

**ZUE Capital Group**

**CONSOLIDATED INTERIM REPORT  
FOR 6 MONTHS ENDED 30 JUNE 2014**

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



**GRUPA ZUE**

**Cracow, 25 August 2014**

***Contents of consolidated interim report:***

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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>

## **ZUE Capital Group**

### **ABBREVIATED CONSOLIDATED INTERIM REPORT FOR 6 MONTHS ENDED 30 JUNE 2014**

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



**GRUPA ZUE**

**Cracow, 25 August 2014**

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## APPROVAL OF ABBREVIATED CONSOLIDATED INTERIM REPORT

These abbreviated consolidated financial statements for 6 months ended 30 June 2014 were approved for publication by the Management Board of ZUE on 25 August 2014.

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

## I. SELECTED FINANCIAL DATA OF ZUE CAPITAL GROUP

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30 Jun 2014	Exchange rate on 31 Dec 2013	Exchange rate on 30 Jun 2013
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.1609	4.1472	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.1784	n/a	4.2140
“Cash at the beginning of the period” and “Cash at the end of the period” items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.1609	4.1472	4.3292

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

	As at 30-06-2014		As at 31-12-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	163,010	39,177	147,370	35,535
Current assets	282,094	67,796	251,537	60,652
<b>Total assets</b>	<b>445,104</b>	<b>106,973</b>	<b>398,907</b>	<b>96,187</b>
Equity	191,150	45,939	191,055	46,068
Non-current liabilities	60,693	14,587	50,705	12,226
Current liabilities	193,261	46,447	157,147	37,893
<b>Total equity and liabilities</b>	<b>445,104</b>	<b>106,973</b>	<b>398,907</b>	<b>96,187</b>

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

	6 months ended 30-06-2014		6 months ended 30-06-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	289,835	69,365	157,058	37,271
Cost of sales	280,346	67,094	136,473	32,386
<b>Gross profit (loss) on sales</b>	<b>9,489</b>	<b>2,271</b>	<b>20,585</b>	<b>4,885</b>
<b>Profit (loss) on operating activities</b>	<b>246</b>	<b>59</b>	<b>9,320</b>	<b>2,212</b>
<b>Gross profit (loss)</b>	<b>336</b>	<b>80</b>	<b>10,649</b>	<b>2,527</b>
<b>Net profit (loss) on continuing operations</b>	<b>110</b>	<b>26</b>	<b>7,877</b>	<b>1,869</b>
<b>Total comprehensive income</b>	<b>149</b>	<b>36</b>	<b>7,877</b>	<b>1,869</b>

**Key items of the abbreviated consolidated statement of cash flows translated into EUR:**

	6 months ended		6 months ended	
	30-06-2014		30-06-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	22,855	5,470	-13,454	-3,193
Cash flows from investing activities	-2,839	-679	-4,086	-970
Cash flows from financing activities	-35,096	-8,399	-11,150	-2,646
<b>Total net cash flows</b>	<b>-15,080</b>	<b>-3,608</b>	<b>-28,690</b>	<b>-6,809</b>
Cash at the beginning of the period	49,729	11,991	69,761	17,064
Cash at the end of the period	34,651	8,328	41,084	9,490

**II. ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ZUE CAPITAL GROUP**

**Consolidated statement of comprehensive income**

(PLN)

	6 months ended	6 months ended
	30-06-2014	30-06-2013
Revenue	289,834,670.40	157,058,006.68
Cost of sales	280,345,850.74	136,473,443.94
<b>Gross profit (loss) on sales</b>	<b>9,488,819.66</b>	<b>20,584,562.74</b>
General and administrative expenses	8,637,257.39	9,325,927.77
Other operating income	2,847,814.47	1,586,917.19
Other operating expenses	3,453,147.30	3,525,491.87
Loss of control of subsidiary	0.00	0.00
<b>Profit (loss) on operating activities</b>	<b>246,229.44</b>	<b>9,320,060.29</b>
Financial income	900,331.81	2,695,166.47
Financial expenses	810,806.33	1,365,838.76
<b>Pre-tax profit (loss)</b>	<b>335,754.92</b>	<b>10,649,388.00</b>
Corporate income tax	225,932.50	2,772,099.49
<b>Net profit (loss) from operations</b>	<b>109,822.42</b>	<b>7,877,288.51</b>
<b>Net profit (loss)</b>	<b>109,822.42</b>	<b>7,877,288.51</b>
Other net comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of liabilities under employee benefits	39,123.11	0.00
<b>Other total net comprehensive income</b>	<b>39,123.11</b>	<b>0.00</b>
<b>Total comprehensive income</b>	<b>148,945.53</b>	<b>7,877,288.51</b>

Number of shares	23,030,083	22,000,000
<b>Consolidated net profit attributable to:</b>		
Shareholders of the parent	107,717.16	6,998,813.95
Minority shareholders	2,105.26	878,474.56
Net profit (loss) per share (PLN) (basic and diluted)	0.00	0.32
<b>Total comprehensive income attributable to:</b>		
Shareholders of the parent	107,717.16	6,998,813.95
Minority shareholders	2,105.26	878,474.56
Total comprehensive income per share (PLN)	0.00	0.32

### Consolidated statement of financial position

	As at 30-06-2014	As at 31-12-2013
<i>(PLN)</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	75,400,165.62	68,979,663.58
Investment property	8,286,301.54	8,659,761.20
Intangible assets	11,822,947.05	12,201,698.30
Goodwill	32,646,001.12	32,646,001.12
Investments in non-consolidated subsidiaries	28,585.50	28,585.50
Advance payments for investments in subsidiaries	0.00	0.00
Long-term receivables	0.00	0.00
Retentions on construction contracts	3,745,797.82	2,310,835.90
Deferred tax assets	30,710,357.00	22,391,922.46
Other assets	370,035.92	151,851.89
<b>Total non-current assets</b>	<b>163,010,191.57</b>	<b>147,370,319.95</b>
<b>Current assets</b>		
Inventories	31,419,113.04	18,011,288.26
Trade and other receivables	208,025,312.68	175,819,984.95
Retentions on construction contracts	3,418,459.48	5,537,856.90
Current tax assets	205,468.00	43,318.00
Other financial receivables	35,850.24	0.00
Other assets	4,218,534.15	2,286,315.14
Loans advanced	120,437.81	108,844.38
Cash and cash equivalents	34,651,008.38	49,729,062.27
<b>Total current assets</b>	<b>282,094,183.78</b>	<b>251,536,669.90</b>
<b>Total assets</b>	<b>445,104,375.35</b>	<b>398,906,989.85</b>

**EQUITY AND LIABILITIES**

**Equity**

Share capital	5,757,520.75	5,757,520.75
Share premium account	93,836,665.29	93,836,665.29
Retained earnings	91,436,537.68	91,802,270.33
<b>Total equity</b>	<b>191,030,723.72</b>	<b>191,396,456.37</b>
<b>Equity attributable to non-controlling interests</b>	<b>118,866.44</b>	<b>-341,924.05</b>
<b>Total equity</b>	<b>191,149,590.16</b>	<b>191,054,532.32</b>

**Non-current liabilities**

Long-term bank borrowings and other debt instruments	10,004,392.57	9,764,987.42
Retentions on construction contracts	12,504,435.25	8,968,405.41
Other financial liabilities	1,330,000.00	1,470,000.00
Liabilities under employee benefits	2,439,961.12	2,510,868.06
Deferred tax liabilities	26,793,831.61	21,347,313.57
Long-term provisions	7,620,805.59	6,643,223.83
Deferred revenue	0.00	0.00
Other liabilities	0.00	0.00
<b>Total non-current liabilities</b>	<b>60,693,426.14</b>	<b>50,704,798.29</b>

**Current liabilities**

Trade and other payables	148,046,651.23	91,205,685.02
Retentions on construction contracts	13,995,747.27	6,793,208.08
Short-term bank borrowings and other debt instruments	12,597,567.27	40,570,393.01
Other financial liabilities	280,000.00	280,000.00
Liabilities under employee benefits	12,531,081.64	8,043,673.95
Current tax liabilities	28,099.00	3,037,568.00
Short-term provisions	5,782,212.64	7,217,131.18
<b>Total current liabilities</b>	<b>193,261,359.05</b>	<b>157,147,659.24</b>
<b>Total liabilities</b>	<b>253,954,785.19</b>	<b>207,852,457.53</b>
<b>Total equity and liabilities</b>	<b>445,104,375.35</b>	<b>398,906,989.85</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>Balance at 1 Jan 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>91,802,270.33</b>	<b>191,396,456.37</b>	<b>-341,924.05</b>	<b>191,054,532.32</b>
Change of interest in subsidiary	0.00	0.00	-512,572.93	-512,572.93	458,685.24	-53,887.69
Dividend	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	107,717.16	107,717.16	2,105.26	109,822.42
Other net comprehensive income	0.00	0.00	39,123.11	39,123.11	0.00	39,123.11
<b>Balance at 30 Jun 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>91,436,537.67</b>	<b>191,030,723.71</b>	<b>118,866.45</b>	<b>191,149,590.16</b>
<b>Balance at 1 Jan 2013</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>87,803,580.88</b>	<b>178,664,261.56</b>	<b>9,161,874.21</b>	<b>187,826,135.77</b>
Change of interest in subsidiary	0.00	0.00	-632,653.54	-632,653.54	-420,146.78	-1,052,800.32
Taking control of subsidiaries	0.00	0.00	0.00	0.00	-1,571,520.55	-1,571,520.55
Other corrections	0.00	0.00	195,086.32	195,086.32	-345,146.30	-150,059.98
Dividend	0.00	0.00	0.00	0.00	-632,139.30	-632,139.30
Profit (loss) for the year	0.00	0.00	6,998,813.95	6,998,813.95	878,474.56	7,877,288.51
Other net comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00
<b>Balance at 30 Jun 2013</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>94,364,827.61</b>	<b>185,225,508.29</b>	<b>7,071,395.84</b>	<b>192,296,904.13</b>

## Consolidated statement of cash flows

(PLN)

	6 months ended 30-06-2014	6 months ended 30-06-2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>335,754.92</b>	<b>10,649,388.00</b>
<b>Adjustments:</b>		
Depreciation and amortisation	4,139,309.74	3,755,437.37
Foreign exchange gains / (losses)	-1,833.69	-5,831.22
Interest and share in profit (dividends)	-108,758.23	3,787,671.83
(Gain) / loss on disposal of investments	221,813.34	1,144,851.18
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>4,690,348.58</b>	<b>19,435,579.66</b>
Change in receivables and retentions on construction contracts	-31,134,332.32	47,164,829.00
Change in inventories	-13,407,824.78	-5,651,193.28
Change in provisions and liabilities under employee benefits	3,971,212.90	7,044,311.69
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	67,419,687.61	-78,682,088.14
Change in accrued expenses	-2,373,470.78	-1,949,434.00
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	0.00
Income tax paid	-6,310,558.00	-816,445.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>22,855,063.21</b>	<b>-13,454,440.07</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	37,191.58	2,170,443.94
Purchase of property, plant and equipment and intangible assets	-3,330,831.80	-5,904,545.67
Investments in real property and intangible assets	0.00	0.00

Sale / (purchase) of financial assets in non-consolidated subsidiaries	0.00	0.00
Sale / (purchase) of financial assets from non-controlling shareholders	-53,887.68	-1,098,252.32
Purchase of financial assets available for sale	0.00	0.00
Loans advanced	-10,000.00	-632,943.29
Dividends received	0.00	0.00
Interest received	518,117.56	1,290,934.16
Settlement of financial instruments – expenses	0.00	0.00
Cash from acquisition of subsidiary	0.00	87,862.42
Other cash provided by / (used in) investing activities	391.00	452.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-2,839,019.34</b>	<b>s-4,086,048.76</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments received	3,606,909.56	37,661,407.43
Repayment of borrowings and other debt instruments	-35,455,801.94	-45,933,571.10
Decrease in finance lease liabilities	-2,821,761.17	-1,575,180.57
Interest paid	-409,359.33	-959,205.65
Other cash provided by / (used in) financing activities – dividends	-15,559.01	-343,382.66
Net cash provided by issue of shares	0.00	0.00
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-35,095,571.89</b>	<b>-11,149,932.55</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-15,079,528.02,</b>	<b>-28,690,421.38,</b>
Net foreign exchange gains / (losses)	1,474.13	13,527.78
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>49,729,062.27</b>	<b>69,760,750.22</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>34,651,008.38</b>	<b>41,083,856.62</b>

### III. NOTES TO ABBREVIATED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ZUE CAPITAL GROUP

#### 1. General information

##### 1.1. Capital Group composition and core business

At the end of the reporting period, the Capital Group was composed of ZUE as the parent (ZUE, Issuer, Company), Biuro Inżynierskich Usług Projektowych Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o. and Railway Technology International GmbH (indirect subsidiary). ZUE also holds shares in Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji (an associate).

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

The Company has been 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 customers.

On 9 January 2014, the Company's Supervisory Board resolved to appoint Mr. Arkadiusz Wierciński as member of the Management Board of ZUE. On 9 January 2014, the Company's Supervisory Board resolved to dismiss Mr. Maciej Nowak from the position of the Vice-President of the Management Board of ZUE and to appoint him as Member of the Management Board of ZUE.

Composition of the Parent Company's governing and supervisory bodies at the date of the financial statements' approval:

##### Management Board:

Wiesław Nowak	President of the Management Board
Marcin Wiśniewski	Vice-President of the Management Board
Jerzy Czeremuga	Vice-President of the Management Board
Maciej Nowak	Member of the Management Board
Anna Mroczek	Member of the Management Board
Arkadiusz Wierciński	Member 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 – Biuro Inżynierskich Usług Projektowych Sp. z o.o. has been 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. has been 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 Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000397032.

Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. has been established under the agreement of 31 December 2004 whereby Biuro Projektów Kolejowych w Poznaniu, a State-owned enterprise, has been handed over for paid use. Consequently, BPK has 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 has been established under the notarial deed of 8 May 2012 in the Notary's Office in Radebeul, Rathenaustrasse 6, Germany (no. 1090/2012). Hamburg (Germany) is the company's registered office.

Associate - Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji has been established on the basis of the notarial deed of 24 July 2006 in the Notary's Office in Gdańsk, ul. Grunwaldzka 71/73 apt. 10 (Rep. A no. 18114/2006). Gdańsk is the company's registered office. The Company has been registered with the District Court Gdańsk-Północ, VII Commercial Division, under entry no. KRS 0000273363 (an associate through BPK Poznań).

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 use a calendar year as their financial year.

The activities of the Capital Group consist of:

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

## 1.2. Consolidated entities

Consolidated entities as at 30 June 2014:

Name	Registered office	Interests as at			Consolidation method
		30 Jun 2014	31 Dec 2013	30 Jun 2013	
Biuro Inżynierskich Usług Projektowych Sp. z o.o.	Cracow	100%	49%	49%	Full
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	93%	84%	84%	Full
Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji	Gdańsk	49%*	49%	54%	Equity

\* Direct interest of BPK Poznań in BPK Gdańsk. Indirect interest of ZUE is 45.72%.

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

ZUE holds a 51% interest in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the economic and financial condition, 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 condition, 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. The aim of Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji is only to liquidate the assets to satisfy the liabilities that exceed the value thereof. Thus, ZUE does not exercise control within the meaning of IFRS 10 "Consolidated Financial Statements" and, consequently, the financial data of BPK Gdańsk was not consolidated.

### **1.3. Changes in the Group's structure and their consequences**

#### **BIUP**

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 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.

#### **BPK Poznań**

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 were 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 were not taken up by the shareholders within 7 days as specified in item 1) above, the shares would 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 were not taken up by the shareholders within 7 days as specified in item 2) above, the shares would be offered by the Management Board of BPK Poznań to ZUE.
- The shares that were taken up would be paid up in cash.

In the first half of 2014, ZUE acquired 1093 shares in BPK Poznań and held the total of 3,973 shares.

In July 2014, ZUE purchased another 288 shares in BPK Poznań.

At the date of publication of this report, ZUE holds the total of 4,261 shares in BPK Poznań; i.e. 100% of the company's share capital.

#### 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 presented in Polish zloty.

## 2. Shareholders of the Parent Company

According to the information held by the Management Board of ZUE, the Parent Company had the following shareholder structure at the date of publication of this report:

Shareholder	Number of shares at 01.09.2014	Ownership interest at 01.09.2014	Number of votes at the GM at 01.09.2014	% of votes at the GM at 01.09.2014	Number of votes at the GM at publication of last quarterly report*	Ownership interest at publication of last quarterly report*	% of votes at the GM at publication of last quarterly report*
Wiesław Nowak	14,400,320	62.53	14,400,320	62.53	14,400,320	62.53	62.53
PKO Bankowy OFE	1,500,000**	6.51**	1,500,000**	6.51**	1,126,144	4.89	4.89
AMPLICO PTE S.A.	1,461,659	6.35	1,461,659	6.35	1,461,659	6.35	6.35
Other	5,668,104	24.61	5,668,104	24.61	6,041,960	26.23	26.23
<b>Total</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>	<b>100</b>

\* - Date of publication of previous quarterly report (Consolidated quarterly report of ZUE S.A. for Q1 2014): 15 May 2014.

\*\* - 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.

On 2 January 2014, the agreement for the acquisition of non-allotted merger shares was concluded. The shares were offered by ZUE to the shareholders of PRK as part of the merger effected in 2013. Under the said agreement, Mr. Wiesław Nowak acquired all 320 shares at the issue price of PLN 10.20. The offered shares were allotted on 2 January 2014.

On 3 February 2014, ZUE learnt from Mr. Wiesław Nowak that as a result of the registration of ordinary class C bearer shares with the Central Securities Depository of Poland on 30 January 2014, a share of Mr. Wiesław Nowak in the total number of votes at the Company's General Meeting decreased to 62.53%.

## 3. Statement by ZUE Management Board

### 3.1. Statement on reliability of interim 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 state that according to their best knowledge, these interim 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 economic and financial standing and the financial result, and the Management Board 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 interim abbreviated consolidated financial statements

The Management Board of ZUE state that the entity authorised to audit financial statements responsible for the review of the interim 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 interim abbreviated consolidated financial statements pursuant to applicable laws and professional standards.

### **3.3. Statement on non-submission of separate interim report**

Pursuant to § 83.3 of the Regulation of the Minister of Finance of 19 February 2009, ZUE do not submit any separate interim separate report. The interim abbreviated financial statements of ZUE and Auditor's Report on the review of the statements supplement the interim consolidated report of the Capital Group.

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

### **4.1. Statement of compliance**

These abbreviated consolidated interim financial statements of the Capital Group cover the six months ended 30 June 2014 and the comparable data for the six months ended 30 June 2013.

These abbreviated consolidated interim financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 June 2014 as approved by the European Union.

These abbreviated consolidated interim financial statements have been prepared by the Group according to the regulations set out in IAS 34 "Interim Financial Reporting." The same rules have been applied for both current and comparable period.

These abbreviated consolidated interim financial statements for the first six months of 2014 have been prepared according to the requirements binding on public companies.

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

### **4.2. Standards and interpretations used for the first time in the reporting period**

The following standards, amendments to the standards and interpretations published by the International Accounting Standards Board and approved of by the European Union come into force in 2014:

- **IFRS 10 "Consolidated Financial Statements"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 "Joint Arrangements"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 "Disclosure of Interests in Other Entities"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 (as amended in 2011) "Separate Financial Statements"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 28 (as amended in 2011) "Investments in Associates and Joint Ventures"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 "Financial Instruments: Presentation"** – Offsetting Financial Assets and Financial Liabilities approved of in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"** – interim provisions explanation (effective for annual periods beginning on or after 1 January 2013 – in the EU for annual periods beginning on or after 1 January 2014 at the latest);
- **Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements"** – investment units (effective for annual periods beginning on or after 1 January 2014);

- **Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”** – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 “Public Fees”** (effective for annual periods beginning on or after 1 January 2014).

The Management Board of ZUE believe the abovementioned standards, interpretations and amendments to the standards do not have any material effect on the Group's financial statements.

#### **4.3. Standards and interpretations adopted by the IASB but not yet approved by the EU**

The International Financial Reporting Standards (IFRS) as endorsed 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 25 August 2014:

- **IFRS 9 “Financial Instruments”** and subsequent amendments (effective date has been postponed by the Board without indicating the planned approval date);
- **Amendments to IAS 19 “Employee Benefits” – Specific benefit programmes: employee premiums** (effective for annual periods beginning on or after 1 July 2014);
- **Amendments to IFRS (2010-2012)** – amendments made as part of making annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), (effective for reporting periods beginning on or after 1 July 2014);
- **Amendments to IFRS (2011-2013)** – amendments made as part of making annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40), (effective for reporting periods beginning on or after 1 July 2014);
- **IFRS 14 “Regulatory Deferral Accounts”** – published on 30 January 2014 (effective for annual periods beginning on or after 1 January 2016).

The Group decided not to apply the foregoing standards or amendments to the standards. According to the estimates by the Group, these standards or amendments to the standards would not have any significant impact on the consolidated financial statements if used by the Group at the end of the reporting period.

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

## **5. Significant accounting principles used in the consolidated financial statements for the period 1 January 2014 - 30 June 2014**

### **5.1. Preparation basis and comparability of data**

These abbreviated consolidated interim financial statements have been prepared assuming that the Group will continue in operational existence for the foreseeable future. No going concern risks have been identified by the financial statements' preparation date.

These abbreviated consolidated interim financial statements have been prepared according to the same accounting principles and measurement methods as those used in the ZUE annual financial statements and the Group annual consolidated financial statements as at 31 December 2013.

## **6. Changes in 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.

Provisions	01/01/2014	Created	Utilised	Released	30/06/2014
<b>Long-term provisions:</b>	<b>9,154,091.89</b>	<b>1,326,237.78</b>	<b>249,519.13</b>	<b>170,043.83</b>	<b>10,060,766.71</b>
Provisions for employee benefits	2,510,868.06	143,504.70	48,303.48	166,108.16	2,439,961.12
Provisions for warranty repairs	6,636,926.15	1,182,733.08	201,215.64	0.00	7,618,443.58
Other provisions	6,297.68	0.00	0.00	3,935.67	2,362.01
<b>Short-term provisions:</b>	<b>11,023,051.39</b>	<b>3,416,743.41</b>	<b>2,323,044.29</b>	<b>2,303,152.38</b>	<b>9,813,598.13</b>
Provisions for employee benefits	3,805,920.21	2,854,194.27	2,111,707.78	517,021.21	4,031,385.49
Provisions for warranty repairs	3,701,183.76	209,598.55	211,336.51	1,538,031.56	2,161,414.24
Provision for a loss on contracts	600,000.03	307,474.97	0.00	0.00	907,475.00
Other provisions	2,915,947.39	45,475.62	0.00	248,099.61	2,713,323.40
<b>Total provisions:</b>	<b>20,177,143.28</b>	<b>4,742,981.19</b>	<b>2,572,563.42</b>	<b>2,473,196.21</b>	<b>19,874,364.84</b>

Provision for warranty repairs is created for the construction contracts in respect of which warranty has been given by the Group companies depending on the amount of revenues and taking account of subcontractors' liability for the work they have been entrusted with. The amount of provisions may decrease or increase on the basis of inspections of construction works in subsequent years of warranty.

(PLN)

Provisions	01/01/2014	Created	Utilised	30/06/2014
Deferred tax assets	22,391,922.46	8,518,396.90	199,962.36	30,710,357.00
Deferred tax liabilities	21,347,313.57	6,018,257.34	571,739.30	26,793,831.61
<b>Assets and liabilities balance</b>	<b>1,044,608.89</b>	<b>2,500,139.56</b>	<b>-371,776.94</b>	<b>3,916,525.39</b>

In the first six months of 2014, deferred tax assets increased by PLN 8,318 thousand over the figure reported as at 31 December 2013. Deferred tax liabilities increased by PLN 5,447 thousand compared to the figure disclosed at the end of 2013.

## 7. Trade and other receivables

	As at 30/06/2014	As at 31/12/2013
Trade receivables	137,305,067.64	136,683,599.52
Trade receivables write-downs	-13,659,554.57	-13,245,140.35
Receivables from the state budget other than corporate income tax	60,728.73	0.00
Receivables under contracts (measurement)	79,498,925.72	49,639,677.44
Advance payments	4,672,895.57	2,526,025.56
Other receivables	147,249.59	215,822.78
<b>Total trade and other receivables</b>	<b>208,025,312.68</b>	<b>175,819,984.95</b>

**Ageing analysis of trade receivables**

	As at	As at <sup>(PLN)</sup>
	<b>30-06-2014</b>	<b>31-12-2013</b>
<b>Not past due receivables</b>	<b>113,147,307.91</b>	<b>95,151,579.46</b>
<b>Receivables that are past due but not impaired</b>	<b>10,498,059.38</b>	<b>28,286,879.71</b>
1-30 days	3,089,179.80	23,695,165.76
31-60 days	593,694.21	723,760.71
61-90 days	2,083,355.90	31,015.03
91-180 days	510,709.09	3,649,364.35
181-360 days	3,629,448.76	54,715.15
360 + days	591,671.62	132,858.71
<b>Past due receivables on which write-downs were recognized</b>	<b>13,659,700.35</b>	<b>13,245,140.35</b>
1-30 days	2,810,324.14	457,089.07
31-60 days	110,203.23	18,800.20
61-90 days	5,095.95	3,177,395.06
91-180 days	22,980.29	5,026,904.94
181-360 days	1,090,355.23	4,564,951.08
360 + days	9,620,741.51	0.00
<b>Total trade receivables (gross)</b>	<b>137,305,067.64</b>	<b>136,683,599.52</b>
<b>Write-downs of trade receivables</b>	<b>-13,659,554.57</b>	<b>-13,245,140.35</b>
<b>Total trade receivables (net)</b>	<b>123,645,513.07</b>	<b>123,438,459.17</b>

**8. Trade and other payables**

	As at	As at <sup>(PLN)</sup>
	<b>30-06-2014</b>	<b>31-12-2014</b>
Trade payables	69,418,628.38	58,069,902.15
Liabilities to the state budget other than corporate income tax	4,998,444.28	6,478,933.02
Accruals	43,655,150.08	13,095,047.16
Liabilities under contracts (measurement)	29,542,389.91	13,064,266.10
Other payables	432,038.58	497,536.59
<b>Total trade and other payables</b>	<b>148,046,651.23</b>	<b>91,205,685.02</b>

### Ageing analysis of trade payables

	(PLN)	
	As at 30-06-2014	As at 31-12-2014
<b>Not past due payables</b>	<b>64,113,336.68</b>	<b>53,063,053.97</b>
<b>Past due payables</b>	<b>5,305,291.70</b>	<b>5,006,848.18</b>
1-30 days	4,077,236.85	3,511,616.23
31-60 days	241,632.81	22,054.53
61-90 days	55,641.44	656,190.70
91-180 days	418,364.55	153,690.55
181-360 days	70,579.17	38,303.94
360 + days	441,836.88	624,992.23
<b>Total trade payables</b>	<b>69,418,628.38</b>	<b>58,069,902.15</b>

The significant amount of past due payables of more than 360 days refers to BPK Poznań. The company undertakes the activities to improve the ageing structure of payables (payment or payment postponement agreements).

### **9. Discontinued operations**

No operations were discontinued within the meaning of the IFRS 5 during the six months ended 30 June 2014 or six months ended 30 June 2013.

### **10. Segment reporting**

The Group's reporting is based on operating segments. Given the development of design activities, the Management Board of ZUE 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 customers and the methods used to distribute products and services.

The construction activities conducted by ZUE 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 the contracts performed by BIUP and BPK Poznań.

The accounting principles applied to the segments are the same as the principles set out 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 half of 2014:

	PLN '000		
	Construction	Design	Total
Revenue	286,115	3,720	289,835
Including:			
Revenue from external customers	286,115	3,475	289,590
Inter-segment revenues	152	2,592	2,744
Gross profit	11,315	-1,826	9,489
Financial income / expenses	158	-69	89
Interest received	518	0	518
Interest paid	-398	-11	-409
Pre-tax profit	2,786	-2,450	336
Corporate income tax	41	185	226
Net profit	2,745	-2,635	110
Depreciation and amortisation	3,962	177	4,139
Property, plant and equipment	70,719	4,681	75,400
Non-current assets	159,424	3,586	163,010
Total assets	436,000	9,104	445,104

## 11. Factors and events with significant bearing on the Group's financial results in the first half of 2014

### Analysis of the Group's financial results reported at the end of the first half of 2014

In the six months ended 30 June 2014, revenue generated by the Group stood at PLN 289,835 thousand and increased by 84.5% compared to the figure recorded in the analogous period of 2013.

Cost of sales in the first half of 2014 amounted to PLN 280,346 thousand and grew year-on-year by 105.4%.

Gross profit on sales at 30 June 2014 was PLN 9,489 thousand and decreased by PLN 11,096 thousand compared to the analogous period of 2013. Gross margin in the first half of 2014 was 3.3% compared with 13.1% in the comparable 2013 period.

General and administrative expenses for the six months ended 30 June 2014 amounted to PLN 8,637 thousand and decreased by PLN 689 thousand when compared with the analogous value of 2013.

Other operating income in the first half of 2014 stood at PLN 2,848 thousand and grew strongly by PLN 1,261 thousand over the analogous value for the first half of 2013. Other operating expenses as at 30 June 2014 stood at PLN 3,453 thousand and decreased by PLN 72 thousand compared with the figure as 30 June 2013.

In the six months ended 30 June 2014, the Group recorded a profit on operating activities of PLN 246 thousand. The result was much stronger in the analogous period of 2013 and stood at PLN 9,320 thousand.

Financial income in the first half of 2014 was PLN 900 thousand and dropped by PLN 1,795 thousand compared to the figure reported at the end of the first half of 2013. Financial expenses in the period under analysis were PLN 811 thousand, a decrease by PLN 555 thousand from the corresponding period in 2013.

Gross profit of PLN 336 thousand recorded by the Group in the period under analysis was lower by PLN 10,313 thousand from the corresponding figure in the first half of 2013. Net profit for the first half of 2014 was PLN 110 thousand and decreased by PLN 7,767 thousand compared with the same period last year.

The Group's total assets and liabilities at 30 June 2014 amounted to PLN 445,104 thousand and rose by PLN 46,197 thousand over the figure reported at the end of 2013.

At 30 June 2014, total non-current assets increased over the figure at 31 December 2013 by PLN 15,640 thousand to PLN 163,010 thousand. Deferred tax assets saw the greatest growth and increased by PLN 8,318

thousand over the figure reported at the end of 2013 to reach PLN 30,710 thousand. Property, plant and equipment increased by PLN 6,421 thousand and reached PLN 75,400 thousand at the end of the first half of 2014. Retentions on construction contracts also grew (by PLN 1,435 thousand compared to the end of 2013).

Current assets increased by PLN 30,558 thousand in the period under analysis and amounted to PLN 282,094 thousand.

As regards current assets, the greatest decline when compared with December of 2013 was seen in cash and cash equivalents (by PLN 15,078 thousand) and retentions on construction contracts (by PLN 2,119 thousand).

At the end of the first half of 2014, a strong growth when compared with the item at the end of 2013 was reported in trade receivables (by PLN 32,205 thousand) and inventories (by PLN 13,408 thousand).

Compared to the end of 2013, total equity increased by PLN 95 thousand to PLN 191,150 thousand.

When compared with the figure reported at the end of 2013, total liabilities at 30 June 2014 increased by PLN 46,102 thousand to PLN 253,955 thousand.

The Group's non-current liabilities at 30 June 2014 increased over the figure reported at 31 December 2013 by PLN 9,989 thousand to PLN 60,693 thousand. The greatest change was reported in deferred tax assets (growth by PLN 5,447 thousand) and retentions on construction contracts (growth by PLN 3,536 thousand). Other financial liabilities decreased by PLN 140 thousand and amounted to PLN 1,330 thousand at 30 June 2014. Compared to the end of 2013, liabilities under employee benefits decreased by PLN 71 thousand and amounted to 2,440 thousand.

Current liabilities at the end of the first half of 2014 increased by PLN 36,114 thousand compared to the end of 2013 and amounted to PLN 193,261 thousand. The greatest decline was reported in short-term bank borrowings and other debt instruments (by PLN 27,973 thousand) while trade and other payables at the end of the first half of 2014 increased by PLN 56,841 thousand compared to the data disclosed at 31 December 2013.

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

## 12. Major events in the reporting period and thereafter

### 12.1. Major events in the period 1 January 2014 – 30 June 2014

- On 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.
- On 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.
- On 4 March 2014, ZUE and Pomorskie Przedsiębiorstwo Mechaniczno – Torowe 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 POIIS 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. 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.

- On 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 at 10% of the contract gross value.
- On 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.

#### **12.2. Other events in the period 1 January 2014 – 30 June 2014**

- On 7 January 2014, the revolving credit facility no. WAR/2001/11/198/CB granted by BNP Paribas Bank Polska S.A. was repaid in full. The security was released and the agreement was terminated on 7 January 2014.
- On 28 February 2014, ZUE and Budimex S.A. signed the contract for the comprehensive works as part of the following project executed by Budimex S.A.: “Reconstruction of the tram line on the Mogilskie Roundabout – Al. Jana Pawła II – Plac Centralny section together with the traffic control system in Cracow.” Project 1a: Reconstruction of the tramway on the Mogilskie Roundabout – Al. Jana Pawła II – Plac Centralny section; project 1b: Extension of the intersection of the Streets Lema – Meissnera – Al. Jana Pawła II; construction of the *Wieczysta* rectifier substation with power networks, OCL networks, traction poles and connections to the station, and the construction of 15 kV power cable line. Net value of the contract: PLN 11,930,000. Completion date: 10 months of the contract date. Term of warranty: 37 months. Performance bond: standard bond provided by the Company at 3.5% of the contract gross value.
- On 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.
- On 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.

Aim of the loan: short-term increase of the company’s financial liquidity. Loan repayment date: 29 December 2014. Security: mortgage on the company’s real property in the Tadeusza Kościuszki Street no. 68 in Poznań.

- On 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.
- On 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.
- On 18 June 2014, the Company signed an annex to the revolving credit facility agreement of PLN 35m concluded with Bank Millennium S.A. of Warsaw.

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.

### **12.3. Events after the reporting period**

- On 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.

- On 29 July 2014, the Management Board of ZUE 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, Lesznawola administrative district, the Orzechowa Street no. 2 and the developed land located in Cracow in the Póllanki 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 the Bank of the Company's receivables under contracts specified by the Company;

- 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).
- On 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 PEBEKA 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 case is discussed in section 21.

### 13. Factors believed to have an impact on the Group’s results in subsequent periods

The factors believed to have a bearing on the Group’s financial results in 2014 include:

- **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 may be substantially postponed both on the urban and rail transport market.

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 Group 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 companies.

- **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.

## 14. Risks believed to have an impact on the Group's results in subsequent periods

- **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 Art. 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.

## **15. Notes on seasonal and cyclical nature of the 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 weather 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 undertaken by customers 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 tenders.

However, a long procedure of putting contracts out for tender and awarding contracts may have an impact on a precise planning of sales revenue.

## 16. Issue and redemption of debt and equity securities

On 2 January 2014, the subscription took place in connection with the introduction of ZUE's securities to trading on the stock exchange and the allotment of shares.

The abovementioned subscription was connected with the said merger and concerned 320 class C bearer shares with a par value of PLN 0.25 each which had not been purchased as part of the merger by the existing shareholders of PRK as a result of the exchange ratio determined in the plan of merger, rounding the total number of the merger shares offered to the existing shareholders of PRK down to the nearest integral number and the payment of cash equivalent to a fraction of the merger share that had not been given to them.

In connection with § 2.13 of the resolution no. 4 passed by the Extraordinary General Meeting of ZUE on 6 December 2013 and § 2.13 of the resolution no. 3 passed by the Extraordinary General Meeting of PRK on 9 December 2013, the Management Board of ZUE decided to offer the non-allotted merger shares to a designated purchaser at the issue price equal to the closing bid price applicable on the Warsaw Stock Exchange on the date of the share acquisition agreement but not lower than the value of the merger shares computed for the purpose of the merger; i.e. PLN 9.01 per one non-allotted merger share.

The agreement for the acquisition of the non-allotted merger shares was concluded on 2 January 2014. Under the said agreement, Mr. Wiesław Nowak, President of the Company's Management Board, acquired all 320 shares at the issue price of PLN 10.20 per share. The shares were allotted on 2 January 2014.

No debt or equity securities were issued or redeemed in the reporting period by any company comprising the Capital Group.

## 17. Information on dividend

No dividend payment is intended by the Management Board of ZUE at this report's preparation date.

## 18. Management Board's statement on forecast financial results

The Company did not publish any forecast 2014 financial results.

## 19. ZUE shareholding structure at the report publication date and changes therein since the last quarterly report

Person	Position at ZUE	Number of shares held at 01.09.2014	Number of votes at the GM	% share of votes at the GM	Changes in shareholding since the last quarterly report*
Wiesław Nowak	Management Board President	14,400,320	14,400,320	62.53	None
Marcin Wiśniewski	Management Board Vice-President	2,300	2,300	0.01	Purchase of 1,331 shares
Jerzy Czeremuga	Management Board Vice-President	136	136	< 0.01	None
Maciej Nowak	Management Board Member	7,706	7,706	0.03	None
Magdalena Lis	Supervisory Board Member	6,762	6,762	0.03	Purchase of 260 shares
Michał Lis	Supervisory Board Member	661	661	< 0.01	None

\* - Date of publication of previous quarterly report (Consolidated quarterly report of ZUE S.A. for Q1 2014): 15 May 2014.

According to the best knowledge of the Management Board of ZUE, no Company shares were held at this report publication date by other members of ZUE's governing or supervisory bodies.

No rights to the Company shares were held by members of the governing or supervisory bodies at the publication date of the previous quarterly report or this interim report.

## 20. Transactions with related entities

The following transactions between the related entities were entered into during the reporting period:

### Trade receivables

(PLN)

	Receivables		Payables	
	As at		As at	
	30-06-2014	31-12-2013	30-06-2014	31-12-2013
BPK Gdańsk	33,091.26	0.00	0.00	0.00
RTI	1,230.00	4,320.78	0.00	0.00
RTI Germany	56,814.74	0.00	0.00	172,361.96
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>91,136.00</b>	<b>4,320.78</b>	<b>0.00</b>	<b>172,361.96</b>

	Revenue		Purchase	
	Period ended		Period ended	
	30-06-2014	30-06-2013	30-06-2014	30-06-2013
BPK Gdańsk	100,373.00	0.00	34,000.78	0.00
RTI	6,000.00	6,000.00	0.00	0.00
RTI Germany	0.00	0.00	365,065.49	0.00
Wiesław Nowak	0.00	0.00	48,000.00	240,000.00
<b>Total</b>	<b>106,373.00</b>	<b>6,000.00</b>	<b>447,066.27</b>	<b>240,000.00</b>

	Advanced loans		Financial income	
	As at		Period ended	
	30-06-2014	31-12-2013	30-06-2014	30-06-2013
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	120,437.81	108,844.38	1,233.87	2,168.02
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	500,000.00	0.00	0.00	0.00
<b>Total</b>	<b>620,437.81</b>	<b>108,844.38</b>	<b>1,233.87</b>	<b>2,168.02</b>

	Loans received		Financial expenses	
	As at		Period ended	
	30-06-2014	31-12-2013	30-06-2014	30-06-2013
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	0.00	0.00	0.00	0.00
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

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

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

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

- o 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 set at 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.

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.

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

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.

## **21. Proceedings before court, arbitration court or public administration authority at the date of this report publication**

At the date of publication of this consolidated interim report, the Company is a party to the pending court proceedings concerning both its claims and liabilities with the total value of PLN 51,016,790.89; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning the Company's liabilities is PLN 7,907,596.05 and the total value of the proceedings concerning the Company's claims is PLN 43,109,194.84.

The pending court proceedings are related to the Company's operating activities.

### **The biggest pending court proceeding concerning the Company's liabilities:**

Case concerning the following project: "Construction of a tramway under the project KST N-S Phase II A Grzegórzeckie Roundabout – Kotlarski Bridge – Klimeckiego Street – Lipska Street, together with the reconstruction of the roadway and construction of Kuklińskiego Street, as well as the construction of a flyover along Nowohucka and Powstańców Wielkopolskich Streets in Cracow."

Petitioners; i.e. Gmina Miejska Kraków [*the City of Cracow*] (hereinafter referred to as "GMK") and Miejskie Przedsiębiorstwo Komunikacyjne S.A. of Cracow (hereinafter referred to as "MPK") applied for the amount of PLN 7,218,600.13 to be paid on a joint and several basis by the Defendants; i.e. Przedsiębiorstwo Budownictwa Inżynierskiego Energopol sp. z o.o., Strabag sp. z o.o., ZUE S.A. and Eiffage Polska Koleje sp. z o.o. GMK demanded the Defendants pay PLN 1,718,155.00 and MPK demanded the Defendants pay PLN 5,500,445.13. The abovementioned demand was based on the charge that the project executed by the consortium comprising the Defendants had defects. The said defects concerned the road works performed by PBI Energopol sp. z o.o. and Strabag sp. z o.o. The Petitioners believed they were entitled to demand a decrease in remuneration on the basis of warranty provisions. Thus, the Petitioners requested the repayment of a part of the remuneration paid on the basis of the main contract of 20 January 2010 and the contract for supplementary works of 4 October 2010.

The Petitioners made additional request in case their demand for the remuneration reduction was not considered. They demanded the Defendants were liable on a joint and several basis for the performance of the road works according to the list attached to the lawsuit as the appendix no. 1 within six months of the date the judgment final date. They believed their demand was supported by the guarantee provisions.

The lawsuit did not explicitly specify the defects the Defendants were charged with. It only said the defects concerned the road works performed as part of the project executed by the consortium. Thus, liability for the defects would be borne by PBI Energopol sp. z o.o. and Strabag sp. z o.o.

It should also be noted that the warranty claims were reported after the deadline provided for in the Polish Civil Code and the contract. In addition, the Petitioners failed to check the service delivered to them and, consequently, lost their rights under the warranty.

The warranty claims made by the Petitioners with respect to the contract for supplementing works did not have any legal basis because no warranty had been given by the Defendants. Warranty had only been given for the works covered by the main contract. It should be stressed that the lawsuit mainly concerned the works provided for under the contract for supplementing works. As regards the warranty issued as part of the main contract, the Defendants believe that the Petitioners' claim was not covered by warranty because the document did not provide for the repeated performance of the works.

Apart from the abovementioned formal aspects, the defects are hardly believed to exist. The Defendants responsible for the works (PBI Energopol and Strabag) maintained that no defects had been detected and, most important of all, the road had the properties expected of it according to the contract.

As regards the court proceedings, the Court asked the Defendants to respond to the lawsuit. ZUE S.A. complied with the request on 22 July 2014 and the first trial was scheduled for the beginning of January.

### **The biggest pending court proceeding concerning the Company's claims:**

Case concerning the following project: "Modernisation of E-65/C-E 65 railway line of the Warsaw – Gdynia section – the Dziadowo Local Control Centre."

On 12 February 2014, the Petitioner (i.e. Trakcja PRKiL S.A., the official receiver of EIFFAGE CONSTRUCTION CESKA REPUBLIKA s.r.o., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej Sp. z o.o. and Zakład Robót Komunikacyjnych DOM Sp. z o.o.) filed a motion seeking an attempted amicable settlement with the Participant; i.e. PKP Polskie Linie Kolejowe S.A. The consortium members (i.e. the Petitioner) filed the motion to ask the Participant to attempt the amicable solution. The case concerned the payment of the contractual penalty to the Petitioner on the basis of the contract no. 90/120/084/00/11000838/10/I/I of 31 May 2010 performed by the Petitioner for PKP Polskie Linie Kolejowe S.A. The contract provided for construction works as part of comprehensive modernisation of stations and tracks in the area of the Dziadowo Local Control Centre as part of POLiŚ 7.1-41 project "Modernisation of E-65/C-E 65 railway line on the Warsaw – Gdynia section – the area of the Dziadowo Local Control Centre." The penalty was payable in connection for the Participant's failure to make the site available by the specified date according to item (b) of subsection 2.1 of the Contract Terms in connection with the Appendix no. 2 to the Terms of Reference – Appendix to Tender" (an integral part of the contract according to § 1.5 thereof) and amounted to PLN 95,297,116.95 plus statutory interest from the maturity date to payment.

The consortium members (i.e. the Petitioner) agreed that each of them participated in the claim concerning the payment of the contractual penalty according to their share in the consortium. ZUE's share in the consortium was 17.12%.

The Petitioner and the Participant hold the talks and the Petitioner is represented by the consortium leader; i.e. Trakcja PRKiL S.A. The settlement, if any, is conditional upon the receipt of relevant corporate/ownership consents at PKP Polskie Linie Kolejowe S.A. Thus, the likelihood of the settlement is difficult to assess. The settlement would also entail a partial waiver by the Petitioner and, consequently, each and every consortium member, of their claim for the payment.

Case concerning the following project: "Modernisation of railway line no. 8, construction of the Okęcie airport siding."

On 14 August 2014, the Petitioner (BILFINGER INFRASTRUCTURE S.A., ZUE S.A., Przedsiębiorstwo Budowy Kopalń PEBEKA S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. and Kolejowe Zakłady Automatyki Katowice S.A.) filed a lawsuit against the Defendant (PKP Polskie Linie Kolejowe S.A.). The Petitioner 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. The lawsuit concerned the construction contract of 27 October 2009 between the Petitioner (the Contractor) and the Defendant (the Contracting Authority) for 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. POLiŚ 7.1-18: "Modernisation of the railway line no. 8, construction of the Okęcie Airport siding." Under the Contract, the Contracting Authority was obliged to provide the Contractor with an access to the entire construction site and the right to use it on the dates as specified in an appendix to the Contract. In case of delay through the fault of the Contracting Authority, the Contractor was authorised to charge the contractual penalties for each day of delay at the rate as specified in an appendix to the Contract. The Contracting Authority failed to provide an access to all parts of the Construction

Site by the dates specified in the Contract. The Defendant did not yet respond to the lawsuit because not much time passed since the lawsuit was filed.

The case concerns ZUE's claim whose value is PLN 18,521,943.30 plus interest and, consequently, exceeds 10% of the Company's equity.

Case concerning the following project: "Construction of the tramway line from os. Lecha to Franowo."

The litigation concerns the contract of 21 March 2011 entered into between the City of Poznań [*Miasto Poznań*], represented by Infrastruktura Euro Poznań 2012 Sp. z o.o. (the "Project Manager") and the consortium of Bilfinger Infrastructure S.A., ZUE S.A. and Przedsiębiorstwo Budowy Kopalń S.A. (the "Contractor") for the execution of the following project: "Construction of the tramway line from os. Lecha to Franowo."

The completion date was set in the Terms of Reference at 30 April 2012. According to the Guidelines for Contractor (a part of the Terms of Reference) the works were to be completed and the occupancy permit was to be obtained by the abovementioned date. Special Terms of Contract read that before applying for the Taking-Over Certificate, the Contractor was only expected to prepare all the documents and perform all the activities necessary for the City of Poznań to obtain the occupancy permit. The approval of linear heat detector DTS for use in Poland was an important part of applying for the occupancy permit. The construction design submitted to the consortium by the City of Poznań did not specify the heat detector system to be used in the project. Detailed design, on the other hand, provided for DTS system. According to the explanation provided by the City of Poznań, the detailed design was supposed to be a document superior to the construction design. Design documentation was a part of contract documentation. Thus, a use of DTS system complied with the contract. On 8 June 2012, the City of Poznań (represented by the Contractor) obtained a permit to occupy a part of the project. As regards a permit to occupy the remaining part of the project, the District Building Inspector [*Powiatowy Inspektor Nadzoru Budowlanego*] stated it had not been provided with any documents evidencing proper approval of DTS system for use in Poland. On 27 July 2012, the District Building Inspector issued the occupancy permit on the condition that the documents evidencing the marketing of the system or its replacement with another marketed system would be obtained by the end of 2012. On 9 August 2012, the City of Poznań represented by its lawyers appealed against the part of the occupancy permit that concerned the abovementioned condition. In September 2012, the Project Manager stated that the Contractor had been obliged to obtain an unconditional occupancy permit (despite the fact that no part of the contract documentation said the occupancy permit had to be unconditional). Finally, on 13 December 2012, the Regional Building Inspector [*Wojewódzki Inspektor Nadzoru Budowlanego*] overruled the appealed conditional occupancy permit and issued an unconditional occupancy permit. The Regional Building Inspector decided that DTS detector had been legally marketed in Germany and, consequently, could also be used in Poland.

After the occupancy permit had been obtained, the parties (the City of Poznań represented by Infrastruktura Euro Poznań 2012 sp. z o.o. and the Contractor) talked about the final settlement of the contract. Despite a prior oral arrangement of the parties, the Project Manager informed the Contractor it had a new legal opinion according to which the Contractor was charged with a conditional nature of the occupancy permit and the contractual obligations of the Contractor had been performed only on 13 December 2012 (i.e. on the date of issue of the unconditional occupancy permit). Consequently, contractual penalties could be charged for the period from 30 April to 13 December 2012 less 45 days defined by the Project Manager as a justified delay. On 4 September 2013, the Project Manager wrote to the Contractor that pursuant to Article 84 of the Polish Civil Code, it evaded legal consequences of statement of will. The said statement of will consisted in the signing on 21 August 2012 of the Taking-Over-Certificate no. IK/12/08/1245/RK evidencing the completion of the acceptance activities on 27 July 2012. Next, the Project Manager told the Contractor it believed there had been a delay in the contract performance between 15 June 2012 and the date on which the City of Poznań received the last legal and binding occupancy permit; i.e. 13 January 2013 (the decision of 13 December 2012). Thus, the Project Manager stated it felt entitled charge the contractual penalty in the total amount of PLN 6,417,153.00 (the sum of the contractual penalty of PLN 5,429,529.00 and PLN 987,624.00) and deduct it from the last part of the remuneration payable to the Contractor.

On 11 October 2013, the Contractor filed a lawsuit with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw to determine that the contractual penalty could not be claimed by the City of Poznań and that the Project Manager's statement of evading the legal consequences was ineffective. On 15 January 2016, Domański Zakrzewski Palinka Sp.K., the law office acting on behalf of the Contractor, expanded the lawsuit by adding a demand for PLN 6,417,154.8 as the remuneration for the construction works covered by the partially paid invoice no. 009/13/07S1 of 17 July 2013. The first trial before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw was held on 16 January 2014 and dealt with initial issues such as specifying certain evidence more precisely or determining the dispute value. On 22 January 2014, the City of Poznań made a statement about setting off the Contractor's claim for the payment of PLN 6,417,154.8 as the remuneration for the construction works covered by the partially paid invoice no. 009/13/07S1 of 17 July 2013 against the claim for the payment of the contractual penalties. On 24 January 2014, the Contractor responded to the decision of the Court of Arbitration at the Polish Chamber of Commerce and filed a pleading with its position on the claim of untimely suit filing, the claim of Infrastruktura Euro Poznań 2012 sp. z o.o. concerning the failure to file for arbitration and

the value of claim for making the statement of evading the legal consequences of the statement of will ineffective. On 28 January 2014, the City of Poznań responded to the expanded suit of the Contractor and filed a motion to dismiss it. The main allegation of the City of Poznań concerned the set-off. The arbitration proceedings are pending.

On 27 June 2014, the City of Poznań transferred the disputable amount to the bank account of Bilfinger Infrastructure S.A. with the following transfer title: "The remaining balance under invoice 009/13/07/S1 subject to refund." On 3 July 2014, Bilfinger Infrastructure S.A. transferred PLN 3,654,348.88 to the bank account of ZUE. The amount corresponded to the share of ZUE in the disputable remuneration transferred by the City of Poznań to the bank account of Bilfinger Infrastructure S.A.

It should also be stressed that according to the consortium agreement concluded on 26 October 2010 by and between Bilfinger Infrastructure S.A., ZUE S.A. and Przedsiębiorstwo Budowy Kopalń S.A., each consortium member was liable for the payment/satisfaction of contractual penalties, damages or other claims that occurred through its fault and the consortium member whose action or omission caused any claim the contracting authority could refer on a joint and several basis to the consortium was obliged to indemnify the remaining consortium members against such claims. Given the division of works made by the consortium members in the consortium agreement and the executive agreement thereto, one should note that the claim of the City of Poznań concerning the payment of contractual penalties did not occur through the fault of ZUE.

## 22. Other information believed by the Issuer to be significant for the assessment of its staff, economic and financial position, profit or loss and changes therein, and information significant for the assessment of the Issuer's ability to perform its obligations

The Management Board of ZUE believe there is no information significant for the assessment of the staff, economic and financial position, profit or loss and changes therein, or information significant for the assessment of the Company's or the Group's ability to perform their obligations other than presented in this report.

## 23. Off-balance sheet items

### 23.1. Contingent liabilities

	(PLN)	
	As at	As at
	<u>30-06-2014</u>	<u>31-12-2013</u>
Bonds and guarantees	219,834,585.57	191,811,696.21
Sureties	1,955,268.12	2,105,028.42
Bills of exchange	86,922,385.56	130,136,815.31
Mortgages	54,347,550.00	38,150,550.00
Pledges	0.00	11,034,573.75
<b>Total contingent liabilities</b>	<b><u>363,059,789.25</u></b>	<b><u>373,238,663.69</u></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.).

**23.2. Contingent assets**

	<i>(PLN)</i>	
	<b>As at</b>	<b>As at</b>
	<b>30-06-2014</b>	<b>31-12-2013</b>
Bonds and guarantees	35,924,136.77	29,641,187.66
Bills of exchange	2,834,560.03	1,324,625.61
Sureties	0.00	0.00
Mortgages	0.00	0.00
<b>Total contingent assets</b>	<b>38,758,696.80</b>	<b>30,965,813.27</b>

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

**ZUE S.A.**

**SEPARATE INTERIM REPORT  
FOR 6 MONTHS ENDED 30 JUNE 2014**

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



**GRUPA ZUE**

Cracow, 25 August 2014

### III. SELECTED FINANCIAL DATA OF ZUE

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30 Jun 2014	Exchange rate on 31 Dec 2013	Exchange rate on 30 Jun 2013
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.1609	4.1472	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.1784	n/a	4.2140
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.1609	4.1472	4.3292

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

	As at 30-06-2014		As at 31-12-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	159,424	38,315	141,907	34,218
Current assets	277,177	66,615	248,262	59,862
<b>Total assets</b>	<b>436,601</b>	<b>104,930</b>	<b>390,169</b>	<b>94,080</b>
Equity	192,601	46,288	192,435	46,401
Non-current liabilities	55,795	13,409	45,810	11,046
Current liabilities	188,205	45,233	151,924	36,633
<b>Total equity and liabilities</b>	<b>436,601</b>	<b>104,930</b>	<b>390,169</b>	<b>94,080</b>

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

	6 months ended 30-06-2014		6 months ended 30-06-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	286,267	68,511	62,726	14,885
Cost of sales	277,516	66,417	63,542	15,079
<b>Gross profit (loss) on sales</b>	<b>8,751</b>	<b>2,094</b>	<b>-816</b>	<b>-194</b>
<b>Profit (loss) on operating activities</b>	<b>10</b>	<b>2</b>	<b>-6,573</b>	<b>-1,560</b>
<b>Gross profit (loss)</b>	<b>168</b>	<b>40</b>	<b>-1,077</b>	<b>-255</b>
<b>Net profit (loss) on continuing operations</b>	<b>127</b>	<b>31</b>	<b>29</b>	<b>7</b>
<b>Total comprehensive income</b>	<b>167</b>	<b>40</b>	<b>29</b>	<b>7</b>

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

	6 months ended		6 months ended	
	30-06-2014		30-06-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	25,145	6,018	347	82
Cash flows from investing activities	-4,693	-1,123	-550	-130
Cash flows from financing activities	-35,793	-8,566	-9,696	-2,301
<b>Total net cash flows</b>	<b>-15,341</b>	<b>-3,671</b>	<b>-9,899</b>	<b>-2,349</b>
Cash at the beginning of the period	49,645	11,971	10,232	2,503
Cash at the end of the period	34,306	8,245	333	77

**IV. ABBREVIATED SEPARATE INTERIM FINANCIAL STATEMENTS OF ZUE**

**Separate statement of comprehensive income**

(PLN)

	6 months ended	6 months ended
	30-06-2014	30-06-2013
Revenue	286,267,754.78	62,726,308.34
Cost of sales	277,516,408.97	63,542,584.29
<b>Gross profit (loss) on sales</b>	<b>8,751,345.81</b>	<b>-816,275.95</b>
General and administrative expenses	8,266,179.26	5,678,404.18
Other operating income	2,077,394.11	306,312.42
Other operating expenses	2,552,296.22	385,052.13
<b>Profit (loss) on operating activities</b>	<b>10,264.44</b>	<b>-6,573,419.84</b>
Financial income	897,255.70	6,565,913.80
Financial expenses	739,064.14	1,069,023.88
<b>Pre-tax profit (loss)</b>	<b>168,456.00</b>	<b>-1,076,529.92</b>
Corporate income tax	40,981.00	-1,105,627.77
<b>Net profit (loss) from operations</b>	<b>127,475.00</b>	<b>29,097.85</b>
<b>Net profit (loss)</b>	<b>127,475.00</b>	<b>29,097.85</b>
Other net comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of liabilities under employee benefits	39,123.11	0.00
<b>Other total net comprehensive income</b>	<b>39,123.11</b>	<b>0.00</b>
<b>Total comprehensive income</b>	<b>166,598.11</b>	<b>29,097.85</b>
Weighted average number of shares	23,030,083	22,000,000
Net profit (loss) per share (PLN) (basic and diluted)	0.01	0.00
Total comprehensive income (loss) per share (PLN)	0.01	0.00

## Separate statement of financial position

(PLN)

	As at 30-06-2014	As at 31-12-2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	70,718,793.15	64,165,586.06
Investment property	8,286,301.54	8,659,761.20
Intangible assets	11,069,112.33	11,222,515.87
Goodwill	31,171,913.65	31,171,913.65
Investments in subsidiaries	4,827,071.06	3,100,292.38
Advance payments for investments in subsidiaries	0.00	0.00
Long-term receivables	0.00	0.00
Retentions on construction contracts	2,948,312.66	1,644,247.14
Deferred tax assets	30,157,519.00	21,915,295.86
Other assets	245,208.92	27,435.88
<b>Total non-current assets</b>	<b>159,424,232.31</b>	<b>141,907,048.04</b>
<b>Current assets</b>		
Inventories	31,419,113.04	18,010,068.74
Trade and other receivables	203,816,304.61	171,695,587.58
Retentions on construction contracts	3,223,309.55	5,219,036.44
Current tax assets	202,883.00	0.00
Other financial receivables	0.00	0.00
Other assets	4,089,313.30	1,938,211.90
Loans advanced	120,437.81	1,753,960.18
Cash and cash equivalents	34,305,771.73	49,645,210.98
<b>Total current assets</b>	<b>277,177,133.04</b>	<b>248,262,075.82</b>
<b>Total assets</b>	<b>436,601,365.35</b>	<b>390,169,123.86</b>

**EQUITY AND LIABILITIES**

**Equity**

Share capital	5,757,520.75	5,757,520.75
Share premium account	93,836,665.29	93,836,665.29
Retained earnings	93,007,324.83	92,840,726.72
<b>Total equity</b>	<b>192,601,510.87</b>	<b>192,434,912.76</b>

**Non-current liabilities**

Long-term bank borrowings and other debt instruments	9,764,565.48	9,550,685.66
Retentions on construction contracts	12,514,124.78	8,957,972.44
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	649,416.57	704,984.88
Deferred tax liabilities	25,248,398.64	19,959,519.50
Long-term provisions	7,618,443.58	6,636,926.15
Deferred revenue	0.00	0.00
Other liabilities	0.00	0.00
<b>Total non-current liabilities</b>	<b>55,794,949.05</b>	<b>45,810,088.63</b>

**Current liabilities**

Trade and other payables	146,173,302.35	88,317,908.85
Retentions on construction contracts	13,951,115.58	6,629,847.11
Short-term bank borrowings and other debt instruments	11,579,508.53	40,376,960.45
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	11,398,048.68	7,321,351.22
Current tax liabilities	0.00	2,942,830.00
Short-term provisions	5,102,930.29	6,335,224.84
<b>Total current liabilities</b>	<b>188,204,905.43</b>	<b>151,924,122.47</b>
<b>Total liabilities</b>	<b>243,999,854.48</b>	<b>197,734,211.10</b>
<b>Total equity and liabilities</b>	<b>436,601,365.35</b>	<b>390,169,123.86</b>

**Separate statement of changes in equity**

	(PLN)			
	Share capital	Share premium account	Retained earnings	Total
<b>Balance at 1 Jan 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>92,840,726.72</b>	<b>192,434,912.76</b>
Dividend	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	127,475.00	127,475.00
Other net comprehensive income	0.00	0.00	39,123.11	39,123.11
<b>Balance at 30 Jun 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>93,007,324.83</b>	<b>192,601,510.87</b>
<b>Balance at 1 Jan 2013</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>79,530,742.29</b>	<b>170,391,422.97</b>
Dividend	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	29,097.85	29,097.85
Other net comprehensive income	0.00	0.00	0.00	0.00
Other net comprehensive income	0.00	0.00	0.00	0.00
<b>Balance at 30 Jun 2013</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>79,559,840.14</b>	<b>170,420,520.82</b>

## Separate statement of cash flows

(PLN)

	6 months ended 30-06-2014	6 months ended 30-06-2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>168,456.00</b>	<b>-1,076,529.92</b>
<b>Adjustments:</b>		
Depreciation and amortisation	3,962,208.95	1,548,047.93
Foreign exchange gains / (losses)	-1,833.69	-7,468.01
Interest and share in profit (dividends)	-119,869.22	-202,411.68
(Gain) / loss on disposal of investments	221,813.34	38,815.78
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>4,334,837.88</b>	<b>404,516.60</b>
Change in receivables and retentions on construction contracts	-29,777,688.77	43,590,657.04
Change in inventories	-13,409,044.30	-850,262.35
Change in provisions and liabilities under employee benefits	3,770,352.03	1,684,203.61
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	68,736,049.38	-43,153,621.80
Change in accrued expenses	-2,368,874.44	-1,328,538.85
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	0.00
Income tax paid	-6,140,395.00	0.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>25,145,236.78</b>	<b>346,954.25</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	37,191.58	2,134,834.34
Purchase of property, plant and equipment and intangible assets	-3,511,783.77	-923,520.38
Investments in real property and intangible assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	0.00	0.00
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,726,387.68	-1,406,947.82
Purchase of financial assets available for sale	0.00	0.00
Loans advanced	-10,000.00	-410,000.00

Dividends received	0.00	0.00
Interest received	518,117.56	55,397.20
Settlement of financial instruments – expenses	0.00	0.00
Other cash provided by / (used in) investing activities	0.00	0.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-4,692,862.31</b>	<b>-550,236.66</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments received	2,749,732.23	36,798,015.33
Repayment of borrowings and other debt instruments	-35,455,801.94	-45,313,571.10
Decrease in finance lease liabilities	-2,673,410.79	-360,514.34
Interest paid	-398,248.34	-819,281.98
Other cash provided by / (used in) financing activities – dividends	-15,559.01	0.00
Net cash provided by issue of shares	0.00	0.00
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-35,793,287.85</b>	<b>-9,695,352.09</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-15,340,913.38,</b>	<b>-9,898,634.50,</b>
Net foreign exchange gains / (losses)	1,474.13	521.52
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>49,645,210.98</b>	<b>10,231,528.46</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>34,305,771.73</b>	<b>333,415.48</b>

## V. NOTES TO ABBREVIATED SEPARATE INTERIM FINANCIAL STATEMENTS OF ZUE

### 1. General information

ZUE Spółka Akcyjna has been 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.

Composition of the Parent Company's governing and supervisory bodies at the date of the financial statements' approval:

#### Management Board:

Wiesław Nowak	President of the Management Board
Marcin Wiśniewski	Vice-President of the Management Board
Jerzy Czeremuga	Vice-President of the Management Board
Maciej Nowak	Member of the Management Board
Anna Mroczek	Member of the Management Board
Arkadiusz Wierciński	Member 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 of ZUE Management Board

### 2.1. Statement on reliability of interim 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 state that according to their best knowledge, these interim 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 Company's economic and financial standing and the financial result.

### 2.2. Statement on entity authorised to review interim abbreviated separate financial statements

The Management Board of ZUE state that the entity authorised to audit financial statements responsible for the review of the interim 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 interim abbreviated separate financial statements pursuant to applicable laws and professional standards.

### 2.3. Statement on non-submission of separate interim report

Pursuant to § 83.3 of the Regulation of the Minister of Finance of 19 February 2009, ZUE do not submit any separate interim separate report. The interim abbreviated financial statements of ZUE and Auditor's Report on the review of the statements supplement the interim consolidated report of the Capital Group.

## 3. Use of International Financial Reporting Standards

### 3.1. Statement of compliance

These separate financial statements of ZUE cover the six months ended 30 June 2014 and the comparable data for the six months ended 30 June 2013.

These financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 June 2014 as approved by the European Union.

These financial statements have been prepared by ZUE according to the regulations set out in IAS 34 "Interim Financial Reporting." The same rules have been applied for both current and comparable period.

These abbreviated separate interim financial statements for the first six months of 2014 have been prepared according to the requirements binding on public companies.

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

These abbreviated financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future. No going concern risks have been identified by the financial statements' preparation date.

### 3.2. Standards and interpretations used for the first time in the reporting period

The following standards, amendments to the standards and interpretations published by the International Accounting Standards Board and approved of by the European Union come into force in 2014:

- **IFRS 10 "Consolidated Financial Statements"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 "Joint Arrangements"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 "Disclosure of Interests in Other Entities"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

- **IAS 27 (as amended in 2011) “Separate Financial Statements”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 “Financial Instruments: Presentation”** – Offsetting Financial Assets and Financial Liabilities approved of in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”** – interim provisions explanation (effective for annual periods beginning on or after 1 January 2013 – in the EU for annual periods beginning on or after 1 January 2014 at the latest);
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”** – investment units (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”** – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 “Public Fees”** (effective for annual periods beginning on or after 1 January 2014).

The Management Board of ZUE believe the abovementioned standards, interpretations and amendments to the standards do not have any material effect on the Group’s financial statements.

### **3.3. Standards and interpretations adopted by the IASB but not yet approved by the EU**

The International Financial Reporting Standards (IFRS) as endorsed 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 25 August 2014:

- **IFRS 9 “Financial Instruments”** and subsequent amendments (effective date has been postponed by the Board without indicating the planned approval date);
- **Amendments to IAS 19 “Employee Benefits” – Specific benefit programmes: employee premiums** (effective for annual periods beginning on or after 1 July 2014);
- **Amendments to IFRS (2010-2012)** – amendments made as part of making annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), (effective for reporting periods beginning on or after 1 July 2014);
- **Amendments to IFRS (2011-2013)** – amendments made as part of making annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40), (effective for reporting periods beginning on or after 1 July 2014);
- **IFRS 14 “Regulatory Deferral Accounts”** – published on 30 January 2014 (effective for annual periods beginning on or after 1 January 2016).

The Group decided not to apply the foregoing standards or amendments to the standards. According to the estimates by the Group, these standards or amendments to the standards would not have any significant impact on the consolidated financial statements if used by the Group at the end of the reporting period.

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

#### **4. Significant accounting principles used in the separate financial statements for the period 1 January 2014 - 30 June 2014**

##### **4.1. Preparation basis and comparability of data**

These abbreviated separate interim financial statements have been prepared assuming that the Group will continue in operational existence for the foreseeable future. No going concern risks have been identified by the financial statements' preparation date.

These abbreviated separate interim financial statements have been prepared according to the same accounting principles and measurement methods as those used in the ZUE annual financial statements and the Group annual consolidated financial statements as at 31 December 2013.

These financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future. No going concern risks have been identified by the financial statements' preparation date.

The Company's financial statements as at 31 December 2013 are the first annual financial statements prepared after the merger with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna effected on 20 December 2013.

The comparative data as at 30 June 2013 comes from the separate financial statements of ZUE as the acquiring company. This is the main reason for highly dynamic changes in certain items that occurred on a year-on-year basis.

The comparative data as at 30 June 2013 taking account of the financial data of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. has been presented in the consolidated financial statements of the Group. Prior to the merger, PRK was a subsidiary of ZUE.

##### **4.2. Adopted accounting principles**

These abbreviated separate interim financial statements for the six months ended 30 June 2014 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of ZUE prepared as at 31 December 2013. The Company's financial statements for the financial year ended 31 December 2013 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. Changes in 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

Provisions	(PLN)				
	01/01/2014	Created	Utilised	Released	30/06/2014
<b>Long-term provisions:</b>	<b>7,341,911.03</b>	<b>1,194,233.52</b>	<b>231,569.13</b>	<b>36,715.27</b>	<b>8,267,860.15</b>
Provisions for employee benefits	704,984.88	11,500.44	30,353.48	36,715.27	<b>649,416.57</b>
Provisions for warranty repairs	6,636,926.15	1,182,733.08	201,215.65	0.00	<b>7,618,443.58</b>
Other provisions	0,00	0.00	0.00	0.00	<b>0.00</b>
<b>Short-term provisions:</b>	<b>9,628,016.43</b>	<b>2,951,658.07</b>	<b>2,117,120.17</b>	<b>1,855,149.67</b>	<b>8,607,404.66</b>
Provisions for employee benefits	3,292,791.59	2,434,584.55	1,905,783.66	317,118.11	<b>3,504,474.37</b>
Provisions for warranty repairs	3,701,183.76	209,598.55	211,336.51	1,538,031.56	<b>2,161,414.24</b>
Provision for a loss on contracts	600,000.03	307,474.97	0.00	0.00	<b>907,475.00</b>
Other provisions	2,034,041.05	0.00	0.00	0.00	<b>2,034,041.05</b>
<b>Total provisions:</b>	<b>16,969,927.46</b>	<b>4,145,891.59</b>	<b>2,348,689.30</b>	<b>1,891,864.94</b>	<b>16,875,264.81</b>

Provision for warranty repairs is created for the construction contracts in respect of which warranty has been given by the Company depending on the amount of revenues and taking account of subcontractors' liability for the work they have been entrusted with. The amount of provisions may decrease or increase on the basis of inspections of construction works in subsequent years of warranty.

## Deferred tax assets and liabilities

Provisions	(PLN)			
	01/01/2014	Created	Utilised	30/06/2014
Deferred tax assets	21,915,295.86	8,242,223.14	0.00	30,157,519.00
Deferred tax liabilities	19,959,519.50	5,288,879.14	0.00	25,248,398.64
<b>Assets and liabilities balance</b>	<b>1,955,776.36</b>	<b>2,953,344.00</b>	<b>0.00</b>	<b>4,909,120.36</b>

In the first six months of 2014, deferred tax assets increased by PLN 8,242 thousand over the figure reported as at 31 December 2013. Deferred tax liabilities increased by PLN 5,289 thousand compared to the figure disclosed at the end of 2013.

## 6. Trade and other receivables

	(PLN)	
	As at	As at
	30-06-2014	31-12-2013
Trade receivables	136,760,310.47	135,087,028.80
Trade receivables write-downs	-13,547,071.07	-13,132,656.85
Receivables from the state budget other than corporate income tax	0.00	0.00
Receivables under contracts (measurement)	75,803,160.05	47,016,071.48
Advance payments	4,667,895.57	2,526,025.56
Other receivables	132,009.59	199,118.59
<b>Total trade and other receivables</b>	<b>203,816,304.61</b>	<b>171,695,587.58</b>

**Ageing analysis of trade receivables**

	As at 30-06-2014	As at 31-12-2013
		(PLN)
<b>Not past due receivables</b>	<b>112,965,760.32</b>	<b>93,752,397.37</b>
<b>Receivables that are past due but not impaired</b>	<b>10,247,333.30</b>	<b>28,201,974.58</b>
1-30 days	2,891,250.74	23,337,172.36
31-60 days	499,253.97	721,038.58
61-90 days	2,121,759.88	30,154.03
91-180 days	498,969.93	3,599,364.35
181-360 days	3,641,591.03	49,979.65
360 + days	594,507.75	464,265.61
<b>Past due receivables on which write-downs were recognized</b>	<b>13,547,216.85</b>	<b>13,132,656.85</b>
1-30 days	2,810,324.14	0.00
31-60 days	110,203.23	457,089.07
61-90 days	5,095.95	18,800.20
91-180 days	22,980.29	3,177,395.06
181-360 days	977,871.73	4,914,421.44
360 + days	9,620,741.51	4,564,951.08
<b>Total trade receivables (gross)</b>	<b>136,760,310.47</b>	<b>135,087,028.80</b>
<b>Write-downs of trade receivables</b>	<b>-13,547,071.07</b>	<b>-13,132,656.85</b>
<b>Total trade receivables (net)</b>	<b>123,213,239.40</b>	<b>121,954,371.95</b>

**7. Trade and other payables**

**Trade and other payables**

	As at 30-06-2014	As at 31-12-2013
		(PLN)
Trade payables	68,084,058.98	56,131,983.22
Liabilities to the state budget other than corporate income tax	4,705,083.48	6,036,000.39
Accruals	43,652,845.34	12,914,008.55
Liabilities under contracts (measurement)	29,542,389.91	13,064,266.10
Other payables	188,924.64	171,650.59
<b>Total trade and other payables</b>	<b>146,173,302.35</b>	<b>88,317,908.85</b>

**Ageing analysis of trade payables**

	As at 30-06-2014	As at 31-12-2013
<b>Not past due payables</b>	<b>63,874,410.88</b>	<b>52,458,735.82</b>
<b>Past due payables</b>	<b>4,209,648.10</b>	<b>3,673,247.40</b>
1-30 days	3,868,797.97	3,009,713.81
31-60 days	226,439.35	1,185.91
61-90 days	0.00	585,333.52
91-180 days	51,887.44	2,376.57
181-360 days	1,720.64	27,999.55
360 + days	60,802.70	46,638.04
<b>Total trade payables</b>	<b>68,084,058.98</b>	<b>56,131,983.22</b>

**8. Notes on seasonal and cyclical nature of ZUE's operations**

The entire construction and assembly industry the Company operates in is seasonal and cyclical. The seasonal and cyclical nature of the Group's operations has been described in detail in section 15 of this report: Notes on seasonal and cyclical nature of the Capital Group's operations.

**9. Discontinued operations**

No operations were discontinued within the meaning of the IFRS 5 during the six months ended 30 June 2014 or the six months ended 30 June 2013.

**10. Information on dividend**

On 18 June 2014, the Ordinary General Meeting of ZUE resolved to allocate the entire profit of PLN 7,641,695.79 (seven million six hundred and forty one thousand six hundred and ninety five 79/100) for the financial year 2013 covering the period 1 January 2013 – 31 December 2013 to ZUE's reserve funds.

**11. Information on issue and redemption of debt and equity securities**

On 2 January 2014, the subscription took place in connection with the introduction of ZUE's securities to trading on the stock exchange and the allotment of shares.

The abovementioned subscription was connected with the merger and concerned 320 class C bearer shares with a par value of PLN 0.25 each which had not been purchased as part of the merger by the existing shareholders of PRK as a result of the exchange ratio determined in the plan of merger, rounding the total number of the merger shares offered to the existing shareholders of PRK down to the nearest integral number and the payment of cash equivalent to a fraction of the merger share that had not been given to them.

In connection with § 2.13 of the resolution no. 4 passed by the Extraordinary General Meeting of ZUE on 6 December 2013 and § 2.13 of the resolution no. 3 passed by the Extraordinary General Meeting of PRK on 9 December 2013, the Management Board of ZUE decided to offer the non-allotted merger shares to a designated purchaser at the issue price equal to the closing bid price applicable on the Warsaw Stock Exchange on the date of the share acquisition agreement but not lower than the value of the merger shares computed for the purpose of the merger; i.e. PLN 9.01 per one non-allotted merger share.

The agreement for the acquisition of the non-allotted merger shares was concluded on 2 January 2014. Under the said agreement, Mr. Wiesław Nowak, President of the Company's Management Board, acquired all 320 shares at the issue price of PLN 10.20 per share. The shares were allotted on 2 January 2014.

**12. Investments in non-current assets**

By this report publication date, the Company made a number of investments in non-current assets with the total value of PLN 11.5m (PLN 11.2m in the first six months of 2014).

The assets purchased by the Company include:

- Unimat tamping machine;
- wheeled excavators;
- digger-loaders;
- dump cars; and
- cars.

### 13. Segment reporting

ZUE's reporting is based on operating segments. According to the aggregation criteria as set out in the IFRS 8.12, the Company presents one aggregate operating segment, namely engineering construction and assembly services.

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

### 14. Analysis of ZUE's financial results for the first half of 2014

The Company's statement of comprehensive income covers the period ended 30 June 2014 and the comparable period of 2013. Given the merger of ZUE and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna effected on 20 December 2013, the data for the previous year comes from the financial statements of ZUE Spółka Akcyjna as the acquiring company. This is the main reason for highly dynamic changes in certain items of the statement of comprehensive income that occurred on a year-on-year basis.

The comparative information as at 31 December 2013 taking account of the financial data of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. has been presented in the consolidated financial statements of the Group. Prior to the merger, PRK was a subsidiary of ZUE.

ZUE ended the first half of 2014 with a revenue of PLN 286,268 thousand. This was an increase by 356.4% compared to the analogous period of 2013.

Cost of sales for the first six months of 2014 stood at PLN 277,516 thousand and grew by 336.7% compared to the cost of sales in the comparable period of 2013.

Gross profit on sales at 30 June 2014 was PLN 8,751 thousand and increased over the analogous figure for the first half of 2013 by PLN 9,568 thousand.

Gross margin in the first half of 2014 was 3.1% compared with -1.3% in the comparable 2013 period.

General and administrative expenses at 30 June 2014 amounted to PLN 8,266 thousand and increased by PLN 2,588 thousand compared to the figure disclosed at 30 June 2013.

Other operating income in the first half of 2014 were PLN 2,077 thousand – up by PLN 1,771 thousand compared with the analogous value in the first half of 2013. Other operating expenses amounted at 30 June 2014 to PLN 2,552 thousand and were higher by PLN 2,167 thousand compared to the figure reported at 30 June 2013.

In the six months ended 30 June 2014, ZUE recorded a profit on operating activities of PLN 10 thousand while in the analogous period of 2013, the Company recorded a loss on operating activities of PLN 6,573 thousand.

Compared to the item reported at 30 June 2013, financial income for the first half of 2014 dropped by PLN 5,669 thousand to PLN 897 thousand. Financial expenses in the period under analysis were PLN 739 thousand – a decrease by PLN 330 thousand from the corresponding period in 2013.

At 30 June 2014, ZUE recorded a gross profit of PLN 168 thousand while at 30 June 2013, the Company recorded a gross loss of PLN 1,077 thousand. Net profit in the analysed period of 2014 was PLN 127 thousand.

ZUE's total assets and liabilities at 30 June 2014 amounted to PLN 436,601 thousand and increased by PLN 46,432 thousand over total assets and liabilities at the end of 2013.

In the six months ended 30 June 2014, total non-current assets grew by PLN 17,517 thousand to PLN 159,424 thousand. Deferred tax assets saw the greatest growth and increased by PLN 8,242 thousand over the figure reported at the end of 2013. Property, plant and equipment increased by PLN 6,553 thousand to PLN 70,719 thousand. A growth trend was also observed in investments in subsidiaries (by PLN 1,727 thousand) and retentions on construction contracts (by PLN 1,304 thousand).

Total current assets at 30 June 2014 increased by PLN 28,915 thousand over the value at the end of 2013 and stood at PLN 277,177 thousand. The greatest change was seen in trade and other receivables which increased by PLN 32,121 thousand over the item as at 31 December 2013 and reached PLN 203,816 thousand. When compared with the end of 2013, a strong growth was recorded in inventories (by PLN 13,409 thousand) and other

current assets (by PLN 2,151 thousand).  
Compared to the end of 2013, cash and cash equivalents dropped by PLN 15,399 thousand.

A change in the Company's total equity at 30 June 2014 by PLN 167 thousand when compared with the end of 2013 stemmed from the increase in retained earnings.

Compared to the end of 2013, total liabilities at 30 June 2014 increased by PLN 46,266 thousand to reach PLN 244,000 thousand.

Non-current liabilities at the end of the first half of 2014 increased over the figure reported at 31 December 2013 by PLN 9,985 thousand. The greatest change was recorded in deferred tax assets (growth by PLN 5,289 thousand) and retentions on construction contracts (growth by PLN 3,556 thousand). Liabilities under employee benefits decreased by PLN 56 thousand to reach PLN 649 thousand at the end of the first half of 2014.

At the end of the reporting period, current liabilities stood at PLN 188,205 thousand – an increase by PLN 36,281 thousand compared to the analogous figure at the end of 2013. The greatest change was recorded in current trade and other payables – a rise by PLN 57,855 thousand. Compared to 2013 results, a strong growth was observed in current retentions on construction contracts (by PLN 7,321 thousand) and liabilities under employee benefits (by PLN 4,077 thousand).

The abovementioned results of the Company's financial position reflected typical trends in the construction industry in the first half of 2014.

## 15. Transactions with related entities

The following transactions between the related entities were entered into during the reporting period:

### Transactions with related entities

(PLN)

	Receivables		Payables	
	As at		As at	
	30-06-2014	31-12-2013	30-06-2014	31-12-2013
BIUP	136,332.65	203,815.01	678,760.65	0.00
BPK Poznań	102,995.63	38,050.96	12,913.03	12,841.20
BPK Gdańsk	200.00	750.30	0.00	0.00
RTI	1,230.00	4,320.78	0.00	0.00
RTI Germany	56,814.74	0.00	0.00	172,361.96
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>297,573.02</b>	<b>246,937.05</b>	<b>691,673.68</b>	<b>185,203.16</b>

  

	Revenue		Purchase	
	Period ended		Period ended	
	30-06-2014	30-06-2013	30-06-2014	30-06-2013
PRK	n/a	5,314,297.33	n/a	1,999,083.06
BIUP	150,845.99	15,035.72	1,592,249.26	177,500.00
BPK Poznań	1,494.87	2,964.14	1,364,971.18	0.00
BPK Gdańsk	0.00	4,017.48	15,861.78	0.00
RTI	6,000.00	6,000.00	0.00	0.00
RTI Germany	0.00	0.00	365,065.49	0.00
Wiesław Nowak	0.00	0.00	48,000.00	240,000.00
<b>Total</b>	<b>158,340.86</b>	<b>5,342,314.67</b>	<b>3,386,147.71</b>	<b>2,416,583.06</b>

  

	Loans advanced		Financial income	
	As at		Period ended	
	30-06-2014	31-12-2013	30-06-2014	30-06-2013
BIUP	0.00	1,229,039.39	18,484.85	3,657.67
BPK Poznań	0.00	416,076.41	6,251.09	9,703.74
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	120,437.81	108,844.38	1,233.87	2,168.02
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>120,437.81</b>	<b>1,753,960.18</b>	<b>25,969.81</b>	<b>15,529.43</b>

	Loans received		Financial expenses	
	As at		Period ended	
	30-06-2014	31-12-2013	30-06-2014	30-06-2013
BIUP	0.00	0.00	0.00	0.00
BPK Poznań	0.00	0.00	0.00	0.00
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	0.00	0.00	0.00	0.00
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

The Company sold goods and services to the related entities according to the rules set out in the transaction price policy.

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

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

- Lease of rooms and phone services under agreements;
- Language courses for employees;
- Trade in current and non-current assets; and
- Rental of cars under agreements.

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

- Design services;
- 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 set at 20 December 2014 and the loan bore annual interest plus 3M WIBOR.

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

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.

In the period under analysis, BIUP leased an office under the lease of 7 April 2010 and the annexes no. 1, 2, 3, 4 and the annex no. 5 of 13 June 2014, which specified the leased space as 189.50m<sup>2</sup> and the monthly rent as PLN 8.5 thousand.

ZUE rented four cars to BIUP on the basis of the rental agreement of 31 October 2013. On 6 May 2014, the rental of two cars was terminated and the termination took effect as of 30 May 2014.

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

## 16. Off-balance sheet items

### 16.1. Contingent liabilities

	(PLN)	
	As at	As at
	30-06-2014	31-12-2013
Bonds and guarantees	219,834,585.57	191,811,696.21
Sureties	1,955,268.12	2,105,028.42
Bills of exchange	86,922,385.56	130,136,815.31
Mortgages	51,017,550.00	35,420,550.00
Pledges	0.00	11,034,573.75
<b>Total contingent liabilities</b>	<b>359,729,789.25</b>	<b>370,508,663.69</b>

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

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

### 16.2. Contingent assets

	(PLN)	
	As at	As at
	30-06-2014	31-12-2013
Bonds and guarantees	35,924,136.77	29,641,187.66
Bills of exchange	2,834,560.03	1,324,625.61
Sureties	0.00	0.00
Mortgages	0.00	0.00
<b>Total contingent assets</b>	<b>38,758,696.80</b>	<b>30,965,813.27</b>

Contingent assets under guarantees and sureties are the guarantees provided by insurance companies and banks to the Company's counterparties to secure their liabilities to the Company in connection with subcontract construction services provided to the Company.

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant .....

The financial statements have been presented by the  
Management Board comprising:

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