHARES BY MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

Holdings of ZUE shares by members of the management and supervisory bodies according to the information held by the Management Board of ZUE on this report approval date:

Shareholder	Position at ZUE	Number of shares	Ownership interest	Number of votes at GM	% of votes at GM	Changes in shareholding since the last financial report
<b>Wiesław Nowak</b>	Management Board President	14,400,320	62.53	14,400,320	62.53	None
<b>Marcin Wiśniewski</b>	Management Board Vice-President	2,300	0.01	2,300	0.01	Purchase of 1331 shares
<b>Jerzy Czeremuga</b>	Management Board Vice-President	136	<0.01	136	<0.01	None
<b>Maciej Nowak</b>	Management Board Member	7,706	0.03	7,706	0.03	None
<b>Magdalena Lis</b>	Supervisory Board Member	6,762	0.03	6,762	0.03	Purchase of 260 shares
<b>Michał Lis</b>	Supervisory Board Member	661	<0.01	661	<0.01	None

## 8. ANALYSIS OF FINANCIAL RESULTS OF ZUE GROUP FOR THE PERIOD 1 JANUARY 2014 - 30 JUNE 2014

### 8.1.Consolidated statement of financial position

Item (PLN '000)	30.06.2014	31.12.2013	Change	% change
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	75,400	68,980	6,421	9.3%
Investment property	8,286	8,660	-373	-4.3%
Intangible assets	11,823	12,202	-379	-3.1%
Goodwill	32,646	32,646	0	0.0%
Investments in non-consolidated subsidiaries	29	29	0	0.0%
Advance payments for investments in subsidiaries	0	0	0	0.0%
Non-current receivables	0	0	0	0.0%
Retentions on construction contracts	3,746	2,311	1,435	62.1%
Deferred tax assets	30,710	22,392	8,318	37.1%
Other assets	370	152	218	143.7%
<b>Total non-current assets</b>	<b>163,010</b>	<b>147,370</b>	<b>15,640</b>	<b>10.6%</b>
<b>CURRENT ASSETS</b>				
Inventories	31,419	18,011	13,408	74.4%
Trade and other receivables	208,025	175,820	32,205	18.3%
Retentions on construction contracts	3,418	5,538	-2,119	-38.3%
Current tax assets	205	43	162	374.3%
Other financial receivables	36	0	36	0.0%
Other assets	4,219	2,286	1,932	84.5%
Loans advanced	120	109	12	10.7%
Cash and cash equivalents	34,651	49,729	-15,078	-30.3%
<b>Total current assets</b>	<b>282,094</b>	<b>251,537</b>	<b>30,558</b>	<b>12.1%</b>
<b>TOTAL ASSETS</b>	<b>445,104</b>	<b>398,907</b>	<b>46,197</b>	<b>11.6%</b>

Item (PLN '000)	30.06.2014	31.12.2013	Change	% change
<b>EQUITY AND LIABILITIES</b>				
Share capital	5,758	5,758	0	0.0%
Share premium account	93,837	93,837	0	0.0%
Retained earnings	91,437	91,802	-366	-0.4%
Equity attributable to shareholders of ZUE	191,031	191,396	-366	-0.2%
Equity attributable to non-controlling interests	119	-342	461	-134.8%
<b>Total equity</b>	<b>191,150</b>	<b>191,055</b>	<b>95</b>	<b>0.0%</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term bank borrowings and other debt instruments and other financing sources	10,004	9,764,99	239	2.5%
Retentions on construction contracts	12,504	8,968	3,536	39.4%
Other financial liabilities	1,330	1,470	-140	-9.5%
Liabilities under employee benefits	2,440	2,511	-71	-2.8%
Deferred tax liabilities	26,794	21,347	5,447	25.5%
Long-term provisions	7,621	6,643	978	14.7%
Deferred income	0	0	0	0.0%
Other liabilities	0	0	0	0.0%
<b>Total non-current liabilities</b>	<b>60,693</b>	<b>50,705</b>	<b>9,989</b>	<b>19.7%</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	148,047	91,206	56,841	62.3%
Retentions on construction contracts	13,996	6,793	7,203	106.0%
Short-term bank borrowings and other debt instruments and other financing sources	12,598	40,570	-27,973	-68.9%
Other financial liabilities	280	280	0	0.0%
Liabilities under employee benefits	12,531	8,044	4,487	55.8%
Current tax liabilities	28,099	3038	-3,009	-99.1%
Short-term provisions	5,782	7,217	-1,435	-19.9%
<b>Total current liabilities</b>	<b>193,261</b>	<b>157,148</b>	<b>36,114</b>	<b>23.0%</b>
<b>Total liabilities</b>	<b>253,955</b>	<b>207,852</b>	<b>46,102</b>	<b>22.2%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>				
	<b>445,104</b>	<b>398,907</b>	<b>46,197</b>	<b>11.6%</b>

## Debt ratio

Item	30.06.2014	31.12.2013
Debt ratio	0.6	0.6
Debt to equity ratio	1.33	1.1
Equity ratio	0.43	0.5
Equity to non-current assets ratio	1.54	1.6
Short-term debt ratio	0.43	0.4
Long-term debt ratio	0.14	0.1
Interest coverage ratio	0.60	3.7

Formulas used to calculate the ratios:

*Debt ratio = (non-current and current liabilities + provisions for liabilities) / total assets*

*Debt to equity ratio = (non-current and current liabilities) / equity*

*Equity ratio = equity / total assets*

*Equity to non-current assets ratio = (equity + non-current liabilities) / non-current assets*

*Short-term debt ratio = current liabilities / total assets*

*Long-term debt ratio = non-current liabilities / total assets*

*Interest coverage ratio = EBIT / interest*

## Liquidity ratios

Item	30.06.2014	31.12.2013
Working capital	88,833	94,389
Current ratio	1.5	1.6
Quick ratio	1.3	1.5
Cash ratio	0.2	0.3

Item	30.06.2014	31.12.2013
Working capital	88,698	94,389
Current ratio	1.5	1.6
Quick ratio	1.3	1.5
Cash ratio	0.2	0.3

Formulas used to calculate the ratios:

*Working capital = current assets – current liabilities*

*Current ratio = current assets / current liabilities*

*Quick ratio = (current assets – inventory) / current liabilities*

*Cash ratio = cash and cash equivalents / current liabilities*

At 30 June 2014, total non-current assets increased by 10.6% compared to 31 December 2013 and amounted to PLN 163,010 thousand. Deferred tax assets saw the greatest growth and increased since the end of 2013 by PLN 8,318 thousand to reach PLN 30,710 thousand as at 30 June 2014 (an increase by more than 37%). Property, plant and equipment increased by 9.3% in the first half of the year to PLN 75,400 thousand. An increasing trend was also reported in retentions on construction contracts (an increase by 62.1% compared to the end of 2013). The increases recorded in the first half of 2014 are strongly related to a significant increase in sales.

Current assets increased by PLN 30,558 thousand in the period under analysis and amounted to PLN 282,094 thousand. The figure increased by 12.1% when compared with 2013.

As regards current assets, the greatest drop was reported in cash and equivalents (by more than 30%). The decrease resulted from the repayment of credits and the provision of a greater amount of own funds to credit financing. A significant increase over the figures disclosed at the end of 2013 was reported in trade and other receivables (by 18.3%) and inventories (by 74.4%). This was caused by greater turnover in the period under analysis.

Compared to the analogous period of 2013, the Company's equity grew to reach PLN 191,150 thousand.

Total liabilities as at 30 June 2014 increased by 22.2% when compared with the end of 2013 and reached PLN 253,955 thousand. The increase was a result of greater turnover and optimization of financing the Group's operations by a trade credit.

The Group's non-current liabilities as at 30 June 2014 increased by 19.7% over the figure reported as at 31 December 2013 to PLN 60,693 thousand. The greatest change in non-current liabilities was reported in deferred tax liability (an increase by PLN 5,447 thousand; i.e. by 25.5%) and retentions on construction contracts (an increase by 39.4%). Other financial liabilities saw a drop by 9.5% and stood at the end of June 2014 at PLN 1,330 thousand. Compared to the end of 2013, liabilities under employee benefits decreased by 2.8% to PLN 2,440 thousand.

Current liabilities at the end of the first half of 2014 increased by 23% compared to the end of 2013 to PLN 193,261 thousand. Short-term bank borrowings and other debt instruments decreased by 68.9% in connection with the repayment of credits. At the end of the first half of 2014, trade and other payables increased by 62.3% over the amount disclosed as at 31 December 2013 as a result of greater turnover in the second quarter of 2014.

The abovementioned results of the Capital Group reflected typical trends in the construction industry in the first half of 2014.

## 8.2.Consolidated statement of comprehensive income

Item (PLN '000)	30.06.2014	30.06.2013	Change	% change
Revenue	289,835	157,058	132,777	84.5%
Cost of sales	280,346	136,473	143,873	105.4%
<b>Gross profit (loss) on sales</b>	<b>9,489</b>	<b>20,585</b>	<b>-11,096</b>	<b>-53.9%</b>
General and administrative expenses	8,637	9,326	-689	-7.4%
Other operating income	2,848	1,587	1,261	79.4%
Other operating expenses	3,453	3,525	-72	-2.0%
<b>EBITDA</b>	<b>4,386</b>	<b>13,075</b>	<b>-8,689</b>	<b>-66.5%</b>
<b>Profit (loss) on operating activities</b>	<b>246</b>	<b>9,320</b>	<b>-9,074</b>	<b>-97.4%</b>
Financial income	900	2,695	-1,795	-66.6%
Financial expenses	811	1,366	-555	-40.6%
<b>Pre-tax profit (loss)</b>	<b>336</b>	<b>10,649</b>	<b>-10,313</b>	<b>-96.8%</b>
Corporate income tax	226	2,772	-2,546	-91.8%
<b>Consolidated net profit (loss)</b>	<b>110</b>	<b>7,877</b>	<b>-7,767</b>	<b>-98.6%</b>
Other total net comprehensive income	39	0	39	
<b>Total comprehensive income</b>	<b>149</b>	<b>7,877</b>	<b>-7,728</b>	<b>-98.1%</b>
<i>Attributable to shareholders of the parent</i>	<i>108</i>	<i>6,999</i>	<i>-6,891</i>	<i>-98.5%</i>
<i>Attributable to minority shareholders</i>	<i>2</i>	<i>878</i>	<i>-876</i>	<i>-99.8%</i>
<i>Consolidated net profit (loss) per share ( PLN)</i>	<i>0.00</i>	<i>0.30</i>	<i>-0.30</i>	<i>-98.4%</i>

### Profitability ratios

Item	30.06.2014	30.06.2013
Gross margin	3.27%	13.10%
EBITDA margin	1.51%	8.30%
EBIT margin	0.08%	5.90%
Gross margin	0.11%	6.60%
Net margin	0.04%	5.00%
ROA	0.02%	2.00%
ROE	0.06%	4.10%

#### Formulas used to calculate the ratios:

Gross margin = gross profit / revenue

EBITDA = operating profit + depreciation / amortisation

EBITDA margin = EBITDA / revenue

EBIT margin = EBIT / revenue

Gross margin = gross profit / (revenue + other operating income + other financial income)

Net margin = net profit / revenue

ROA = net profit / assets

ROE = net profit / equity

Revenue generated by the Group in the period 1 January 2014 – 30 June 2014 stood at PLN 289,835 thousand and increased by 84.5% when compared with the analogous period of 2013. Cost of sales also increased by 105.4% and amounted at 30 June 2014 to PLN 280,346 thousand. Gross profit on sales was PLN 9,489 thousand. A drop in gross margin was driven by an adjustment to the recognised value of sale of PLN 4.35m for the following contracts: “Modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding” and “Construction of the tramway line from os. Lecha to Franowo.” The court proceedings conducted in connection with the abovementioned contracts were described in detail in section 21 of the financial statements for the first half of 2014.

General and administrative expenses in the reporting period stood at PLN 8,637 thousand and decreased by 7.4% when compared to PLN 9,326 thousand recorded in the first half of 2013. The decrease was a result of the merger of ZUE and PRK (the acquired company). Other operating income for the first half of 2014 was PLN 2,848 thousand and increased by 79.4% compared to the first half of 2013. The main item of other operating income was the money received from accident damages and re-invoicing of costs to subcontractors and consortium members. Other operating expenses for the first half of 2014 amounted to PLN 3,453 thousand and were lower by 2.1% compared to the analogous value of the first half of 2013. The Group’s EBITDA in the first half of 2014 was PLN 4,386 thousand and the Group’s consolidated net profit (loss) was PLN 110 thousand. The Group’s results reflect its more restrictive policy aimed at minimizing any risks relating to its operations.

### 8.3.Consolidated statement of cash flows

Item (PLN ‘000)	30.06.2014	30.06.2013	Change
Cash flows from operating activities	22,855	-13,454	36,309
Cash flows from investing activities	-2,839	-4,086	1,247
Cash flows from financing activities	-35,096	-11,150	-23,946
Total net cash flows	-15,080	-28,690	13,610
Foreign exchange gains / (losses)	1	14	-13
Cash and cash equivalents at beginning of period	49,729	69,761	-20,032
Cash and cash equivalents at end of period	34,651	41,084	-6,433
Depreciation and amortisation	4,139	3,755	384

The Group closed the second quarter of 2014 with positive cash flows. The result was driven by strong cash flows from operating activities strongly connected with the growth of sales.

Cash flows from investing and financing activities were negative in the reporting period as a result of the repayment of credits.

No need to apply for credits to finance long-term investments and positive cash flows are evidence of the good financial standing of the entire Group.

## 9. MAJOR RISKS AND THREATS RELATING TO REMAINING MONTHS OF 2014

- **Risk related to social and economic situation in Poland**

The Group's operation on the urban and rail infrastructure construction market as well as the power market is conditional on Poland's macroeconomic situation including, in particular, GDP growth rate, investments, inflation and unemployment rates and the level of the budget deficit. Negative changes in Poland's macroeconomic situation, if any, may create a risk to the Group's business activity and, consequently, influence its financial results.

- **Risk related to inaccurate estimate of costs of planned and executed contracts**

A risk of inaccurate estimate of contract costs may occur in the case of flat-rate services necessary to execute a contract, which are difficult to identify at the stage of the preparation of tenders by the Group. This risk cannot be excluded and its occurrence could have a negative impact on the Group's financial results.

- **Risk related to financial liquidity in the construction sector**

Another risk has occurred in the past three years and is related to a loss of financial liquidity by other entities operating in the same sector as the Group. This may have a negative influence on the Group's financial results.

- **Risk related to obtaining administrative decisions, ability to appeal against administrative decisions and third parties' activities influencing the Group's design or construction tasks**

The Group sometimes needs to obtain administrative decisions required to execute certain projects. Such decisions are specified, *inter alia*, in the Construction Law, Code of Administrative Procedure or Environmental Protection Law. One cannot exclude the possibility of a failure to obtain such decisions or to avoid lengthy procedures. A risk of third parties' failure to complete or timely complete the tasks necessary for the Group to begin its projects may also occur. These factors could lead to the failure to execute or timely execute the construction projects and, consequently, have a considerable impact on the Group's financial results.

- **Risk related to joint and several liability to subcontractors and contracting authority**

The Group engages subcontractors to execute its construction projects. Under the Polish Civil Code and the Polish Public Procurement Act, a contractor has a joint and several liability to pay to an engaged subcontractor the remuneration for the subcontractor's services. In addition, consortium members are liable on a joint and several basis to a contracting authority for the proper performance of their obligations under public procurement contracts.

- **Risk related to bonds, contractual penalties and related court disputes**

Construction contracts concluded by the Group companies provide for the obligation to provide performance bonds and defects liability bonds in the form of deposits, or bank or insurance guarantees. Moreover, contracting authorities expect longer warranty periods. These contracts also provide for contractual penalties if a deadline for the completion of the tasks specified therein is missed. The Group cannot exclude the risk of missing a deadline for the completion of construction



contracts or the completion of warranty works connected with the removal of defects. Thus, an investor may exercise its right to use the bonds or demand contractual penalties. In addition, the Group cannot exclude the risk of disputes related to the failure to duly or timely perform the contracts. The factors could have a negative impact on the Group's financial results.

- **Risk related to guarantee of payment for construction works**

According to the Polish Civil Code, a contractor commissioned by the Group companies to execute a construction project may at any time demand the payment guarantee from individual companies (the contracting authorities) up to the amount of remuneration payable under a contract and other agreements. The failure to provide a satisfactory guarantee creates an obstacle to the completion of construction works through the fault of the Group. A contractor is then entitled to demand its remuneration under Article 639 of the Polish Civil Code. Consequently, costs may grow and the execution of construction projects may be delayed or even made impossible. This could have a negative impact on the Group's financial position.

- **Risk related to change of law, including tax law**

Frequent amendments to and the lack of coherence or uniform interpretation of the law including, in particular, tax law entail a substantial risk related to the legal environment the Group operates in. In particular, tax authorities relying, for instance, on interpretations of the Minister of Finance may question the Group's tax settlements related to its transactions executed as part of its ordinary course of business or other transactions (for instance capital transactions). Consequently, changes of laws or their interpretation, which are disadvantageous to the Group, may have a negative impact on the Group's financial position.

- **Risk related to winning of new contracts**

The Group participates in public tenders and includes target contracts in their financial plans. A risk that a decision will be unfavourable or the tender will be cancelled by a contracting authority cannot be excluded. Such circumstances could have a negative impact on the Group's financial results.

- **Risk related to awarding contracts and exclusion from public tenders**

Pursuant to the Public Procurement Act, tender participants are able to appeal against illegal appointment of a contractor by a contracting authority or to appeal to the court against the decision issued by the authority hearing the appeal made in public procurement proceedings. Consequently, the date of signing a contract with an investor may be substantially postponed. Moreover, the court may decide that damage has been done by a company comprising the Group as a result of the company's failure to perform or duly perform a contract. If the decision becomes legally valid, the participation in public tenders is not possible. Such events could have a negative impact on the Group's financial results.

- **Risk related to obtaining funds for construction contracts**

Given the difficult situation in the construction industry, both banks (credit facilities and bonding products) and insurance companies (bonding products) limit the availability of the sources of finance and other financial instruments, which may reduce the number and scope of operations.

- **Interest rate risk**

The Group is exposed to interest rate risk mainly because it uses such instruments as bank borrowings and leases. These instruments are issued at variable interest rates and expose the Group to financial risk.

- **Credit risk**

The Group cooperates, as part of both financial and capital transactions, with highly credible financial institutions to reduce the concentration of credit risk.

The Group's financial assets exposed to increased credit risk include trade receivables (excluding the trade receivables from contracting authorities (investors) as part of investments executed pursuant to the Public Procurement Act). A credit risk for the contracts whose value exceeds PLN 16m is assessed and verified by the Group both at the stage of tender submission and at the stage of project execution.

Before a contract is signed, each counterparty is assessed in terms of their ability to fulfil their financial obligations. If the assessment is negative, signing of the contract is conditional at least on the provision of proper security on property or financial security. In addition, the Group tries to make sure that contracts with investors provide for the right to stop the works if the payment for the services already performed is delayed. If possible, contracts also provide for the Group's ability to pay its subcontractors after the Group has been paid by an investor.

The credit risk has increased recently for the Group because public sector entities more and more frequently expect the contractor to finance the entire project. Under the Public Procurement Act, contracting authorities are entitled to determine the terms of transaction, which provide for postponed dates of payment.

- **Risk related to atmospheric conditions**

The Group's construction tasks related to both urban and rail infrastructure cannot be done in unfavourable weather conditions. Due to low temperatures in autumn and winter, many tasks have to be slowed down or even stopped to meet technological regimes. If unfavourable weather conditions continue for too long, the situation may have a negative impact on the Group's financial results.

- **Risk related to greater employment costs**

Given the changeable economic conditions, the Company's aspirations for constant development and raising the quality of the Company's services, the costs of employment may grow and influence ZUE's financial results.

The Management Board of ZUE believe that other entities operating on the same market experience the same situation. Thus, competitive entities do not gain advantage over the Group.

## 10. FACTORS WITH A BEARING ON ZUE GROUP RESULTS IN REMAINING MONTHS OF 2014

Factors believed to have a bearing on the Group's financial results in the remaining months of 2014:

- **Untimely settlement of liabilities to the Group**

Given the nature of construction activities, the Group must use a considerable part of its working capital to execute contracts due to their relatively high value and long time of their performance. Thus, a failure of the Group's customers to timely settle their liabilities to the Group directly influences the Group's financial results.

- **Delays or unfavourable outcome of tenders the Group participates in**

A risk related to the terms and procedures of public tenders is specific to the industry the Group operates in. Tender participants have the right to appeal against illegal appointment of a contractor by a contracting authority or to appeal to the court against the decision issued by the authority hearing the appeal made in public procurement proceedings. The date of signing a contract with an investor both on the urban and rail transport market may be substantially postponed.

Not only do the lengthy procurement procedures produce additional costs of the appeal but they also entail a risk of growth in prices of goods and services. Signing a contract at a later date may make a project execution conditional on weather conditions because certain projects must not be executed in low temperatures or heavy snow or rain fall. For these reasons, a part of the Group's planned 2014 revenue may be transferred to 2015.

- **Higher prices of raw materials and liquid fuels**

The Group's construction activities involve the use of products and raw materials such as concrete, aggregates, steel elements (including traction posts, lamp posts, tracks or crossovers) and copper and aluminium elements (including power cables, lines and contact wires) and, given a big number of machines, liquid fuels (including diesel oil and petrol). Given the growing prices of these materials, the Company is exposed to a price risk.

- **Higher fees charged by subcontractors**

When executing its contracts, the Group subcontracts certain construction and assembly tasks. Growing prices of raw materials and liquid fuels contribute to the growth of operating costs incurred by construction companies and directly influence the price of services provided by subcontractors. This has a negative impact on the Group's financial results.

- **Unstable EUR/PLN exchange rate**

The Group purchases certain imported products in EUR, which entails a foreign exchange risk. This may have a positive or negative impact on the Group's financial results. In addition, although PLN-denominated, certain products purchased from entities operating in Poland are also indirectly exposed to a foreign exchange risk given the transfer of the risk from a supplier-importer to the Group entities.

- **Outcome of court proceedings**

The Group companies are parties to the court proceedings concerning both their claims and liabilities. The outcome of these proceedings may have a significant effect on the Group's financial results.

## 11. MANAGEMENT BOARD STATEMENT ON FORECAST FINANCIAL RESULTS

The Company did not publish any forecast financial results for the financial year 2014.

## 12. COURT PROCEEDINGS

The court proceedings are discussed in section 21: "Proceedings before court, arbitration court or public administration authority at the date of this report publication" of the financial statements for the first half of 2014.

## 13. OFF-BALANCE SHEET ITEMS

### 13.1. Contingent liabilities

Item (PLN '000)	30.06.2014	31.12.2013
Bonds and guarantees	219,835	191,812
Sureties	1,955	2,105
Bills of exchange	86,922	130,137
Mortgages	54,348	38,151
Pledges	0	11,035
<b>Total</b>	<b>363,060</b>	<b>373,239</b>

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

The contingent liabilities secured by the bills of exchange and mortgages are mainly credit facility and lease agreements. On 7 January 2014, registered pledge was released in connection with the credit repayment (agreement no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A.).

## 13.2. Contingent assets

Item (PLN '000)	30.06.2014	31.12.2013
Bonds and guarantees	35,924	29,641
Bills of exchange	2,835	1,325
Sureties	0	0
Mortgages	0	0
<b>Total</b>	<b>38,759</b>	<b>30,966</b>

Contingent assets secure the construction contracts concluded by the Group with subcontractors.

## 14. TRANSACTIONS WITH RELATED ENTITIES

In the reporting period, major transactions were entered into between ZUE and the related entities on arm's length terms.

In the reporting period, ZUE entered into the following sales transactions with the related entities:

- Rent for the lease of rooms and phone services under agreements;
- Trade in current and non-current assets;
- Rent for the lease of cars under agreements.

In the reporting period, ZUE entered into the following purchase transactions with the related entities:

- Lease of rooms under the agreement and subsequent annexes.

On 6 May 2014, the Company granted the loan in the amount of PLN 10 thousand to RTI. The repayment date was 20 December 2014 and the loan bore interest at 2% per annum plus 3M WIBOR.

In the first half of 2014, RTI leased business establishments on the basis of the lease of 16 November 2012.

Transactions with RTI Germany concerned market research services for future projects.

The transactions with Mr. Wiesław Nowak occurred as a result of the lease 28 December 2011 and subsequent annexes thereto whereby he leased the office and warehouse space of 160m<sup>2</sup> out to ZUE. The monthly rent was PLN 8 thousand.

On 8 May 2014, the agreement was entered into between Mr. Wiesław Nowak, President of the Management Board of ZUE S.A., and Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. whereby BPK Poznań received the loan of PLN 500 thousand at variable interest.

Wiesław Nowak – Management Board President .....

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

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

Maciej Nowak – Management Board Member .....

Anna Mroczek – Management Board Member .....

Arkadiusz Wierciński – Management Board  
Member .....

Cracow, 25 August 2014