



ZUE Capital Group

**CONSOLIDATED HALF-YEARLY REPORT
FOR 6 MONTHS ENDED 30 JUNE 2015**

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

Cracow, 24 August 2015

Contents of the consolidated half-yearly report:

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Abbreviations and definitions:

ZUE, Company	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. Parent company of the ZUE Capital Group.
BIUP	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 2,017,850 paid up in full. Subsidiary of ZUE. On 29 May 2015, BIUP acquired BPK Poznań and changed its name to BPK Poznań. For the purposes of this report, the company has been described under the name BPK Poznań (after the merger).
RTI	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. Subsidiary of ZUE.
RTI Germany	Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.
BPK Poznań	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. Former subsidiary of BIUP. On 29 May 2015, BIUP acquired BPK Poznań.
BPK Gdańsk	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. Former associate of ZUE. Deleted from the National Court Register on 30 May 2015.
Raliway gft	Raliway gft Polska 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 0000532311, share capital of PLN 300,000 paid up in full.
BPK Poznań (after merger)	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań (former BIUP), 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 2,017,850 paid up in full. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including ZUE, BPK Poznań (after merger), Raliway gft, RTI and RTI Germany.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Journal of Laws 2000, no. 94, item 1037, as amended).

Share capital details as at 30 June 2015.



ZUE Capital Group

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2015

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Endorsed by the European Union.**

Cracow, 24 August 2015

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APPROVAL OF CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

These condensed consolidated financial statements for the six months ended 30 June 2015 were approved for publication by the Management Board of ZUE on 24 August 2015.

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

Cracow, 24 August 2015

I. SELECTED FINANCIAL DATA OF THE GROUP

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30 Jun 2015	Exchange rate on 31 Dec 2014	Exchange rate on 30 Jun 2014
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.1944	4.2623	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	4.1341	n/a	4.1784
"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	4.1944	4.2623	4.1609

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

	As at 30-06-2015		As at 31-12-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	134,160	31,986	135,488	31,788
Current assets	281,822	67,190	275,206	64,567
Total assets	415,982	99,176	410,694	96,355
Equity	202,252	48,220	201,450	47,263
Non-current liabilities	23,704	5,651	27,044	6,345
Current liabilities	190,026	45,305	182,200	42,747
Total equity and liabilities	415,982	99,176	410,694	96,355

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

	6 months ended 30-06-2015		6 months ended 30-06-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	208,430	50,417	289,835	69,365
Cost of sales	191,758	46,384	280,346	67,094
Gross profit (loss) on sales	16,672	4,033	9,489	2,271
Profit (loss) on operating activities	5,165	1,249	246	59
Gross profit (loss)	5,007	1,211	336	80
Net profit (loss) on continuing operations	3,191	772	110	26

Total comprehensive income	3,318	803	149	36
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Podstawowe pozycje skróconego skonsolidowanego sprawozdania z sytuacji finansowej w przeliczeniu na euro

	Stan na 30-06-2015		Stan na 31-12-2014
	tys. PLN	tys. EUR	tys. PLN
Aktywa trwałe	134 160	31 986	135 488
Aktywa obrotowe	281 822	67 190	275 206
Aktywa razem	415 982	99 176	410 694
Kapitał własny	202 252	48 220	201 450
Zobowiązania długoterminowe	23 704	5 651	27 044
Zobowiązania krótkoterminowe	190 026	45 305	182 200
Pasywa razem	415 982	99 176	410 694

Podstawowe pozycje skróconego skonsolidowanego sprawozdania z całkowitych dochodów w przeliczeniu na euro

	Okres 6 miesięcy zakończony 30-06-2015		Okres 6 miesięcy zakończony 30-06-2014
	tys. PLN	tys. EUR	tys. PLN
Przychody ze sprzedaży	208 430	50 417	289 835
Koszt własny sprzedaży	191 758	46 384	280 346
Zysk (strata) brutto ze sprzedaży	16 672	4 033	9 489
Zysk (strata) z działalności operacyjnej	5 165	1 249	246
Zysk (strata) brutto	5 007	1 211	336
Zysk (strata) netto z działalności kontynuowanej	3 191	772	110
Suma całkowitych dochodów	3 318	803	149

Podstawowe pozycje skróconego skonsolidowanego sprawozdania z przepływów pieniężnych w przeliczeniu na euro

	Okres 6 miesięcy zakończony 30-06-2015		Okres 6 miesięcy zakończony 30-06-2014
	tys. PLN	tys. EUR	tys. PLN
Przepływy środków pieniężnych z działalności operacyjnej	-37 561	-9 086	22 855
Przepływy środków pieniężnych z działalności inwestycyjnej	-4 576	-1 107	-2 839
Przepływy środków pieniężnych z działalności finansowej	-5 393	-1 304	-35 096
Przepływy środków pieniężnych netto, razem	-47 530	-11 497	-15 080
Środki pieniężne na początek okresu	71 405	16 753	49 729
Środki pieniężne na koniec okresu	23 882	5 694	34 651

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

6 months ended

6 months ended

	30-06-2015		30-06-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-37,561	-9,086	22,855	5,470
Cash flows from investing activities	-4,576	-1,107	-2,839	-679
Cash flows from financing activities	-5,393	-1,304	-35,096	-8,399
Total net cash flows	-47,530	-11,497	-15,080	-3,608
Cash at the beginning of the period	71,405	16,753	49,729	11,991
Cash at the end of the period	23,882	5,694	34,651	8,328

II. CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS OF THE GROUP

Consolidated statement of comprehensive income

	(PLN)	
	6 months ended	6 months ended
	30-06-2015	30-06-2014
Revenue		
Cost of sales		
Gross profit (loss) on sales	16,672,073.35	9,488,819.66
General and administrative expenses	10,925,785.66	8,637,257.39
Other operating income	4,534,763.29	2,847,814.47
Other operating expenses	5,198,758.91	3,453,147.30
Gain on bargain purchase	82,470.57	0.00
Profit (loss) on operating activities	5,164,762.64	246,229.44
Financial income	555,319.10	900,331.81
Financial expenses	712,850.73	810,806.33
Pre-tax profit (loss)	5,007,231.01	335,754.92
Corporate income tax	1,816,185.89	225,932.50
Net profit (loss) on continuing operations	3,191,045.12	109,822.42
Net profit (loss)	3,191,045.12	109,822.42
Other net comprehensive income		
Items that will not be reclassified subsequently to profit or loss:	127,372.52	39,123.11
Remeasurement of liabilities under employee benefits	127,372.52	39,123.11
Other total net comprehensive income	127,372.52	39,123.11
Total comprehensive income	3,318,417.64	148,945.53
Number of shares	23,030,083	23,030,083
Consolidated net profit attributable to:		
Shareholders of the parent	3,015,665.22	107,717.16
Minority shareholders	175,379.90	2,105.26
Net profit (loss) per share (PLN) (basic and diluted)	0.13	0.00
Total comprehensive income attributable to:		
Shareholders of the parent	3,143,037.74	146,840.27
Minority shareholders	175,379.80	2,105.26
Total comprehensive income per share (PLN)	0.14	0.01

Consolidated statement of financial position

	As at 30-06-2015	(PLN) As at 31-12-2014
ASSETS		
Non-current assets		
Property, plant and equipment	72,566,095.32	73,147,738.38
Investment property	7,740,493.90	7,822,850.34
Intangible assets	10,708,111.29	11,683,138.28
Goodwill	31,171,913.65	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	4,322,033.84	3,197,273.08
Deferred tax assets	7,622,418.66	6,827,025.26
Other assets	0.00	135,850.61
Total non-current assets	134,159,652.16	135,488,462.57
Current assets		
Inventories	47,651,756.69	17,920,760.21
Trade and other receivables	208,233,505.12	180,429,243.49
Retentions on construction contracts	515,582.92	1,524,900.01
Current tax assets	80,418.87	1,913,208.00
Other financial receivables	0.00	0.00
Other assets	1,314,872.88	1,877,364.94
Loans advanced	144,289.04	134,601.32
Cash and cash equivalents	23,882,038.77	71,405,462.83
Total current assets	281,822,464.29	275,205,540.80
Total assets	415,982,116.45	410,694,003.37

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
Treasury shares	-2,641,598.25	0.00
Retained earnings	104,998,957.19	101,855,919.45
Total equity attributable to shareholders of ZUE	201,951,544.98	201,450,105.49

Equity attributable to non-controlling interests	300,724.44	0.00
Total equity	202,252,269.42	201,450,105.49

Non-current liabilities

Long-term bank borrowings and other debt instruments and other financing sources	3,785,953.07	5,255,088.17
Retentions on construction contracts	8,322,043.07	8,796,402.77
Other financial liabilities	1,050,000.00	1,190,000.00
Liabilities under employee benefits	2,367,721.64	2,484,574.25
Deferred tax liabilities	349,024.08	907,679.23
Long-term provisions	7,828,893.83	8,410,239.28
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total non-current liabilities	23,703,635.69	27,043,983.70

Current liabilities

Trade and other payables	136,364,400.48	132,587,339.56
Retentions on construction contracts	14,701,968.14	18,180,247.62
Short-term bank borrowings and other debt instruments and other financing sources	7,254,173.03	10,269,020.97
Other financial liabilities	322,431.70	282,791.69
Liabilities under employee benefits	20,341,402.63	14,198,823.58
Current tax liabilities	2,851,272.00	66,522.00
Short-term provisions	8,190,563.36	6,615,168.76
Total current liabilities	190,026,211.34	182,199,914.18
Total liabilities	213,729,847.03	209,243,897.88
Total equity and liabilities	415,982,116.45	410,694,003.37

Consolidated statement of changes in equity

						(PLN)	
	Share capital	Share premium account	Treasury shares	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
Balance at 1 Jan 2015	5,757,520.75	93,836,665.29	0.00	101,855,919.45	201,450,105.49	0.00	201,450,105.49
Change of interest in subsidiaries	0.00	0.00	0.00	0.00	0.00	125,344.54	125,344.54
Dividend	0.00	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	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repurchase of shares	0.00	0.00	-2,641,598.25	0.00	-2,641,598.25	0.00	-2,641,598.25
Profit (loss) for the year	0.00	0.00	0.00	3,015,665.22	3,015,665.22	175,379.90	3,191,045.12
Other net comprehensive income	0.00	0.00	0.00	127,372.52	127,372.52	0.00	127,372.52
Balance at 30 Jun 2015	5,757,520.75	93,836,665.29	-2,641,598.25	104,998,957.19	201,951,544.98	300,724.44	202,252,269.42
Balance at 1 Jan 2014	5,757,520.75	93,836,665.29	0.00	91,802,270.33	191,396,456.37	-341,924.05	191,054,532.32
Change of interest in subsidiaries	0.00	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	0.00
Issue of shares	0.00	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	0.00
Profit (loss) for the year	0.00	0.00	0.00	107,717.16	107,717.16	2,105.26	109,822.42
Other net comprehensive income	0.00	0.00	0.00	39,123.11	39,123.11	0.00	39,123.11
Balance at 30 Jun 2014	5,757,520.75	93,836,665.29	0.00	91,436,537.67	191,030,723.71	118,866.45	191,149,590.16

Consolidated statement of cash flows

(PLN)

	6 months ended 30-06-2015	6 months ended 30-06-2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	5,007,231.01	335,754.92
Adjustments:		
Depreciation and amortisation	4,598,479.45	4,139,309.74
Foreign exchange gains / (losses)	-6,233.91	-1,833.69
Interest and share in profit (dividends)	-121,401.57	-108,758.23
(Gain) / loss on disposal of investments	2,277,170.35	221,813.34
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
Operating profit before changes in working capital	11,859,307.83	4,690,348.58
Change in receivables and retentions on construction contracts	-20,197,376.77	-31,134,332.32
Change in inventories	-27,654,601.17	-13,407,824.78
Change in provisions and liabilities under employee benefits	6,903,047.23	3,971,212.90
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	-11,336,111.51	67,419,687.61
Change in accrued expenses	804,280.50	-2,373,470.78
Change in funds of limited availability	0.00	0.00
Other adjustments	249,759.02	0.00
Income tax paid / (refunded)	1,810,989.44	-6,310,558.00
NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES	-37,560,705.43	22,855,063.21
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	407,979.20	37,191.58
Purchase of property, plant and equipment and intangible assets	-3,562,222.95	-3,330,831.80
Investments in real property and intangible assets	0.00	0.00

Sale / (purchase) of financial assets in non-consolidated subsidiaries	3,425.00	0.00
Sale / (purchase) of financial assets from non-controlling shareholders	-3,500.00	-53,887.68
Purchase of financial assets available for sale	-2,641,598.25	0.00
Loans advanced	-10,000.00	-10,000.00
Dividends received	0.00	0.00
Interest received	381,554.54	518,117.56
Settlement of financial instruments – expenses	0.00	0.00
Cash from acquisition of subsidiary	848,592.01	0.00
Sale of financial assets in associates	0.00	0.00
Other cash provided by / (used in) investing activities	0.00	391.00
NET CASH FROM INVESTING ACTIVITIES	-4,575,770.45	-2,839,019.34
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings and other debt instruments received	0.00	3,606,909.56
Repayment of borrowings and other debt instruments	-3,056,222.93	-35,455,801.94
Decrease in finance lease liabilities	-2,163,461.25	-2,821,761.17
Interest paid	-260,152.97	-409,359.33
Other cash provided by / (used in) financing activities – dividends	-1,844.94	-15,559.01
Net cash provided by issue of shares	88,500.00	0.00
NET CASH FLOWS FROM FINANCING ACTIVITIES	-5,393,182.09	-35,095,571.89
TOTAL NET CASH FLOWS	-47,529,657.97	-15,079,528.02
Net foreign exchange gains / (losses)	6,233.91	1,474.13
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	71,405,462.83	49,729,062.27
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23,882,038.77	34,651,008.38

III. NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP

1. General information

1.1. Composition of the Group and its core business

At the end of the reporting period, the Group was composed of ZUE S.A. (the parent company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after the merger), Railway Technology International Sp. z o.o., Railway Technology International Germany GmbH (indirect subsidiary) and Railway gft Polska Sp. z o.o.

ZUE Spółka Akcyjna with registered office in Cracow (ul. Kazimierza Czapińskiego 3) is the parent of the 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 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 Group and to promote the Group's potential among its customers.

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

Management Board:

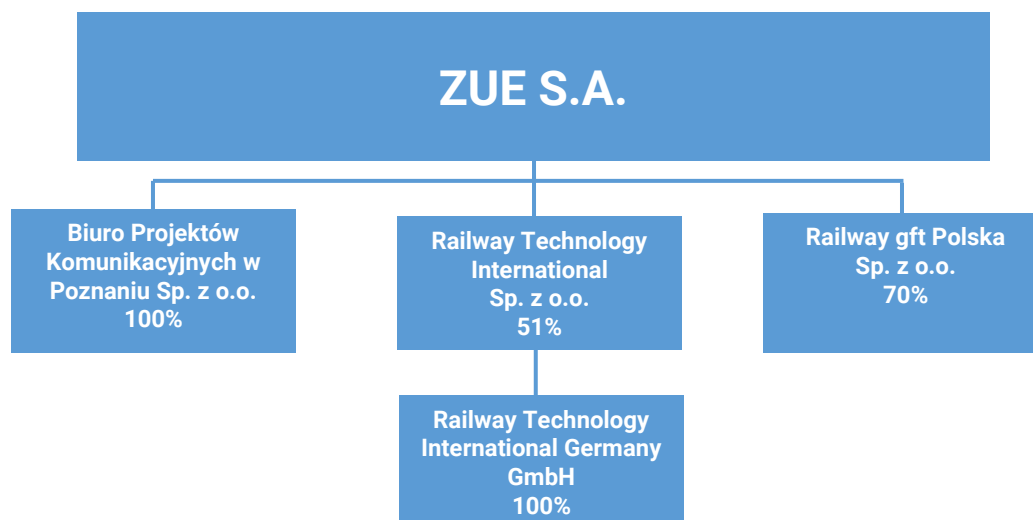
Wiesław Nowak	Management Board President
Marcin Wiśniewski	Management Board Vice-President
Jerzy Czeremuga	Management Board Vice-President
Maciej Nowak	Management Board Member
Anna Mroczek	Management Board Member

Supervisory Board:

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

Mr. Arkadiusz Wierciński resigned from the position of Member of the Management Board of ZUE on 31 July 2015. The composition of the Management Board remains unchanged because his duties will be taken over by the remaining members of the Company's Management Board (Current report 78/2015).

Structure of the Group at this report approval date:



Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after merger) 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). Poznań 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 (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.

Subsidiary – Railway gft Polska Sp. z o.o. has been established under the notarial deed of 21 October 2014 in the Notary's Office in Cracow, ul. Lubicz 3 (Rep. A no. 3715/2014). 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 0000532311.

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 Group consist of:

- Construction and assembly services related to urban, rail and power infrastructure;
- Design services; and
- Trade activities related to the materials used in connection with the construction and repair of tracks.

1.2. Consolidated companies

Consolidated companies as at 30 June 2015:

Name	Registered office	Interests as at			Consolidation method
		30 Jun 2015	31 Dec 2014	30 Jun 2014	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after merger)	Poznań	100%	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	70%	n/a	n/a	Full

ZUE is entitled to manage the financial and operating policy of BPK Poznań (after merger) and Railway gft because it holds a 100% and 70%, respectively, interest in the companies.

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 Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 30 June 2015.

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 Group's economic and financial condition, Railway Technology International Germany GmbH was not consolidated as at 30 June 2015.

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

BPK Gdańsk

Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji was 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 was the company's registered office. The Company was registered with the District Court Gdańsk-Północ, VII Commercial Division, under entry no. KRS 0000273363 (an associate through BPK Poznań).

On 29 April 2015, the District Court for Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, decided to remove Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji from the National Court Register. The decision became final on 30 May 2015. The aim of the operation of BPK Gdańsk was to liquidate the assets to satisfy the liabilities that exceed the value thereof.

Merger of BIUP and BPK Poznań

On 30 December 2014, the Extraordinary Shareholders Meeting of BIUP resolved to increase the share capital of BIUP from PLN 1,269,400.00 to PLN 2,017,850.00 through the creation of 14,969 new shares with a par value of PLN 50 each. All the shares of the total value of PLN 748,450.00 were acquired in full by ZUE and paid up with contributions of the total value of PLN 2,993,800 including in-kind contribution in the form of 4,261 shares with a par value of PLN 500 each held by the Company (as the sole shareholder) in the share capital of BPK Poznań (their carrying amount according to the Company's accounting records was PLN 2,993,735.88) and cash of PLN 64.12.

On 30 January 2015, the increase of the share capital of BIUP was registered with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register.

On 12 May 2015, the Extraordinary Shareholders Meeting of Biuro Inżynierskich Usług Projektowych Sp. z o.o. and the Extraordinary Shareholders Meeting of Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. resolved to merge BIUP and BPK Poznań, design companies, and make relevant amendments to the Articles of Association of BIUP.

On 29 May 2015, the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, issued the decision about the merger of BPK Poznań and BIUP.

Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. emerged as a result of the merger of BIUP and BPK Poznań. For the purposes of this report, the company was described under the name BPK Poznań (after the merger).

Railway gft

On 16 February 2015, ZUE signed a letter of intent concerning the acquisition of 70% of shares in Railway gft.

On 23 March 2015, the Company and Ms. Katarzyna Reszczyńska (the "Seller"), a majority shareholder of Railway gft, entered into the sales agreement. The Company acquired 35 shares; i.e. 70% of the share capital of Railway gft for PLN 3,500.00. The transaction was under the condition precedent that the consent was given by the President of the Office of Competition and Consumer Protection (the "OCCP") or there were circumstances in which the consent was not required; i.e.:

- a) The Company received an unconditional consent of the President of the OCCP to the concentration; or
- b) The Company received a decision of the President of the OCCP to discontinue the concentration proceedings as there was no notice requirement; or
- c) The notice was returned because the President of the OCCP decided it was not required; or
- d) The deadline for the decision of the President of the OCCP expired as a result of which it was assumed, under the Polish Competition and Consumer Protection Act, that the unconditional consent to the concentration had been given by the President of the OCCP.

On 15 April 2015, the Company learnt of the approval by the President of the OCCP of the concentration; i.e. gaining control by the Company of Railway gft through the acquisition of shares in Railway gft. The decision fully complied with the Company's request and could be performed on 15 April 2015.

Consequently, ZUE gained control of Railway gft on 15 April 2015 and Railway gft became a subsidiary.

The table below sets out the calculation of gain on bargain purchase of Railway gft:

(PLN)	
Acquisition of Railway gft	Settlement of transaction as at 15 April 2015
% of shares	70.00%
Fair value of consideration	3,500.00
Assets of Railway gft according to the IFRS	12,231,687.36
Liabilities of Railway gft	12,108,872.26
Net assets	122,815.10
Net assets attributable to ZUE	85,970.57
Minority interests	36,844.53
Gain on bargain purchase	82,470.57

On 30 April 2015, the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 5,000.00 to PLN 300,000.00 through the creation of 2,950 new shares with a par value of PLN 100 each. All the new shares of the total value of PLN 295,000.00 were acquired by the existing Shareholders (including ZUE) proportionally to the shares already held by them and paid up with contributions of the total value of PLN 295,000.00.

On 3 June 2015, the District Court for Cracow – Śródmieście in Cracow, XI Commercial Division of the National Court Register, entered ZUE as the holder of 70% of shares in Railway gft.

1.4. Functional and reporting currency

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

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 24.08.2015	Ownership interest at 24.08.2015	Number of votes at the GM at 24.08.2015	% of votes at the GM at 24.08.2015	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
METLIFE OFE**	1,400,000***	6.08***	1,400,000***	6.08***	1,400,000	6.08	6.08
PKO Bankowy OFE	1,500,000****	6.51****	1,500,000****	6.51****	1,500,000	6.51	6.51
Other	5,729,763*****	24.88	5,729,763	24.88	5,729,763	24.88	24.88
Total	23,030,083	100	23,030,083	100	23,030,083	100	100

* Date of publication of the last quarterly report (Consolidated quarterly report of ZUE S.A. for I Q 2015): 14 May 2015.

** Previously Amplico OFE.

*** Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of ZUE held on 8 December 2014 provided in the current report 41/2014 of 8 December 2014.

**** Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Ordinary General Meeting of ZUE held on 18 June 2014 provided in the current report 31/2014 of 18 June 2014.

***** Including 264,652 ZUE shares repurchased by the Company as part of the buy-back of own shares.

3. Statements of the Management Board of ZUE

3.1. Reliability of the condensed consolidated half-yearly financial statements

On the basis of the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent, the Management Board of ZUE state, according to their best knowledge, that these condensed consolidated half-yearly financial statements and the comparable data have been prepared according to the accounting principles binding on the Group, give a true and fair view of the Group's financial and economic situation and profit or loss and that the Management Board Report contains a true description of the Group's situation, development and achievements, including the description of fundamental risks.

3.2. Entity authorised to review the condensed consolidated half-yearly financial statements

The Management Board of ZUE state that the entity authorised to audit the financial statements responsible for the review of the condensed consolidated half-yearly financial statements has been appointed according to the law and that the said entity and chartered auditors have met the requirements to make an unbiased and independent opinion on review of the audited condensed consolidated half-yearly financial statements in accordance with applicable laws and professional standards.

3.3. Non-submission of separate condensed separate half-yearly financial statements

Pursuant to § 83.3 of the Ordinance of the Minister of Finance of 19 February 2009, ZUE do not submit any separate half-yearly separate report. The condensed separate half-yearly financial statements of ZUE and Auditor's Report on the review of the financial statements supplement the consolidated half-yearly report of the Group.

4. Use of International Financial Reporting Standards

4.1. Statement of compliance

The condensed consolidated half-yearly financial statements of the Group cover the six months ended 30 June 2015 and the comparable data for the six months ended 30 June 2014.

The condensed consolidated half-yearly financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 June 2015 as approved by the European Union.

The condensed consolidated half-yearly 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.

The condensed consolidated half-yearly financial statements for the first six months ended 30 June 2015 have been prepared according to the requirements binding on public companies.

The condensed consolidated half-yearly 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 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 2015:

- **Amendments to various standards "Improvements to IFRSs (2011-2013 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 "Public Fees"** approved of in the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

According to the Management Board of ZUE, the abovementioned standards, amendments to the standards and interpretations do not have any significant impact on the financial statements of the Group.

4.3. Amendments to the standards published but not yet effective

When approving these financial statements, the Group did not apply the following standards, interpretations or amendments to the standards, which had been published and approved of by the EU but had not yet come into force:

- **Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 19 "Employee Benefits"** – Specific benefit programmes: employee benefits, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

4.4. 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 24 August 2015:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 “Presentation of Financial Statements”** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 27 “Separate Financial Statements”** – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards “Improvements to IFRSs (2012-2014 Cycle)”** – made as part of annual improvements to IFRSs (IFRS 5, IFRS 7, IAS 19 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (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. Important accounting principles used in the consolidated financial statements for the period 1 January 2015 - 30 June 2015

5.1. Preparation basis

The condensed consolidated half-yearly financial statements have been prepared assuming that the Group will continue in operational existence for the foreseeable future. No going concern risks exist at this report preparation date.

The condensed consolidated half-yearly 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 2014.

5.2. Comparability of data

After 31 December 2015, the Group changed the accounting policy regarding the presentation of deferred tax in the financial statements. Until 31 December 2014, deferred tax was presented by the Group separately as asset

and liability. Since 1 January 2015, deferred tax has been presented by the Group according to its net balance (IAS 12). The consolidated financial statements present the total of the companies' individual balances.

Given the comparability of data requirement, the table below presents the influence of changes on the financial statements as at 31 December 2014.

(PLN)

	Presentation before the change	Presentation after the change
Deferred tax assets	30,853,979.38	6,827,025.26
Deferred tax liabilities	24,934,633.35	907,679.23
Balance of assets and liabilities	5,919,346.03	5,919,346.03

6. Revisions to estimates

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

Change in provisions

(PLN)

Provisions	01-01-2015	Created	Utilised	Released	30-06-2015
Long-term provisions:	10,894,813.53	2,034,583.85	33,853.94	2,698,927.97	10,196,615.47
Provisions for employee benefits	2,484,574.25	1,700,621.25	0.00	1,817,473.86	2,367,721.64
Provisions for warranty claims	8,410,094.87	333,962.60	33,853.94	881,309.70	7,828,893.83
Other provisions	144.41	0.00	0.00	144.41	0.00
Short-term provisions:	14,421,937.62	15,805,791.49	5,393,587.87	3,059,298.61	21,774,842.63
Provisions for employee benefits	7,806,768.86	12,186,951.09	5,208,441.05	1,200,999.63	13,584,279.27
Provisions for warranty claims	3,037,026.75	1,806,234.72	185,146.82	278,979.85	4,379,134.80
Provision for loss on contracts	889,296.86	1,790,190.60	0.00	1,465,956.91	1,213,530.55
Other provisions	2,688,845.15	22,415.08	0.00	113,362.22	2,597,898.01
Total provisions:	25,316,751.15	17,840,375.34	5,427,441.81	5,758,226.58	31,971,458.10

Provision for warranty claims 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.

Provisions for employee benefits include the provisions for leaves, bonuses, overtime as well as liabilities under pays and social security premiums. The increase in provisions for employee benefits in the reporting period is a

result of provisions for incentive bonuses.

Deferred tax assets and liabilities

			(PLN)	
Provisions	01-01-2015	Created	Utilised	30-06-2015
Deferred tax assets	30,853,979.38	1,321,494.28	0.00	32,175,473.66
Deferred tax liabilities	24,934,633.35	0.00	32,554.27	24,902,079.08
Balance of assets and liabilities	5,919,346.03			7,273,394.58

After 31 December 2015, the Group changed the accounting policy regarding the presentation of deferred tax in the financial statements. Until 31 December 2014, deferred tax was presented by the Group separately as asset and liability. Since 1 January 2015, deferred tax has been presented by the Group according to its net balance (IAS 12). The consolidated financial statements present the total of the companies' individual balances.

7. Trade and other receivables

	(PLN)	
	As at 30-06-2015	As at 31-12-2014
Trade receivables	147,153,401.86	122,081,256.20
Trade receivables write-downs	-16,430,826.30	-13,274,897.31
Receivables from the state budget other than corporate income tax	0.00	636,817.43
Receivables under contracts (measurement)	72,160,510.82	67,876,571.06
Advance payments	2,868,780.47	2,969,965.72
Other receivables	2,481,638.27	139,530.39
Total trade and other receivables	208,233,505.12	180,429,243.49

Ageing analysis of trade receivables

	(PLN)	
	As at 30-06-2015	As at 31-12-2014
Not past due receivables	124,960,988.69	81,258,218.79
Receivables that are past due but not impaired	5,761,586.87	27,548,140.10
1-30 days	1,808,752.16	25,952,542.27
31-60 days	337,772.70	214,631.67
61-90 days	3,011,073.80	307,841.03
91-180 days	50,996.89	658,140.21
181-360 days	64,589.18	22,458.84
360 + days	488,402.14	392,526.08
Past due receivables on which write-downs were recognised	16,430,826.30	13,274,897.31
1-30 days	1,092,822.55	514,954.59

31-60 days	40,804.15	12,893.31
61-90 days	559,657.74	45,585.72
91-180 days	1,220,808.39	138,295.22
181-360 days	2,468,428.29	2,000,598.02
360 + days	11,048,305.18	10,562,570.45
Total trade receivables (gross)	147,153,401.86	122,081,256.20
Write-downs on trade receivables	-16,430,826.30	-13,274,897.31
Total trade receivables (net)	130,722,575.56	108,806,358.89

Concentration of gross receivables that exceed 10% of total receivables:

	(PLN)
	As at
	30-06-2015
Counterparty A	55,729,704.13
	55,729,704.13

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated and by cooperation with financial institutions. Therefore, the Management Board of ZUE believe there is no need to create additional allowances.

8. Trade and other payables

		(PLN)
	As at	As at
	30-06-2015	31-12-2014
Trade payables	53,665,690.03	64,751,266.11
Liabilities to the state budget other than corporate income tax	10,387,314.11	1,046,835.68
Accruals	57,946,215.77	40,827,856.26
Liabilities under contracts (measurement)	12,815,375.76	25,305,612.48
Other payables	1,549,804.81	655,769.03
Total trade and other payables	136,364,400.48	132,587,339.56

Accruals include, in particular, provisions for the costs of subcontractors and provisions for claims under contracts.

Ageing analysis of trade payables

	(PLN)	
	As at 30-06-2015	As at 31-12-2014
Not past due payables	50,148,629.56	60,735,629.29
Past due payables	3,517,060.47	4,015,636.82
1-30 days	1,317,761.09	2,399,109.64
31-60 days	627,073.95	181,070.18
61-90 days	519,098.35	171,347.48
91-180 days	446,165.61	570,213.40
181-360 days	374,440.06	180,620.39
360 + days	232,521.41	513,275.73
Total trade payables	53,665,690.03	64,751,266.11

9. Discontinued operations

No operations were discontinued within the meaning of the IFRS 5 during the six months ended 30 June 2015 or the six months ended 30 June 2014.

10. Segment reporting

The Group's reporting is based on operating segments. Given the development of design and trade activities, the Management Board of ZUE identified the three 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;
- Design; and
- Trade.

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; and
- 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 and power engineering and power electronics services.

Design activities related to urban and railway transport systems supplement the construction activities. This segment includes the contracts performed by BIUP and BPK Poznań and now BPK Poznań (after merger).

The sale of materials used in connection with the construction and repair of tracks also supplements the construction activities. Sales activities are conducted by Railway gft.

The accounting principles applied to the segments are the same as the principles set out in the description of important 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 in the first half of 2015:

(PLN '000)

	Construction	Trade	Design	Exclusions	Total
Revenue	202,750	22,072	1,914	-18,306	208,430
Including:					
Revenue from external customers	188,223	19,087	1,244	-124	208,430
Inter-segment revenues	14,527	2,985	669	-18,181	0
Gross profit	16,980	1,414	-1,202	-520	16,672
Financial income / expenses	-49	-5	-104	0	-158
Interest received	383	0	0	-1	382
Interest paid	-233	0	-28	1	-260
Pre-tax profit	8,504	759	-2,548	-1,708	5,007
Corporate income tax	1,877	175	-175	-61	1,816
Net profit	6,627	585	-2,372	-1,649	3,191
Depreciation and amortisation	4,344	88	121	45	4,598
Property, plant and equipment	67,728	358	4,473	7	72,566
Non-current assets	129,762	604	4,810	-1,016	134,160
Total assets	397,017	30,595	8,900	-20,530	415,982

11. Factors and events with a bearing on the Group's financial results in the first half of 2015

Analysis of the Group's financial results at the end of the first half of 2015

In the six months ended 30 June 2015, revenue generated by the Group was PLN 208,430 thousand – down by 28.1% compared to the figure recorded in the first half of 2014.

A decrease in revenue was a result of the accumulation of expiring contracts; i.e. the contracts at the stage of settlements and acceptance and the contracts whose schedule provided for the works of lower value. The decrease was also a result of a smaller number of contracts performed on the rail infrastructure market related to the final settlements of contracts from the previous EU's financial perspective and the expectation of new contracts from the 2014-2020 programme.

Gross profit was PLN 16,672 thousand – up by PLN 7,183 thousand compared to the analogous period of 2014. Gross margin in the first half of 2015 was 8.0% while in the first half of 2014, it stood at 3.3%. This is a result of the Management Board's consistent policy aimed at the reduction of risks related to the performance of contracts and improvement of profitability through cost optimization and incentive system.

General and administrative expenses in the first half of 2015 amounted to PLN 10,926 thousand while in the first half of 2014, they stood at PLN 8,637 thousand. General and administrative expenses increased after a new member had been included in the Group.

An increase in other operating income was particularly influenced by the favourable outcome of court proceedings of PLN 3,281 thousand. Other operating expenses mainly included the provisions for doubtful debt of PLN 2,113 thousand.

The Group recorded a profit on operating activities of PLN 5,165 thousand – up by PLN 4,919 thousand compared to the analogous period of 2014.

Financial expenses in the period under analysis stood at PLN 713 thousand while in the first half of 2014, they amounted to PLN 811 thousand.

In the reporting period, a use of credit facilities by the Group was much smaller because working capital facilities had been repaid by ZUE in full in 2014.

The Group ended the first half of 2015 with the net profit of PLN 3,191 thousand – up by PLN 3,081 thousand compared to the net profit for the first half of 2014.

The Group's total assets and liabilities at 30 June 2015 stood at PLN 415,982 thousand and decreased by PLN 5,288 thousand compared to the figure reported at the end of 2014.

Compared to 31 December 2014, total non-current assets decreased by PLN 1,329 thousand to PLN 134,160 thousand. A change in non-current assets was mainly caused by the write-down of goodwill of PLN 1,474 thousand, the write-down of intangible assets of PLN 767 thousand and an increase in retentions on construction contracts of PLN 1,125 thousand. Goodwill was written down due to the merger of design companies and the restructuring thereof.

Current assets increased by PLN 6,617 thousand in the period under analysis and stood at PLN 281,822 thousand. The change was a result of decrease in cash and cash equivalents of PLN 47,523 thousand, increase in receivables of PLN 27,804 thousand and increase in inventories of PLN 29,731 thousand. Cash and cash equivalents decreased as a result of partial repayment of investment credit facility and greater use of own funds to finance the contracts. Receivables increased after the *Franowo* Depot contract had been finally settled and an invoice for 20% of the contract value had been issued. Receivables under contracts (measurement) also increased in connection with the performance of the *Szczecin Pogodno* tram depot contract. According to the contract, an invoice was issued after final acceptance. Inventories increased after Railway gift, a trade company, had been included in the Group.

Compared to the end of 2014, total liabilities increased by PLN 4,486 thousand and amounted to PLN 213,730 thousand. Liabilities increased over the figure reported at the end of 2014 following the creation of provisions for employee benefits and provisions for risks connected with the settlement of the *Franowo* Depot contract.

The Company created a provision for future liabilities in connection with a dispute with a Consortium Member (Elektrobudowa SA) and the Consortium Member's failure to issue an invoice to ZUE. According to the acceptance protocol signed on 10 June 2015, ZUE (the Consortium Leader) issued an invoice to MPK (the Contracting Authority) for all the services provided by the Partners.

On 7 August 2015, the amount payable to ZUE was transferred to the Leader's bank account. The amount payable to the Partner was transferred by the Contracting Authority to the court deposit. The collection by ZUE of the amount kept in the deposit was made conditional by Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o. (MPK) upon the submission of the following documents:

- Administrative order against MPK including the amounts receivable in connection with the performance of construction works by ZUE or Elektrobudowa SA; or
- Final and enforceable judgment according to which the termination of the consortium contract by Elektrobudowa SA and revocation of the power of attorney were ineffective.

In addition, according to the letter of MKP, Elektrobudowa SA failed to settle its liabilities to subcontractors as a result of which the amount payable to Elektrobudowa SA could not be paid and had to be transferred to the deposit.

As regards the amount payable to Elektrobudowa SA, ZUE has a financial claim in connection with the company's failure to cover shared costs, general contracting costs and additional costs incurred by ZUE in connection with the company's failure to perform its tasks properly.

Elektrobudowa SA issued the invoices for the construction works performed by the company directly to the Contracting Authority. However, this was in breach of the consortium contract.

According to the public procurement contract and the consortium contract, ZUE was the entity authorised to issue invoices for the Contractor (i.e. the Consortium of ZUE and Elektrobudowa SA). MPK returned the invoices issued by Elektrobudowa SA without posting them. MKP decided the documents had been groundlessly issued in breach of the terms of final settlement set out in the public procurement contract. The Contracting Authority noted it was obliged to pay ZUE directly on the basis of an invoice issued by the Company. The performance of the said obligation in any way other than specified in the contract would be in breach thereof and of the law.

The Company created provisions for any risks connected with the final settlement of the contract and recognised them in these financial statements.

Equity increased by PLN 802 thousand after the Group had generated consolidated comprehensive income for 1H 2015 of PLN 3,318 thousand, repurchased shares of PLN 2,642 thousand and recorded changes in minority interests of PLN 126 thousand.

12. Major events in and after the reporting period

12.1. Major events in the period 1 January 2015 – 30 June 2015

On 27 January 2015, the Management Board of ZUE entered into the contract with ThyssenKrupp GfT Polska Sp. z o.o. of Cracow (the "Seller"). Under the contract, the Company bought from the Seller the track structure materials such as tram and railway rails, track accessories, sleepers etc. for PLN 19.6m plus VAT. The said amount was paid in the following manner:

- I instalment of PLN 9.8m plus VAT – by 31 March 2015;
- II instalment of PLN 9.8m plus VAT – by 30 April 2015.

The contract was concluded under the condition precedent that the Company provided the Seller by 4 February 2015 with two irrevocable bank guarantees (the "Guarantees") up to PLN 9.9m each payable on first demand. In addition, the Company was obliged under the conditions precedent to buy the sleepers of the total value of PLN 265 thousand by 31 December 2015 and other track structure materials of the total value of approx. PLN 40.4m, whose purchase would be paid for in instalments, by 31 January 2016. **(Current report 19/2015)**

On 3 February 2015, the agreement was concluded by and between the Management Board of ZUE and mBank S.A. The agreement provided for the issue by the Bank, at the Company's request, of the two irrevocable bank guarantees up to PLN 9.9m each payable on first demand to Thyssenkrupp GFT Polska Sp. z o.o. with registered office in Cracow (the "Seller"). Thus, the condition precedent was met.

The amount of the fees the Company was obliged to pay in connection with the Guarantees issued by the Bank had been determined on arm's length. The Guarantees expired after the payment had been made in line with the agreement. **(Current report 24/2015)**

On 16 February 2015, ZUE signed a letter of intent concerning the acquisition of 70% of shares in Railway gft Polska Sp. z o.o. of Cracow. Railway gft conducted its activities in the same scope as ThyssenKrupp GfT Polska Sp. z o.o. and continued to supply rails, sleepers, accessories, aggregate, etc. The transaction was under the condition precedent that the consent was given by the President of the Office of Competition and Consumer Protection (the "OCCP") or there were circumstances in which the consent was not required. **(Current report 33/2015)**

On 23 March 2015, the Company and Ms. Katarzyna Reszczyńska (the "Seller"), a majority shareholder of Railway gft, entered into the sales agreement. The Company acquired 35 shares; i.e. 70% of the share capital of Railway gft for PLN 3,500.00. The transaction was under the condition precedent that the consent was given to the Company by the President of the OCCP or there were circumstances in which the consent was not required; i.e.:

- a) The Company received an unconditional consent of the President of the OCCP to the concentration; or
- b) The Company received a decision of the President of the OCCP to discontinue the concentration proceedings as there was no notice requirement; or
- c) The notice was returned because the President of the OCCP decided it was not required; or
- a) d) The deadline for the decision of the President of the OCCP expired as a result of which it was assumed, under the Polish Competition and Consumer Protection Act, that the unconditional consent to the concentration had been given by the President of the OCCP. **(Current report 47/2015)**

On 15 April 2015, the Company learnt of the approval by the President of the OCCP of the concentration; i.e. gaining control by the Company of Railway gft Polska Sp. z o.o. with registered office in Cracow through the acquisition of shares in Railway gft. The transaction was under the condition precedent that the consent was given to the Company by the President of the OCCP. The consent was given and the condition precedent was met. The decision fully complied with the Company's request and could be performed on 15 April 2015. Consequently, ZUE gained control of Railway gft on 15 April 2015 and Railway gft became a subsidiary. **(Current report 53/2015)**

On 27 March 2015, ZUE and PKP PLK S.A. entered into the contract for Upgrade of the railway line no. 137 on the Katowice – Chorzów Batory section as part of the following project: "Upgrade of the railway lines no. 134, 137 and 138 on the Gliwice Łabędy - Katowice - Sosnowiec Jęzor section." The Company informed of the submission of the lowest price tender in the current report 44/2014 and the selection of the Company's tender as the most advantageous offer in the current report 40/2014. The contract gross value was PLN 52.3m. The contract net value was PLN 42.5m. The completion date was set at 30 November 2015. **(Current report 49/2015)**

On 15 June 2015, the Issuer and mBank S.A. signed the annex to the cooperation agreement for the Company's use of the Bank's products and services to finance the Company's day-to-day operations of 30 June 2015. Under the annex, the limit for non-revolving working capital facilities was raised from PLN 20m to PLN 90m and the security clauses were amended. **(Current report 69/2015)**

On 18 June 2015, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit of PLN 10,621,692.00 earned by the Company in 2014 to reserve funds. **(Current report 71/2015)**

On 30 June 2015, the Company informed that Mr. Arkadiusz Wierciński had resigned from the position of the Management Board Member as of 31 July 2015. **(Current report 78/2015)**

12.2. Other events in the period 1 January 2015 – 30 June 2015

On 23 March 2015, PKP PLK S.A. (the "Contracting Authority") signed the Annex no. 2 to the contract of 25 March 2013 for design and construction services for the following project: "Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie – Dąbrowa Górnicza Ząbkowice – Jaworzno Szczakowo section." Under the Annex no. 2, the completion date was extended from 728 days from the commencement date to 12 July 2015. In addition, the Company waived its claims in connection with a delay in the site delivery (22 days) or failure to provide an access to one of the plots (74 days). The total delay through the fault of the Contracting Authority coincided with a new deadline contained in the Annex no. 2.

On 30 April 2015, the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 5,000.00 to PLN 300,000.00 through the creation of 2,950 new shares with a par value of PLN 100 each. All the new shares of the total value of PLN 295,000.00 were acquired by the existing Shareholders (including ZUE) proportionally to the shares already held by them and paid up with contributions of the total value of PLN 295,000.00.

On 13 May 2015, the Company and BGŻ BNP Paribas S.A. signed the Annex no. 1 to the Revolving Credit Facility Agreement. Under the said Annex, the credit term was extended until 4 January 2016, the security was extended to include registered pledge on the Company's machines and the assignment of rights under insurance policy and the credit disbursement schedule was defined.

On 13 May 2015, the Company and mBank S.A. signed the Annex no. 13 to the Overdraft Agreement no. 07/183/04/Z/VV. Under the Annex, the term of the credit was extended until 13 May 2016.

On 29 May 2015, ZUE and PZU S.A. signed the Annex no. 10 to the bond and guarantee agreement no. UO/GKR/11/2010/051-18-01-00 of 29 April 2010. The Annex dealt mainly with the increase of maximum limit by PLN 12.9m.

On 15 June 2015, the Issuer and mBank S.A. signed the annex to the cooperation agreement for the Company's use of the Bank's products and services to finance the Company's day-to-day operations of 30 June 2015. Under the annex, the limit for non-revolving working capital facilities was raised to PLN 90m and the security clauses were amended.

12.3. Events after the reporting period

On 7 July 2015, the Company ended the buy-back of own shares. The shares had been bought back since 7 January 2015 on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back the shares. The transaction was closed because the six-month period for reporting by the eligible parties of their demand to buy back the shares had passed. The Company bought back the total of 264,652 ZUE shares. **(Current report 83/2015)**

On 17 July 2015, the Company and Zarząd Infrastruktury Komunalnej i Transportu w Krakowie entered into the contract in connection with the following project: "Maintenance and repair of tram infrastructure in Cracow in the period 2015 – 2018." The Company informed of the submission of the lowest price tender in the current report 74/2015 and the selection of the Company's tender as the most advantageous offer in the current report 80/2015. The contract net value would not exceed PLN 42.3m and correspond to the contract gross value of PLN 52.0. The contract value included a lump-sum remuneration for maintenance works in the gross amount of PLN 19.7m, remuneration for repairs in the gross amount up to PLN 14.9m and remuneration for other services, including additional tasks under the Contract, in the gross amount up to PLN 17.4m. The contract would be performed in the period 1 August 2015 – 31 July 2018. **(Current report 85/2015)**

On 30 July 2015, a contract was entered into between PKP Polskie Linie Kolejowe S.A. and the consortium of the Company (Leader) and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o.

(Partner) (jointly referred to as the "Consortium"). The contract provided for the performance by the Consortium of a set of tasks in connection with "Upgrade of the track no. 2 of the railway line no. 131 on the Tarnowskie Góry – Kalety section, reconstruction of the Baronów station and the reconstruction of 18 crossovers at the Tarnowskie Góry station, as part of the following project: "Upgrade of the Chorzów Batory - Tczew railway line no. 131, the Bydgoszcz Główna - Zduńska Wola - Chorzów Batory section." The Company informed of the submission of the lowest price tender by the Consortium in the current report 58/2015 and the selection of the Consortium's tender as the most advantageous offer in the current report 82/2015. The contract net value used for the calculation of contractual penalties was PLN 45.9m and the net remuneration attributable to the Company under the said contract was PLN 27.4m. The contract gross value was PLN 56.5m. The completion date was set at 31 December 2015. **(Current report 86/2015)**

On 12 August 2015, ZUE and Tramwaje Warszawskie Sp. z o.o. signed the contract for the reconstruction (upgrade) of the tram route on the Dworzec Wileński – Żerań Wschodni section. The Company informed of the submission of the lowest price tender in the current report 75/2015 and the selection of the Company's tender as the most advantageous offer in the current report 84/2015. The contract net value was PLN 53.0m. The contract gross value was PLN 65.2m. The completion date was set at 16 April 2016. **(Current report 88/2015)**

13. Factors believed by the Group to have an impact on its results in subsequent periods

The factors believed to have a bearing on the Group's financial results in 2015:

- **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, rail and power infrastructure 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. Project execution may also be conditional on other factors; e.g. the date of closing the tracks by the contracting authority or the dates on which trees and bushes may be cut down. For these reasons, a part of the Group's planned 2015 revenue may be transferred to 2016.

- **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 HV tram and rail OCL network 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 fluctuating prices of these materials, the Company is exposed to a price risk.

- **Higher fees charged by subcontractors**

When executing its contracts, the Group subcontracts certain construction and assembly tasks. Changing prices of raw materials and liquid fuels contribute to the growth of risk of estimating the costs incurred by subcontractors 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**

In 2015, the Group began to perform EUR-denominated contract in Slovakia. This will increase a foreign exchange risk and may have a positive or negative impact on the Group's financial results. In addition, certain products are purchased in EUR or certain products are purchased from entities operating in Poland and, although PLN-denominated, they 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 the parties to the court proceedings concerning both their claims and liabilities. The outcome of these proceedings may have an impact on the Group's financial results.

14. Risks believed by the Group to have an impact on its 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 and concludes consortium agreements. Under the Polish Civil Code and the Polish Public Procurement Act, a contractor that has concluded a contract with a subcontractor, has a joint and several liability to pay for the construction services provided by further subcontractors. 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. The Group may be obliged to pay the remuneration to further subcontractors and be liable for a consortium member's failure to perform or duly perform their obligations under public procurement contracts. These risks may have a negative impact on the Group's financial results.

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

Construction contracts and work-for-hire 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 work-for-hire contracts or the failure to meet the deadline for 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 or damages. 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 bankruptcy of counterparties**

One cannot exclude the risk of bankruptcy of the Group's counterparties. The Group may not be able to perform a contract or remove defects in a timely fashion following the bankruptcy of its subcontractors, suppliers or construction members as a result of which it may be obliged to pay contractual penalty or damages. It could also be liable on a joint and several basis for the failure to pay further subcontractors or the failure to perform a contract by a consortium member. In addition, it would have to cover the cost of tasks or supplies, which have not been completed by a bankrupt. If the Group's customer/contracting authority go bankrupt, the Group may not receive remuneration for the performed services. 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 circumstances may occur in which the Group could be excluded from tender procedure on the terms specified in the Public Procurement Act. 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, power 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.

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.

- **Risk related to greater employment costs**

Given the changeable economic conditions, the Group's aspirations for constant development and raising the quality of the Group's services, the costs of employment may grow and influence Group'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 Group's operations

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

Rail, urban and power infrastructure projects undertaken by the 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 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

During the reporting period, no company comprising the Capital Group issued or redeemed any debt securities. No company comprising the Capital Group (except for ZUE) redeemed any equity securities.

Buyback of ZUE S.A. own shares from employees of former Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. in 2015

Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna emerged as a result of the commercialisation of Przedsiębiorstwo Robót Kolejowych w Krakowie, the state-owned enterprise. The State Treasury was the company's sole shareholder until 6 January 2010. Under the sales agreements of 23 October 2009 and 12 June 2013, ZUE acquired shares from the State Treasury representing 85% and 0.9%, respectively, of the share capital of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna.

Given the privatisation of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna (PRK) which emerged as a result of the commercialisation of the state-owned enterprise, the eligible employees had the right to acquire, for no consideration, 15% of shares held by the State Treasury on the date of the Company's entry in the register. Pursuant to Art. 36 and 38 of the Polish Act on Commercialisation and Privatisation, the eligible employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna had the right to acquire the company shares from the State Treasury for no consideration. Following the privatisation process, the eligible employees acquired the total of 133,982 shares from the State Treasury.

On 16 September 2009, the Trade Unions at Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (NSZZ Pracowników PRK w Krakowie S.A. and NSZZ „Solidarność”), Zakłady Usług Energetycznych i Komunikacyjnych grupa ZUE S.A. (now ZUE S.A.) and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna signed the “Package of Social Guarantees; social and employee guarantees for the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna with registered office in Cracow.” Pursuant to section III item 1 of the said Package, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna was obliged to acquire, as of 7 January 2015, the employee shares from the employees entitled to acquire the shares for no consideration and the price of one share could not be lower than the price of one share on the date of ZUE's purchase of 85% of shares in Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna. In addition, section III item 3 of the said Package read that ZUE S.A. would purchase the shares at the price multiplied by 1.5 per share should Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna fail to perform the abovementioned obligation.

On 8 October 2013, the parties to the Social Package signed the annex no. 2 thereto to enable the shared interpretation of the document and make it more detailed. Thus, the document specified the persons authorised to demand the repurchase. The parties agreed that as of 7 January 2015, ZUE would be obliged to acquire ZUE S.A. shares received in exchange for the shares in Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna sold directly by the State Treasury from the eligible employees of ZUE or their legal successors. The number of shares, which could be repurchased, was 381,217. The demands were reported directly to ZUE S.A. and the company was obliged to repurchase the shares for PLN 10.05 (ten złoty and five grosz) per share within 90 days of the report. The said demand would expire if it was not reported within 6 months of 7 January 2015.

On 20 December 2013, ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna merged through the transfer of all the assets of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna to ZUE Spółka Akcyjna in exchange for the shares issued by ZUE Spółka Akcyjna to the shareholders of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna.

Acting pursuant to the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE to buy back own shares, ZUE repurchased 264,652 shares as part of the buy-back of own shares from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna. The shares were acquired by the Company outside organised trading for resale. The average unit price was PLN 10.05. The buy-back of own shares ended on 7 July 2015. The Company's Management Board intends to sell the acquired own shares in favourable market conditions on the stock exchange or outside organised trading by 31 December 2016.

17. Information on dividend

On 11 May 2015, the Management Board of ZUE resolved to submit a proposal to the Company's Ordinary General Meeting in which they recommended to allocate the entire net profit for the financial year 2014 to reserve funds.

On 18 June 2015, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit earned by the Company in 2014 to reserve funds.

18. Management Board statement on forecast financial results

The Company did not publish any forecast 2015 financial results.

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

Name	Position at ZUE	Number of shares held at 24.08.2015	Number of votes at the GM	% 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	None
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	7,345	7,345	0.03	Purchase of 105 shares
Michał Lis	Supervisory Board Member	661	661	< 0.01	None

* Date of publication of the last quarterly report (Consolidated quarterly report of ZUE S.A. for Q1 2015): 14 May 2015.

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 management or supervisory bodies.

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

20. Transactions with related entities

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

	(PLN)			
	Receivables		Payables	
	As at		As at	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	1,230.00	1,230.00	0.00	0.00
RTI Germany	83,888.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	85,118.00	1,230.00	0.00	0.00

	Revenue		Purchases	
	Period ended		Period ended	
	30-06-2015	30-06-2014	30-06-2015	30-06-2014
BPK Gdańsk	n/a	100,373.00	n/a	34,000.78
RTI	6,000.00	6,000.00	0.00	0.00
RTI Germany	0.00	0.00	403,117.48	365,065.49
Wiesław Nowak	0.00	0.00	0.00	48,000.00
Total	6,000.00	106,373.00	403,117.48	447,066.27

	Advanced loans		Financial income (interest on loans)	
	As at		Period ended	
	30-06-2015	31-12-2014	30-06-2015	30-06-2014
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	144,289.04	134,601.32	1,507.99	1,233.87
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	144,289.04	134,601.32	1,507.99	1,233.87

	Received loans		Financial expenses (interest on loans)	
	As at		Period ended	
	30-06-2015	31-12-2014	30-06-2015	30-06-2014
BPK Gdańsk	n/a	0.00	n/a	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	500,000.00	15,934.13	0.00
Total	0.00	500,000.00	15,934.13	0.00

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

In the reporting period, RTI leased business establishments from ZUE on the basis of the lease of 16 November 2012.

On 27 May 2015, ZUE and RTI entered into the loan agreement whereby RTI was granted a loan of PLN 10 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 20 December 2015.

On 29 January 2015, BPK Poznań repaid a loan plus interest to Mr. Wiesław Nowak, Management Board President of ZUE. The loan of PLN 500 thousand was advanced under the agreement of 8 May 2014.

In the reporting period, RTI Germany provided market research services for future projects to ZUE. On 29 June 2015, ZUE made an advance payment on the abovementioned services of EUR 20,000. The advance payment was recognized in receivables.

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

At 24 August 2015, the Group was a party to the pending court proceedings concerning the Group's claims and liabilities of the total value of PLN 45,114,671.80; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning liabilities was PLN 10,176,607.42 and the total value of the proceedings concerning claims was PLN 34,938,064.38.

The pending court proceedings were related to companies' operating activities.

The biggest pending court proceeding concerning 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."

The lawsuit concerns 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 Inżynieryjnego 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 construction works according to the list attached to the lawsuit as the appendix no. 1 within six months of the judgment final date. They believed their demand was supported by the guarantee provisions. The Petitioners demanded a joint execution of all the works. Their claim was wrong from the legal point of view because the Defendants performed a part of the works for one Petitioner and a part of the works for the other and the Petitioners had separate claims against the Defendants.

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. In addition, according to the lawsuit, the Petitioners expected the Contractor to repay the amount spent on ground stabilisation (under the roads); i.e. the works ZUE was not responsible for.

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 Petitioners stated the defects had been insidiously concealed. If this was true, the Petitioners would still be able to make their warranty claims. To support their statements, the Petitioners referred to the activities of a consortium member other than ZUE. According to Art. 371 of the Polish Civil Code, actions/omissions by one co-debtor (which basically include the Defendants) must not harm the remaining co-

debtors. Thus, it should be assumed that ZUE is not responsible for the defects concealed by another consortium member.

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.

The Petitioners included another claim in their pleading, namely improper contract performance. They maintained they could claim damages in connection with the said improper performance. The Defendants believed the Petitioners had no such claims for damages and even if they did, they fell under the statute of limitations. It should be noted, however, that the Petitioners filed a motion for conciliation proceedings. Their motion contained specific claims which, when liberally construed, could be the grounds for stopping the run of the statute of limitations. However, this is a quite complex legal issue, especially as the Petitioners demanded, *inter alia*, the repeated performance of the works as part of the damages. The Defendants believe this is not any claim for damages (damages differ from a basic contractual obligation; i.e. the performance of the works). There are no doubts about damages relating to the demand for a specific amount. However, ZUE maintains it cannot be blamed especially as it was not involved in the said works. The works were performed by other consortium members. In addition, if the Petitioners' claims were true, the blame could be put on the Petitioners. They employed inspectors who accepted the works and confirmed that the works had been done as a result of which the remuneration was paid.

The Petitioners based their entire lawsuit basically on the fact that preparatory proceedings had been instigated. At the end of 2014, an indictment was filed against one of the consortium members (or to be more precise, against its employees and the employees of entities related to the consortium member, including its counterparties) and the inspector employed by one of the Petitioners. According to the Petitioners, the evidence gathered during the proceedings demonstrated that the works had not been properly performed. This statement confirms the foregoing arguments relating to the legal position of ZUE. If the offence were in fact committed (the Petitioners said that except for one person, all people took the blame and applied for self-sentencing), the blame would be put both on the consortium member, which had failed to perform the works in line with the contract, and the Petitioners whose inspector had failed to do their job well. ZUE trusted it properly performed its obligations.

The Petitioners attached new appendices to their most recent pleading of 9 February 2015, which contained the grounds for their lawsuit. They stated they had reduced their claims. GMK, acting through the City Infrastructure and Transportation Authority (ZIKiT) reduced its claim from PLN 1,718,155.00 to PLN 177,439.19 and MPK "reduced" its claim from PLN 5,500,445.13 to PLN 6,344,736.56. To sum up, the initial claim was PLN 7,218,600.13 and now the total amount claimed by both Petitioners is PLN 6,522,175.75.

The Court has not asked the Defendants whether they approve of withdrawing the lawsuit without waiving the claims by the Petitioners (GMK). However, ZUE wrote it had not approved of withdrawing the lawsuit without waiving the claims. In addition, given the fact that the initial amount demanded by MPK included two claims – one of PLN 4,293,866.25 subsequently reduced to PLN 563,841.57 and the other of PLN 1,206,578.88 subsequently valued at PLN 5,780,894.99 and the fact that ZUE had not approved of withdrawing the lawsuit with regard to the first claim, the dispute concerns the amount of PLN 11,792,916.24 (i.e. the total of the initial claim – PLN 7,218,600.13 and the difference between PLN 1,206,578.88 and PLN 5,780,894.99; i.e. PLN 4,574,316.11).

It should be noted that the Petitioners did not provide any new facts that would support an increase (decrease) in values and relied on exactly the same circumstances as those contained in the lawsuit. Their new pleading of 9 February 2015 contained a new calculation of the same claims. Thus, the Petitioners showed they had incorrectly calculated the value of their claims (GMK inflated its claim by PLN 1,540,715.81 and MPK by PLN 3,730,024.68; i.e. the total of PLN 5,270,740.49).

As regards the court proceedings, the Court has not issued any order of payment. The proceedings are carried out after all the Defendants have responded to the lawsuit. The next trial has been scheduled for December 2015.

The biggest pending court proceeding concerning claims:

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 questioned the claims made by the Petitioner both in terms of their amount and legitimacy. In addition, the Defendant filed a motion to dismiss the action and award the Defendant costs of the proceedings, including the cost of legal representation, according to the list of costs submitted during the proceedings. The Defendant filed a claim that the contractual fee charged by the Petitioner was too high in case the said motion for the dismissal was rejected.

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

On 10 February 2015, the Company received a copy of an application for conciliation proceedings (the "Application") filed by PKP Polskie Linie Kolejowe S.A. of Warsaw ("PKP PLK") and information about the Court hearing scheduled for 17 March 2015. In their Application, PKP PLK asked 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. (Partner); and
- 5) Kolejowe Zakłady Automatyki Katowice S.A. (Partner);

(hereinafter jointly referred to as the "Participants" or the "Contractor") to take part in the conciliation proceedings concerning the Defendant's payment, on a joint and several basis, of PLN 27,963,053.62 plus statutory interest (the "Claim") to PKP PLK for the Defendant's delay in the completion of the construction works concerning the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding. Phase 3: construction works 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" (the "Contract"). The Court hearing was held on 17 March 2015 but no agreement was reached between PKP PLK and the consortium. The Company believed it had properly performed its services and a part of the Claim of PKP PLK attributable to the Company was groundless.

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 6,417,154.80 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 6,417,154.80 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.

On 16 September 2014, the Petitioner expanded the lawsuit by adding PLN 11,156,300.26 to satisfy their claims concerning the additional payment according to the contract with statutory interest and include the payment for additional works with statutory interest, refund of financial expenses in connection with the Defendant's refraining

from issuing the Interim Payment Certificates no. 15 and 16 and the refund of legal fees. ZUE S.A.'s share in the expanded lawsuit was PLN 1,561,903.76.

A partial judgment was passed on 20 February 2015. The Arbitration Court decided that the Defendant, the City of Poznań – the Municipal Transport Authority had no claim for the payment of the contractual penalty of PLN 6,417,153 against the Petitioners; i.e. Bilfinger Infrastructure S.A., ZUE S.A. and Przedsiębiorstwo Budowy Kopalń PEBEKA S.A.

On 22 May 2015, the Petitioner expanded the suit for interest of PLN 1,467,605 (PLN 30,582.37 attributable to ZUE).

Case concerning the following project: *“Design and construction works as part of the following project: <<Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie - Dąbrowa Górnicza Ząbkowice - Jaworzno Szczakowa section>>”*

On 1 June 2015, ZUE S.A. of Cracow (Petitioner) sued PKP Polskie Linie Kolejowe S.A. of Warsaw (Defendant) for PLN 4,444,883.05 plus statutory interest and the costs of proceedings for the performance of additional works commissioned by the Contract Engineer (the Defendant's representative). The said works involved the replacement of the track structure, incorporating a subgrade protective layer, installation of geotextile and the filtration layer and installation of a deep drainage system at the section 288,850 – 291,609 km; i.e. the additional section of 2,009 km, in connection with the following Contract: “Design and construction works as part of the following Project: <<Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie - Dąbrowa Górnicza Ząbkowice - Jaworzno Szczakowa section>>.”

The Petitioner was obliged to perform the abovementioned works on the basis of the Contract Engineer's Order no. 17 although they went beyond the scope specified in the Functional Plan. According to the Plan, the Petitioner was obliged to perform the said works at the section 0.750 km and the location thereof had to be specified on the basis of geotechnical research. The purpose of the research was to identify the most “doubtful” land, which required the reinforcement of track substructure.

Before the lawsuit, the Defendant said that a risk of any works aimed at meeting specified parameters was borne by the Petitioner and that indicating the scope of works at 0,750 km in the Functional Plan was an obvious editorial mistake.

The Petitioner could not agree with the Defendant because a risk of incorrect description of an order was borne by the Defendant and the correction of an obvious mistake could not change the order understood as the Defendant's statement of will. The decision to impose on the Petitioner the obligation to perform any works goes beyond the risk included in the lump-sum remuneration. Therefore, the Petitioner demands the payment for the additional works commissioned by the Contract Engineer.

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 its 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 30-06-2015	As at 31-12-2014
Bonds and guarantees	219,291,401.51	196,926,463.38
Sureties	450,000.00	2,100,444.01
Bills of exchange	127,253,700.05	126,864,850.23
Mortgages	53,747,550.00	54,347,550.00
Pledges	14,817,381.60	0.00
Total	415,560,033.16	380,239,307.62

Contingent liabilities resulting from guarantees and sureties include, in particular, bid bonds, performance bonds and defects liability bonds 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.

In June 2015, a pledge to the benefit of BGŻ BNP PARIBAS S.A. was entered into the register of pledges to secure the revolving credit facility agreement no. WAR/2001/14/66/CB of 19 November 2014, as amended.

Bills of exchange and mortgages mainly secure credit facility and lease agreements as well as bonds and guarantees.

23.2. Contingent assets

	As at 30-06-2015	(PLN) As at 31-12-2014
Bonds and guarantees	41,406,244.64	38,902,011.04
Bills of exchange	2,682,016.46	3,734,560.03
Sureties	0.00	0.00
Mortgages	0.00	0.00
Total	44,088,261.10	42,636,571.07

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



ZUE S.A.

**CONDENSED SEPARATE HALF-YEARLY REPORT
FOR 6 MONTHS ENDED 30 JUNE 2015**

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

Cracow, 24 August 2015

IV. SELECTED FINANCIAL DATA OF ZUE S.A.

Rules adopted to translate selected financial data into EUR:

Items	Exchange rate	Exchange rate on 30 Jun 2015	Exchange rate on 31 Dec 2014	Exchange rate on 30 Jun 2014
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.1944	4.2623	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	4.1341	n/a	4.1784
"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	4.1944	4.2623	4.1609

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

	As at 30-06-2015		As at 31-12-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	129,762	30,937	130,999	30,734
Current assets	267,255	63,717	271,177	63,622
Total assets	397,017	94,654	402,176	94,356
Equity	204,716	48,807	202,963	47,618
Non-current liabilities	20,407	4,865	23,169	5,435
Current liabilities	171,894	40,982	176,044	41,303
Total equity and liabilities	397,017	94,654	402,176	94,356

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

	6 months ended 30-06-2015		6 months ended 30-06-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	202,750	49,043	286,267	68,511
Cost of sales	185,770	44,936	277,516	66,417
Gross profit (loss) on sales	16,980	4,107	8,750	2,094
Profit (loss) on operating activities	8,553	2,069	10	2
Gross profit (loss)	5,590	1,352	168	40
Net profit (loss) on continuing operations	4,267	1,032	127	31
Total comprehensive income	4,394	1,063	167	40

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

	6 months ended 30-06-2015		6 months ended 30-06-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-42,740	-10,338	25,145	6,018
Cash flows from investing activities	-7,322	-1,771	-4,693	-1,123
Cash flows from financing activities	-4,926	-1,192	-35,793	-8,566
Total net cash flows	-54,988	-13,301	-15,341	-3,671
Cash at the beginning of the period	71,116	16,685	49,645	11,971
Cash at the end of the period	16,134	3,847	34,306	8,245

V. CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS OF ZUE S.A.

Separate statement of comprehensive income

	(PLN)	
	Period ended 30-06-2015	Period ended 30-06-2014
Revenue	202,750,472.92	286,267,754.78
Cost of sales	185,770,636.82	277,516,408.97
Gross profit (loss) on sales	16,979,836.10	8,751,345.81
General and administrative expenses	8,892,656.95	8,266,179.26
Other operating income	3,711,379.36	2,077,394.11
Other operating expenses	3,245,093.51	2,552,296.22
Operating profit (loss)	8,553,465.00	10,264.44
Financial income	442,411.87	897,255.70
Financial expenses	3,405,407.29	739,064.14
Pre-tax profit (loss)	5,590,469.58	168,456.00
Corporate income tax	1,323,494.44	40,981.00
Net profit (loss) on continued operations	4,266,975.14	127,475.00
Net profit (loss)	4,266,975.14	127,475.00
Other net comprehensive income		
Items that will not be reclassified subsequently to profit or loss:	127,372.52	39,123.11
Remeasurement of liabilities under employee benefits	127,372.52	39,123.11
Other total net comprehensive income	127,372.52	39,123.11
Total comprehensive income	4,394,347.66	166,598.11
Weighted average number of shares	23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)	0.19	0.01
Total comprehensive income (loss) per share (PLN)	0.19	0.01

Separate statement of financial position

	As at 30-06-2015	(PLN) As at 31-12-2014
ASSETS		
Non-current assets		
Property, plant and equipment	67,728,278.32	68,546,838.87
Investment property	7,740,493.90	7,822,850.34
Intangible assets	10,624,608.83	10,968,515.75
Goodwill	31,171,913.65	31,171,913.65
Investments in subsidiaries	238,585.50	2,942,271.06
Advance payments for investments in subsidiaries	0.00	0.00
Long-term receivables	0.00	0.00
Retentions on construction contracts	4,042,084.42	2,878,799.59
Deferred tax assets	8,216,415.00	6,659,431.00
Other assets	0.00	7,981.60
Total non-current assets	129,762,379.62	130,998,601.86
Current assets		
Inventories	37,904,131.07	17,920,760.21
Trade and other receivables	208,985,967.44	176,478,349.72
Retentions on construction contracts	171,161.00	844,047.06
Current tax assets	28,202.87	1,907,521.00
Other financial receivables	0.00	0.00
Other assets	1,136,147.45	1,771,723.90
Loans advanced	2,894,856.53	1,138,555.73
Cash and cash equivalents	16,134,006.33	71,116,102.58
Total current assets	267,254,472.69	271,177,060.20
Total assets	397,016,852.31	402,175,662.06

	As at 30-06-2015	As at 31-12-2014
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
Treasury shares	-2,641,598.25	0.00
Retained earnings	107,763,235.41	103,368,887.75
Total equity	204,715,823.20	202,963,073.79
Non-current liabilities		
Long-term bank borrowings and other debt instruments and other financing sources	3,594,713.87	5,223,987.77
Retentions on construction contracts	8,316,781.94	8,768,069.50
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	667,100.39	765,808.21
Deferred tax liabilities	0.00	0.00
Long-term provisions	7,828,893.83	8,410,094.87
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total non-current liabilities	20,407,490.03	23,167,960.35
Current liabilities		
Trade and other payables	121,314,019.87	130,020,755.10
Retentions on construction contracts	14,649,843.43	18,121,876.48
Short-term bank borrowings and other debt instruments and other financing sources	6,502,054.50	9,213,948.27
Other financial liabilities	42,431.70	2,791.69
Liabilities under employee benefits	18,967,829.07	13,049,852.41
Current tax liabilities	2,786,586.00	0.00
Short-term provisions	7,630,774.51	5,635,403.97
Total current liabilities	171,893,539.08	176,044,627.92
Total liabilities	192,301,029.11	199,212,588.27
Total equity and liabilities	397,016,852.31	402,175,662.06

Separate statement of changes in equity

(PLN)

	Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at 1 Jan 2015	5,757,520.75	93,836,665.29	0.00	103,368,887.75	202,963,073.79
Payment of dividend	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00
Repurchase of shares	0.00	0.00	-2,641,598.25	0.00	-2,641,598.25
Profit (loss) for the year	0.00	0.00	0.00	4,266,975.14	4,266,975.14
Other net comprehensive income	0.00	0.00	0.00	127,372.52	127,372.52
Balance at 30 Jun 2015	5,757,520.75	93,836,665.29	-2,641,598.25	107,763,235.41	204,715,823.20

	Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at 1 Jan 2014	5,757,520.75	93,836,665.29	0.00	92,840,726.72	192,434,912.76
Payment of dividend	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	0.00	127,475.00	127,475.00
Other net comprehensive income	0.00	0.00	0.00	39,123.11	39,123.11
Balance at 30 Jun 2014	5,757,520.75	93,836,665.29	0.00	93,007,324.83	192,601,510.87

Separate statement of cash flows

	(PLN)	
	Period ended 30-06-2015	Period ended 30-06-2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	5,590,469.58	168,456.00
Adjustments:		
Depreciation and amortisation	4,343,660.49	3,962,208.95
Foreign exchange gains / (losses)	-5,987.91	-1,833.69
Interest and share in profit (dividends)	2,763,968.68	-119,869.22
(Gain) / loss on disposal of investments	119,855.28	221,813.34
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
Operating profit before changes in working capital	12,916,028.62	4,334,837.88
Change in receivables and retentions on construction contracts	-32,998,016.49	-29,777,688.77
Change in inventories	-19,983,370.86	-13,409,044.30
Change in provisions and liabilities under employee benefits	7,233,438.33	3,770,352.03
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	-12,791,449.79	68,736,049.38
Change in accrued expenses	642,426.44	-2,368,874.44
Change in funds of limited availability	0.00	0.00
Other adjustments	240,000.00	0.00
Income tax paid / (refunded)	2,001,413.44	-6,140,395.00
NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES	-42,739,530.31	25,145,236.78
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	407,139.40	37,191.58
Purchase of property, plant and equipment and intangible assets	-3,538,627.03	-3,511,783.77
Investments in real property and intangible assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	3,425.00	0.00
Sale / (purchase) of financial assets from non-controlling shareholders	-210,000.00	-1,726,387.68
Purchase of financial assets available for sale	-2,641,598.25	0.00
Loans advanced	-1,725,250.00	-10,000.00
Dividends received	0.00	0.00
Interest received	382,902.09	518,117.56
Settlement of financial instruments – expenses	0.00	0.00
Other cash provided by / (used in) investing activities	0.00	0.00
NET CASH FROM INVESTING ACTIVITIES	-7,322,008.79	-4,692,862.31
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings and other debt instruments received	0.00	2,749,732.23
Repayment of borrowings and other debt instruments	-2,555,555.54	-35,455,801.94
Decrease in finance lease liabilities	-2,136,023.49	-2,673,410.79
Interest paid	-233,121.09	-398,248.34
Other cash provided by / (used in) financing activities – dividends	-1,844.94	-15,559.01
Net cash provided by issue of shares	0.00	0.00

NET CASH FLOWS FROM FINANCING ACTIVITIES	-4,926,545.06	-35,793,287.85
TOTAL NET CASH FLOWS	-54,988,084.16	-15,340,913.38
Net foreign exchange gains / (losses)	5,987.91	1,474.13
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	71,116,102.58	49,645,210.98
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,134,006.33	34,305,771.73

VI. NOTES TO CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS OF ZUE S.A.

1. Information about the Company

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.

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

Management Board:

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

Supervisory Board:

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

Mr. Arkadiusz Wierciński resigned from the position of Member of the Management Board of ZUE on 31 July 2015. The composition of the Management Board remains unchanged because his duties will be taken over by the remaining members of the Company's Management Board (Current report 78/2015).

2. Statements of the Management Board of ZUE

2.1. Reliability of the condensed separate half-yearly financial statements

On the basis of the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent, the Management Board of ZUE state, according to their best knowledge, that these condensed separate half-yearly financial statements and the comparable data have been prepared according to the accounting principles binding on the Company, give a true and fair view of the Company's financial and economic situation and profit or loss.

2.2. Entity authorised to review the condensed separate half-yearly financial statements

The Management Board of ZUE state that the entity authorised to audit the financial statements responsible for the review of the condensed separate half-yearly financial statements has been appointed according to the law and that the said entity and chartered auditors have met the requirements to make an unbiased and independent opinion on review of the audited condensed separate half-yearly financial statements in accordance with applicable laws and professional standards.

2.3. Non-submission of separate condensed separate half-yearly financial statements

Pursuant to § 83.3 of the Ordinance of the Minister of Finance of 19 February 2009, ZUE do not submit any separate half-yearly separate report. The condensed separate half-yearly financial statements of ZUE and Auditor's Report on the review of the financial statements supplement the consolidated half-yearly report of the Group.

3. Use of International Financial Reporting Standards

3.1. Statement of compliance

The separate half-yearly financial statements of ZUE cover the six months ended 30 June 2015 and the comparable data for the six months ended 30 June 2014.

The financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 June 2015 as approved by the European Union.

These separate 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.

The condensed separate financial statements for the first six months ended 30 June 2015 have been prepared according to the requirements binding on public companies.

The condensed separate 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.

The condensed financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future. No going concern risks exist at 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 2015:

- **Amendments to various standards "Improvements to IFRSs (2011-2013 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) aimed mainly at the resolution of inconsistencies

and specification of vocabulary, approved of in the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);

- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 "Public Fees"** approved of in the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

According to the Management Board of ZUE, the abovementioned standards, amendments to the standards and interpretations do not have any significant impact on the financial statements of ZUE.

3.3. Amendments to the standards published but not yet effective

When approving these financial statements, the Company did not apply the following standards, interpretations or amendments to the standards, which had been published and approved of by the EU but had not yet come into force:

- **Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 19 "Employee Benefits"** – Specific benefit programmes: employee benefits, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

3.4 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 24 August 2015:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards "Improvements to IFRSs (2012-2014 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 5, IFRS 7, IAS 19 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (effective for annual periods beginning on or after 1 January 2016).

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

The estimated impact of these amendments on future separate financial statements of the Company is being analysed.

4. Important accounting principles used in the separate financial statements for the period 1 January 2015 – 30 June 2015

4.1. Preparation basis

The condensed separate half-yearly financial statements have been prepared according to the same accounting principles and measurement methods as those used in the annual financial statements of ZUE and the annual consolidated financial statements of the Group as at 31 December 2014.

The financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future. No going concern risks exist at this report preparation date.

4.2. Comparability of data

After 31 December 2015, the Company changed the accounting policy regarding the presentation of deferred tax in the financial statements. Until 31 December 2014, deferred tax was presented by the Company separately as asset and liability. Since 1 January 2015, deferred tax has been presented by the Company according to its net balance (IAS 12).

Given the comparability of data requirement, the table below presents the influence of changes on the financial statements as at 31 December 2014.

(PLN)

	Presentation before the change	Presentation after the change
Deferred tax assets	30,322,003.00	6,659,431.00
Deferred tax liabilities	23,662,572.00	0.00
Balance of assets and liabilities	6,659,431.00	6,659,431.00

4.3. Accounting principles

The condensed separate half-yearly financial statements for the six months ended 30 June 2015 have been prepared according to the same accounting principles and measurement methods as those used in the annual financial statements of ZUE as at 31 December 2014. The financial statements for the financial year ended 31 December 2014 contain a detailed description of the accounting principles used by the Company.

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

5. Revisions to estimates

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

Change in provisions

Provisions	(PLN)				30-06-2015
	01-01-2015	Created	Utilised	Released	
Long-term provisions:	9,175,903.08	333,962.60	33,853.94	980,017.52	8,495,994.22
Provisions for retirement gratuities	765,808.21	0.00	0.00	98,707.82	667,100.39
Provisions for warranty claims	8,410,094.87	333,962.60	33,853.94	881,309.70	7,828,893.83
Other provisions	0.00	0.00	0.00	0.00	0.00
Short-term provisions:	12,939,985.53	15,043,192.05	5,393,587.87	2,114,720.29	20,474,869.42
Provisions for employee benefits	7,304,581.56	11,446,766.73	5,208,441.05	698,812.33	12,844,094.91
Provisions for warranty claims	3,037,026.75	1,806,234.72	185,146.82	278,979.85	4,379,134.80
Provision for loss on contracts	1,031,309.22	1,790,190.60	0.00	1,136,928.11	1,684,571.71
Other provisions	1,567,068.00	0.00	0.00	0.00	1,567,068.00
Total provisions:	22,115,888.61	15,377,154.65	5,427,441.81	3,094,737.81	28,970,863.64

Provision for warranty claims 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.

Provisions for employee benefits include the provisions for leaves, bonuses, overtime as well as liabilities under pays and social security premiums. The increase in provisions for employee benefits in the reporting period is a result of provisions for incentive bonuses.

Deferred tax assets and liabilities

Provisions	(PLN)			
	01-01-2015	Created	Utilised	30-06-2015
Deferred tax assets	30,322,003.00	1,636,072.00	0.00	31,958,075.00
Deferred tax liabilities	23,662,572.00	79,088.00	0.00	23,741,660.00
Balance of assets and liabilities	6,659,431.00			8,216,415.00

Since 1 January 2015, deferred tax assets and liabilities have been presented by the Company according to their net balance (IAS 12).

6. Trade and other receivables

	As at 30-06-2015	(PLN) As at 31-12-2014
Trade receivables	152,478,647.54	117,612,437.46
Trade receivables write-downs	-16,872,612.50	-13,129,522.55
Receivables from the state budget other than corporate income tax	0.00	636,817.43
Receivables under contracts (measurement)	70,159,766.45	68,239,121.27
Advance payments	2,825,662.84	2,979,965.72
Other receivables	394,503.11	139,530.39
Total trade and other receivables	208,985,967.44	176,478,349.72

Ageing analysis of trade receivables

	As at 30-06-2015	(PLN) As at 31-12-2014
Not past due receivables	128,906,668.45	76,617,039.08
Receivables that are past due but not impaired	6,699,366.59	27,865,875.83
1-30 days	3,079,822.35	26,105,898.89
31-60 days	97,413.89	227,725.00
61-90 days	2,918,142.94	379,145.86
91-180 days	50,996.09	677,121.78
181-360 days	64,589.18	83,458.22
360 + days	488,402.14	392,526.08
Past due receivables on which write-downs were recognized	16,872,612.50	13,129,522.55
1-30 days	1,098,530.08	514,954.59
31-60 days	97,551.02	12,893.31
61-90 days	571,834.91	45,585.72
91-180 days	1,375,928.57	138,295.22
181-360 days	2,574,613.06	1,967,706.76
360 + days	11,154,154.86	10,450,086.95
Total trade receivables (gross)	152,478,647.54	117,612,437.46
Write-downs on trade receivables	-16,872,612.50	-13,129,522.55
Total trade receivables (net)	135,606,035.04	104,482,914.91

Concentration of gross receivables that exceed 10% of total receivables:

	(PLN) As at 30-06-2015
Counterparty A	55,729,704.13
	55,729,704.13

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated and by cooperation with financial institutions. Therefore, the Management Board of ZUE believe there is no need to create additional allowances.

7. Trade and other payables

	(PLN) As at 30-06-2015	As at 31-12-2014
Trade payables	40,252,003.40	62,912,635.40
Liabilities to the state budget other than corporate income tax	10,193,705.09	892,766.50
Accruals	57,915,017.48	40,761,286.64
Liabilities under contracts (measurement)	12,815,375.76	25,305,612.48
Other payables	137,918.14	148,454.08
Total trade and other payables	121,314,019.87	130,020,755.10

Accruals include, in particular, provisions for the costs of subcontractors and provisions for claims under contracts.

Ageing analysis of trade payables

	(PLN) As at 30-06-2015	As at 31-12-2014
Not past due payables	38,077,327.44	60,698,471.42
Past due payables	2,174,675.96	2,214,163.98
1-30 days	1,277,569.49	1,958,563.49
31-60 days	158,410.33	13,701.21
61-90 days	494,058.86	18,450.00
91-180 days	138,702.23	116,633.25
181-360 days	2,445.86	47,203.20
360 + days	103,489.19	59,612.83
Total trade payables	40,252,003.40	62,912,635.40

8. Notes on seasonal and cyclical nature of the Company's operations

The entire construction and assembly industry is marked by the seasonality of production and sales. The seasonal and cyclical nature of the Group's operations has been described in detail in section 14 of the consolidated 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 first half of 2015 or the first half of 2014.

10. Information on issue and redemption of debt and equity securities

A detailed description is contained in section 15 concerning the Capital Group.

11. Information on dividend

On 11 May 2015, the Management Board of ZUE resolved to submit a proposal to the Company's Ordinary General Meeting in which they recommended to allocate the entire net profit for the financial year 2014 to reserve funds.

On 18 June 2015, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit earned by the Company in 2014 to reserve funds.

12. Investments in non-current assets

By this report publication date, the Company made a number of investments in non-current assets of the total value of PLN 7.7m (the total value of PLN 3.8m in the first half of 2015).

The assets purchased by the Company include:

- Breakstone moulding machine;
- Hand car;
- Cars; and
- Complete overhauls of dump 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 the Company's financial results for the first half of 2015

Revenue from construction and assembly services are strongly connected with the seasonal nature of the construction industry. The best sales results are usually reported in the second and third quarter of a year.

In the six months ended 30 June 2015, revenue generated by the Company was PLN 202,750 thousand – down by 29.2% compared to the figure recorded in the first half of 2014.

A decrease in revenue was a result of the accumulation of expiring contracts; i.e. the contracts at the stage of settlements and acceptance and the contracts whose schedule provided for the works of lower value. The decrease was also a result of a smaller number of contracts performed on the rail infrastructure market related to the final settlements of contracts from the previous EU's financial perspective and the expectation of new contracts from the 2014-2020 programme.

Gross profit was PLN 16,980 thousand – up by PLN 8,228 thousand compared to the analogous period of 2014. Gross margin in the first half of 2015 was 8.4% while in the first half of 2014, it stood at 3.1%. This is a result of the Management Board's consistent policy aimed at the reduction of risks related to the performance of contracts and improvement of profitability through cost optimization and incentive system.

General and administrative expenses in the first half of 2015 amounted to PLN 8,893 thousand while in the first half of 2014, they stood at PLN 8,266 thousand.

An increase in other operating income was particularly influenced by the favourable outcome of court proceedings of PLN 3,281 thousand. Other operating expenses mainly included the provisions for doubtful debt of PLN 2,555 thousand.

The Company recorded a profit on operating activities of PLN 8,553 thousand – up by PLN 8,543 thousand compared to the analogous period of 2014.

Financial expenses in the period under analysis stood at PLN 3,405 thousand while in the first half of 2014, they amounted to PLN 739 thousand. The increase in financial expenses was influenced by the costs of the shares write-down in the total amount of PLN 2,914 thousand.

The Company did not use working capital credit facilities in the reporting period.

The Company ended the first half of 2015 with the net profit of PLN 4,267 thousand – up by PLN 4,140 thousand compared to the net profit for the first half of 2014.

The Company's total assets and liabilities at 30 June 2015 stood at PLN 397,017 thousand and decreased by PLN 5,159 thousand compared to the figure reported at the end of 2014.

Compared to 31 December 2014, total non-current assets decreased by PLN 1,236 thousand to PLN 129,762 thousand. A change in non-current assets was mainly caused by the write-down of shares in Investments in subsidiaries and an increase in retentions on construction contracts.

Current assets decreased by PLN 3,923 thousand in the period under analysis and stood at PLN 267,254 thousand. The change was a result of decrease in cash and cash equivalents of PLN 54,982 thousand, increase in receivables of PLN 32,508 thousand and increase in inventories of PLN 19,983 thousand. Cash and cash equivalents decreased as a result of partial repayment of investment credit facility and greater use of own funds to finance the contracts. Receivables increased after the *Franowo* Depot contract had been finally settled and an invoice for 20% of the contract value had been issued. Receivables under contracts (measurement) also increased in connection with the performance of the *Szczecin Pogodno* tram depot contract. According to the contract, an invoice was issued after final acceptance. Inventories increased after a significant amount of materials had been purchased from ThyssenKrupp GfT Polska Sp. z o.o.

Compared to the end of 2014, total liabilities at 30 June 2015 decreased by PLN 6,912 thousand and stood at PLN 192,301 thousand. Liabilities increased over the figure reported at the end of 2014 following the creation of provisions for employee benefits and provisions for risks connected with the settlement of the *Franowo* Depot contract.

The Company created a provision for future liabilities in connection with a dispute with a Consortium Member (Elektrobudowa SA) and the Consortium Member's failure to issue an invoice to ZUE. According to the acceptance protocol signed on 10 June 2015, ZUE (the Consortium Leader) issued an invoice to MPK (the Contracting Authority) for all the services provided by the Partners.

On 7 August 2015, the amount payable to ZUE was transferred to the Leader's bank account. The amount payable to the Partner was transferred by the Contracting Authority to the court deposit. The collection by ZUE of the amount kept in the deposit was made conditional by Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o. (MPK) upon the submission of the following documents:

- Administrative order against MPK including the amounts receivable in connection with the performance of construction works by ZUE or Elektrobudowa SA; or
- Final and enforceable judgment according to which the termination of the consortium contract by Elektrobudowa SA and revocation of the power of attorney were ineffective.

In addition, according to the letter of MKP, Elektrobudowa SA failed to settle its liabilities to subcontractors as a result of which the amount payable to Elektrobudowa SA could not be paid and had to be transferred to the deposit.

As regards the amount payable to Elektrobudowa SA, ZUE has a financial claim in connection with the company's failure to cover shared costs, general contracting costs and additional costs incurred by ZUE in connection with the company's failure to perform its tasks properly.

Elektrobudowa SA issued the invoices for the construction works performed by the company directly to the Contracting Authority. However, this was in breach of the consortium contract.

According to the public procurement contract and the consortium contract, ZUE was the entity authorised to issue invoices for the Contractor (i.e. the Consortium of ZUE and Elektrobudowa SA). MPK returned the invoices issued by Elektrobudowa SA without posting them. MKP decided the documents had been groundlessly issued in breach of the terms of final settlement set out in the public procurement contract. The Contracting Authority noted it was obliged to pay ZUE directly on the basis of an invoice issued by the Company. The performance of the said obligation in any way other than specified in the contract would be in breach thereof and of the law.

The Company created provisions for any risks connected with the final settlement of the contract and recognised them in these financial statements.

Equity increased by PLN 1,752 thousand after the Company had generated comprehensive income for 1H 2015 of PLN 4,394 thousand and repurchased shares of PLN 2,642 thousand.

15. Transactions with related entities

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

	(PLN)			
	Receivables		Payables	
	As at		As at	
	30-06-2015	31-12-2014	30-06-2015	31-12-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	14,942,574.10	0.00	613,177.44	0.00
BIUP	0.00	749,413.50	0.00	831,529.20
BPK Poznań	0.00	29,947.86	0.00	0.00
BPK Poznań (after merger)	903,014.04	0.00	492,779.82	0.00
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	1,230.00	1,230.00	0.00	0.00
RTI Germany	83,888.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	15,930,706.14	780,591.36	1,105,957.26	831,529.20
	Revenue		Purchases	
	Period ended		Period ended	
	30-06-2015	30-06-2014	30-06-2015	30-06-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	14,409,299.43	0.00	2,984,658.70	0.00
BIUP	113,502.98	150,845.99	1,255.03	1,592,249.26
BPK Poznań	0.00	1,494.87	596,158.83	1,364,971.18
BPK Poznań (after merger)	4,564.01	0.00	0.00	0.00
BPK Gdańsk	n/a	0.00	n/a	15,861.78
RTI	6,000.00	6,000.00	0.00	0.00
RTI Germany	0.00	0.00	403,117.48	365,065.49
Wiesław Nowak	0.00	0.00	0.00	48,000.00
Total	14,533,366.42	158,340.86	3,985,190.04	3,386,147.71
	Advanced loans		Financial income (interest on loans)	
	As at		As at	
	30-06-2015	31-12-2014	30-06-2015	30-06-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	0.00	0.00	0.00	0.00
BIUP	0.00	100,851.01	537.29	18,484.85
BPK Poznań	0.00	903,103.40	0.00	6,251.09
BPK Poznań (after merger)	2,750,567.49	0.00	32,214.09	0.00
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	144,289.04	134,601.32	0.00	1,233.87
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	2,894,856.53	1,138,555.73	32,751.38	25,969.81
	Received loans		Financial expenses (interest on loans)	
	As at		As at	
	30-06-2015	31-12-2014	30-06-2015	30-06-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	0.00	0.00	0.00	0.00
BIUP	0.00	0.00	0.00	0.00

BPK Poznań	0.00	0.00	0.00	0.00
BPK Poznań (after merger)	0.00	0.00	0.00	0.00
BPK Gdańsk	n/a	0.00	n/a	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
Total	0.00	0.00	0.00	0.00

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

In the reporting period, a write-down on doubtful debt of PLN 893 thousand (BPK Poznań) was recognised (the figure was not disclosed in the table above).

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

- Sale of materials used in connection with the construction and repairs of tracks;
- Sale of design services;
- Lease of rooms and phone services;
- Vehicle diagnostics and repairs;
- Fees for language courses for employees.

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

- Purchase of materials used in connection with the construction and repairs of tracks;
- Design services;
- Market research services;
- Printing services.

On 29 January 2015, ZUE and BPK Poznań signed the annex no. 1 to the loan agreement of 1 December 2014 whereby the repayment date was extended until 20 December 2015.

Under the agreement of 12 March 2015, a loan of PLN 1000 thousand was granted by ZUE to BPK Poznań, a subsidiary. Repayment date: 31 December 2015. Annual interest rate: 3M WIBOR + margin.

On 17 April 2015, ZUE and BPK Poznań entered into the loan agreement whereby BPK Poznań was granted a special-purpose loan of PLN 140 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 31 December 2015. The loan was secured with a blank bill of exchange.

On 14 May 2015, ZUE and BPK Poznań entered into the loan agreement whereby BPK Poznań was granted a special-purpose loan of PLN 675 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 31 December 2015. The loan was secured with a blank bill of exchange.

On 27 May 2015, ZUE and RTI entered into the loan agreement whereby RTI was granted a loan of PLN 10 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 20 December 2015.

In the reporting period, RTI Germany provided market research services for future projects to ZUE. On 29 June 2015, ZUE made an advance payment on the abovementioned services of EUR 20,000. The advance payment was recognized in receivables.

Important guarantee agreements concerning Railway gft:

On 26 March 2015, ZUE signed the agreement for the guarantee of payment of liabilities of Railway gft up to the total of PLN 10.8m.

On 6 May 2015, ZUE signed the agreement for the guarantee of payment of liabilities of Railway gft up to the total of PLN 5m.

On 19 June 2015, ZUE signed the agreement for the guarantee of payment of liabilities of Railway gft up to the total of EUR 500 thousand.

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

At 24 August 2015, the Company was a party to the pending court proceedings concerning the Company's claims and liabilities of the total value of PLN 44,665,526.87; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning liabilities was PLN 10,044,471.42 and the total value of the proceedings concerning claims was PLN 34,621,055.45.

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

17. Off-balance sheet items

17.1 Contingent liabilities

	As at 30-06-2015	(PLN) As at 31-12-2014
Bonds and guarantees	217,121,744.71	196,926,463.38
Sureties	1,749,062.59	2,100,444.01
Bills of exchange	125,860,700.05	126,864,850.23
Mortgages	51,017,550.00	51,017,550.00
Pledges	14,817,381.60	0.00
Total	410,566,438.95	376,909,307.62

Contingent liabilities resulting from guarantees include, in particular, bid bonds, performance bonds and defects liability bonds 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.

Contingent liabilities are also the guarantees of payment of liabilities of Railway gft Polska (subsidiary) provided by ZUE.

In June 2015, a pledge to the benefit of BGŻ BNP PARIBAS S.A. was entered into the register of pledges to secure the revolving credit facility agreement no. WAR/2001/14/66/CB of 19 November 2014, as amended.

Bills of exchange and mortgages mainly secure credit facility and lease agreements as well as bonds and guarantees.

17.2 Contingent assets

	As at 30-06-2015	(PLN) As at 31-12-2014
Bonds and guarantees	40,507,059.89	38,902,011.04
Bills of exchange	3,773,564.36	3,734,560.03
Sureties	0.00	0.00
Mortgages	1,000,000.00	0.00
Total	45,280,624.25	42,636,571.07

Contingent assets resulting from guarantees and sureties are bonds and guarantees provided by banks and insurance companies to ZUE's counterparties to secure their liabilities to the Company.

The loan agreement no. 1/2015 concluded on 12 March 2015 in Cracow between ZUE (Lender) and Biuro Projektów Komunikacyjnych w Poznaniu (Borrower) is secured with mortgage.

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant

The financial statements have been presented by the
Management Board:

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

Cracow, 24 August 2015