

# **ZUE Capital Group**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**Cracow, 14 March 2013**

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Abbreviations and definitions:

ZUE, Company	<p>ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,500,000 paid up in full.</p> <p>Parent company of the ZUE Capital Group.</p>
PRK	<p>Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000150723, share capital of PLN 9,500,000 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
BIUP	<p>Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 19,400 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
RTI	<p>Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
RTI Germany	<p>Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full.</p> <p>Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.</p>
BPK	<p>Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 747,500 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
ZUE Group, Capital Group, Group	<p>ZUE Capital Group comprising: ZUE S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Railway Technology International Germany GmbH.</p>
PLN	<p>Polish złoty.</p>
EUR	<p>Euro.</p>
Ksh	<p>Polish Companies Act (Dz.U. 2000, no. 94, item 1037, as amended).</p>

## I. SELECTED FINANCIAL DATA OF ZUE CAPITAL GROUP

### Rules adopted to translate selected financial data into EUR:

Items	Exchange rate	Exchange rate on 31 Dec 2012	Exchange rate on 31 Dec 2011	Exchange rate on 31 Dec 2010
Balance sheet items	Mid exchange rate at the balance sheet date	4.0882	4.4168	n/a
Profit and loss account and cash flow statement items	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each ended month of the period	4.1736	4.1401	n/a
"Cash at beginning of period" and "Cash at end of period" items in cash flow statement	Mid exchange rate at the balance sheet date	4.0882	4.4168	3.9603

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

	As at 31.12.2012		As at 31.12.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Fixed assets	180,758	44,215	136,744	30,960
Current assets	288,514	70,572	289,728	65,597
<b>Total assets</b>	<b>469,272</b>	<b>114,787</b>	<b>426,472</b>	<b>96,557</b>
Shareholders' equity	188,847	46,193	185,353	41,965
Long-term liabilities	62,257	15,228	43,557	9,862
Short-term liabilities	218,168	53,366	197,562	44,730
<b>Total equity and liabilities</b>	<b>469,272</b>	<b>114,787</b>	<b>426,472</b>	<b>96,557</b>

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

	Period ended 31.12.2012		Period ended 31.12.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	518,140	124,147	525,341	126,891
Cost of sales	495,932	118,826	480,505	116,061
Gross profit (loss) on sales	22,208	5,321	44,836	10,830
Profit (loss) on operating activities	3,869	927	28,696	6,931
Gross profit (loss)	4,624	1,108	27,325	6,600
Net profit (loss) on continued activities	3,426	821	21,665	5,233

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

	Period ended 31.12.2012		Period ended 31.12.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	12,828	3,074	21,866	5,281
Cash flows from investing activities	2,816	675	-7,852	-1,896
Cash flows from financing activities	5,712	1,369	-19,296	-4,661
<b>Total net cash flows</b>	<b>21,356</b>	<b>5,118</b>	<b>-5,282</b>	<b>-1,276</b>
Cash at beginning of period	48,392	10,956	53,675	13,553
Cash at end of period	69,761	17,064	48,392	10,956

## II. ZUE CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated statement of comprehensive income

(PLN)

Item	Note no.	Period ended 31/12/2012	Period ended 31/12/2011
Sales revenue	5	518,139,562.15	525,340,962.82
Cost of sales	7	495,932,130.52	480,504,801.44
<b>Gross profit (loss) on sales</b>		<b>22,207,431.63</b>	<b>44,836,161.38</b>
General and administrative expenses	7	16,584,215.05	18,397,960.52
Other operating income	8	3,950,293.59	3,327,438.94
Other operating expenses	9	5,704,097.80	1,069,512.34
<b>Profit (loss) on operating activities</b>		<b>3,869,412.37</b>	<b>28,696,127.46</b>
Financial income	10	4,994,688.16	2,835,647.17
Financial expenses	11	4,240,333.46	4,206,653.96
<b>Pre-tax profit (loss)</b>		<b>4,623,767.07</b>	<b>27,325,120.67</b>
Corporate income tax	12	1,198,220.18	5,660,252.61
<b>Consolidated net profit (loss)</b>		<b>3,425,546.89</b>	<b>21,664,868.06</b>
<b>Total comprehensive income</b>		<b>3,425,546.89</b>	<b>21,664,868.06</b>
<b>Attributable to:</b>			
Shareholders of the Parent		2,617,383.71	21,264,396.15
Minority shareholders		808,163.18	400,471.91
Net profit (loss) per share (PLN) (basic and diluted)	13	0.12	0.97
Total comprehensive income per share (PLN)		0.12	0.97

**Consolidated statement of financial position**

		(PLN)	
Item	Note no.	As at 31/12/2012	As at 31/12/2011
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible fixed assets	14	66,142,103.59	62,857,989.76
Investment real property	15	9,008,522.80	9,351,484.27
Intangible assets	18	11,381,088.72	10,613,110.51
Goodwill	17	32,646,001.13	31,171,913.65
Investments in non-consolidated subsidiaries	19	28,585.50	0.00
Advance payments for investments in subsidiaries	19	0.00	660,735.18
Long-term receivables	22.2	37,956,720.03	0.00
Retentions on construction contracts	30	1,392,475.42	3,178,705.45
Deferred tax assets	12	21,963,309.53	18,292,856.23
Other assets	20	239,174.22	617,046.86
<b>Total fixed assets</b>		<b>180,757,980.94</b>	<b>136,743,841.91</b>
<b>Current assets</b>			
Inventories	21	20,328,245.18	18,725,816.67
Trade and other receivables	22	190,327,717.89	216,549,266.13
Retentions on construction contracts	30	3,676,826.70	299,483.98
Current tax assets	12	584,961.00	434,029.00
Other assets	20	3,731,618.55	3,083,191.46
Loans advanced	36	103,448.11	43,964.36
Cash and cash equivalents	38	69,760,750.22	48,392,136.44
<b>Current assets</b>		<b>288,513,567.65</b>	<b>287,527,888.04</b>
<b>Assets held for sale</b>	<b>16</b>	<b>0.00</b>	<b>2,200,000.00</b>
<b>Total current assets</b>		<b>288,513,567.65</b>	<b>289,727,888.04</b>
<b>Total assets</b>		<b>469,271,548.59</b>	<b>426,471,729.95</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	5,500,000.00	5,500,000.00
Share premium account	25	85,360,680.68	85,360,680.68
Retained earnings	24	88,824,353.59	85,550,781.44
<b>Equity attributable to shareholders of ZUE</b>		<b>179,685,034.27</b>	<b>176,411,462.12</b>
Equity attributable to non-controlling interests		9,161,874.21	8,941,250.04
<b>Total equity</b>	<b>34</b>	<b>188,846,908.48</b>	<b>185,352,712.16</b>
<b>Long-term liabilities</b>			
Long-term bank borrowings and other debt instruments and other financing sources	26	25,090,420.37	5,271,281.77
Retentions on construction contracts	30	4,464,483.84	4,173,789.16
Other financial liabilities	27	1,750,000.00	0.00
Liabilities under employee benefits	33	2,323,605.01	2,259,087.29
Deferred tax provision	12	23,276,393.08	24,418,723.37
Long-term provisions	28	5,351,853.35	7,434,133.06
Deferred income		0.00	0.00
Other liabilities		0.00	0.00
<b>Total long-term liabilities</b>		<b>62,256,755.65</b>	<b>43,557,014.65</b>
<b>Short-term liabilities</b>			
Trade and other payables	31	152,378,487.60	132,493,771.33
Retentions on construction contracts	30	8,201,466.56	3,715,478.92
Short-term bank borrowings and other debt instruments and other financing sources	26	41,184,811.96	48,514,608.14
Other financial liabilities	27	280,000.00	0.00
Liabilities under employee benefits	33	7,773,058.82	5,692,596.10
Current tax liabilities	12	123,731.00	3,460,174.42
Short-term provisions	28	8,226,328.52	3,685,374.23
<b>Total short-term liabilities</b>		<b>218,167,884.46</b>	<b>197,562,003.14</b>
<b>Total liabilities</b>		<b>280,424,640.11</b>	<b>241,119,017.79</b>
<b>Total equity and liabilities</b>		<b>469,271,548.59</b>	<b>426,471,729.95</b>



Consolidated statement of changes in equity

(PLN)

	Equity attributable to the Group shareholders						Equity attributable to non-controlling interests		Total equity
	Share capital	Share premium account	Retained earnings	Total					
<b>As at 1 Jan 2012 – ZUE Group</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>85,550,781.44</b>	<b>176,411,462.12</b>			<b>8,941,250.04</b>	<b>185,352,712.16</b>	
Increase in equity attributable to non-controlling interests - PRK of Cracow	0.00	0.00	824,681.14	824,681.14			-1,032,131.12	-207,449.97	
Increase in equity attributable to non-controlling interests - BIUP of Cracow	0.00	0.00	0.00	0.00			462,920.66	462,920.66	
Decrease in equity attributable to non-controlling interests - BPK Poznań	0.00	0.00	0.00	0.00			-107,129.26	-107,129.26	
Acquisition of additional interests - BPK Poznań	0.00	0.00	-168,492.70	-168,492.70			88,800.70	-79,692.00	
Dividend paid	0.00	0.00	0.00	0.00			0.00	0.00	
Issue of shares	0.00	0.00	0.00	0.00			0.00	0.00	
Issue costs	0.00	0.00	0.00	0.00			0.00	0.00	
Profit (loss) for the year	0.00	0.00	2,617,383.71	2,617,383.71			808,163.18	3,425,546.89	
<b>As at 31 Dec 2012 – ZUE Group</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>88,824,353.59</b>	<b>179,685,034.27</b>			<b>9,161,874.20</b>	<b>188,846,908.48</b>	
<b>As at 1 Jan 2011 – ZUE Group</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>64,286,385.29</b>	<b>155,147,065.97</b>			<b>8,540,778.13</b>	<b>163,687,844.10</b>	
Increase in equity attributable to non-controlling interests - PRK of Cracow	0.00	0.00	0.00	0.00			0.00	0.00	
Dividend paid	0.00	0.00	0.00	0.00			0.00	0.00	
Issue of shares	0.00	0.00	0.00	0.00			0.00	0.00	
Issue costs	0.00	0.00	0.00	0.00			0.00	0.00	
Profit (loss) for the year	0.00	0.00	21,264,396.15	21,264,396.15			400,471.91	21,664,868.06	
<b>As at 31 Dec 2011 – ZUE Group</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>85,550,781.44</b>	<b>176,411,462.12</b>			<b>8,941,250.04</b>	<b>185,352,712.16</b>	

**Consolidated statement of cash flows**

Item	Period ended 31/12/2012	Period ended 31/12/2011
(PLN)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax	4,623,767.07	27,325,120.67
Adjustments:		
Depreciation and amortisation	7,252,374.02	6,867,207.43
Foreign exchange gains / (losses)	-115,754.12	163,463.05
Interest and share in profit (dividends)	2,370,135.00	1,729,857.82
(Gain) / loss on disposal of investments	246,717.26	-1,362,272.62
Accrued expenses under commission on loans	208,125.00	208,125.00
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
<b>Operating profit before changes in working capital</b>	<b>14,585,364.23</b>	<b>34,931,501.35</b>
Change in receivables and retentions on construction contracts	-3,015,458.11	8,609,060.65
Change in inventories	-1,434,872.69	-13,218,338.55
Change in provisions and liabilities under employee benefits	1,893,715.00	2,441,676.22
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	11,546,344.57	-9,469,475.04
Change in accrued expenses	-63,017.36	302,236.47
Change in amounts payable to customers under construction contracts	0.00	0.00
Change of value of received advance payments	0.00	0.00
Change in funds of limited availability	0.00	0.00
Other adjustments	-25,029.76	0.00
Income tax paid / tax refund	-10,659,216.00	-1,730,815.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>12,827,829.88</b>	<b>21,865,846.10</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of tangible and intangible fixed assets	4,293,769.73	4,028,222.10
Purchase of tangible and intangible fixed assets	-3,777,930.14	-13,495,983.82
Sale of investments in real property and intangible fixed assets	0.00	0.00
Sale of assets for sale	2,000,000.00	0.00
Investments in real property and intangible fixed assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	-22,950.00	-5,635.18
Sale / (purchase) of financial assets in associates	-1,622,047.07	712,410.85
Purchase of financial assets available for sale	0.00	0.00
Loans advanced	-106,261.26	0.00
Dividends received	0.00	0.00
Interest received	1,910,810.76	895,019.99
Settlement of financial instruments – expenses	0.00	-181,753.07
Cash from acquisition of subsidiary	0.00	0.00
Sale of financial assets in associates	0.00	0.00
Other investment income / (expenses)	140,418.37	196,142.70
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>2,815,810.39</b>	<b>-7,851,576.43</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments	79,943,875.95	67,582,674.58
Repayment of borrowings and other debt instruments	-66,296,935.09	-78,786,495.29
Decrease in finance lease liabilities	-4,711,137.90	-4,868,751.41
Interest paid	-3,223,882.54	-3,223,635.70
Other cash provided by / (used in) financing activities – dividends	0.00	0.00
Net cash from issue of shares	0.00	0.00
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>5,711,920.42</b>	<b>-19,296,207.82</b>
<b>TOTAL NET CASH FLOWS</b>	<b>21,355,560.69</b>	<b>-5,281,938.15</b>
Net foreign exchange gains / (losses)	13,053.09	-677.96
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>48,392,136.44</b>	<b>53,674,752.55</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>69,760,750.22</b>	<b>48,392,136.44</b>

## Notes to the Financial Statements as at 31 December 2012

### 1. General

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

As at the balance sheet date, the ZUE Capital Group was composed of five companies with ZUE S.A. as the parent of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., Biuro Inżynierskich Usług Projektowych Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Railway Technology International Sp. z o.o.

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

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

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

At the end of the reporting period, the Parent Company's governing and supervisory bodies were as follows:

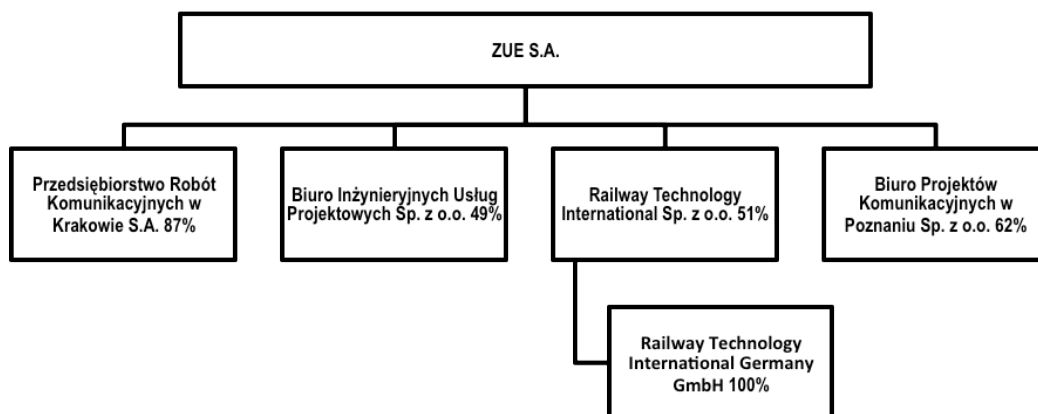
#### Management Board:

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

#### Supervisory Board:

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

ZUE Capital Group shareholding structure as at 31.12.2012:



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

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

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

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

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH was 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.

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

The activity of the ZUE Group consists of:

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

### 1.2. 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 disclosed in Polish złoty.

### 1.3. Consolidated entities

Consolidated entities as at 31 December 2012:

Name	Registered office	Interests as at		Consolidation method
		31 Dec 2012	31 Dec 2011	
Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.	Cracow	87%	85%	Full
Biuro Inżynierskich Usług Projektowych Sp. z o.o.	Cracow	49%	49%	Full
Biuro Projektów Komunikacyjnych Sp. z o.o.	Poznań	62%	-	Full

The control of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. was taken over on 6 January 2010 following the purchase of 85% of shares. In 2012, ZUE continued to buy the employee shares of PRK. As at 31 December 2012, ZUE held 828,245 shares in PRK; i.e. 87.18% of the subsidiary's share capital. At the end of the reporting period, ZUE held 830,705 shares; i.e. 87.44 % of the share capital of PRK.

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

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

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

ZUE S.A. holds a 51% interest in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the assets and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 31 December 2012.

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 assets and financial condition, Railway Technology International Germany GmbH was not consolidated as at 31 December 2012.

As at 31 December 2012, Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. held 533 shares in Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. ("BPK Gdańsk"); i.e. 26.7% interest in the company. Given the financial standing of BPK Gdańsk, the value of shares was entirely written off. On 16 January 2013, BPK purchased another 533 shares and on 31 January 2013, the company signed an intention agreement to purchase further 533 shares. At the end of the reporting period, ZUE S.A. did not exercise any control in Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. and, consequently, the company was not consolidated as at 31 December 2012.

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

On 19 March 2012, the Group expanded to include a new company: Biuro Projektów Komunikacyjnych w Poznaniu Spółka z o.o.

Type of information	Goodwill
Trade name:	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.

Description:	<p>Biuro Projektów Komunikacyjnych w Poznaniu was established in November 1952 to provide design services for the railways. It operated within the organisational structures of PKP. On 1 January 1992, the entity was separated from the structures of PKP and in the period 1 August 1992 – 31 December 2004, it operated as an independent state-owned enterprise run by managers. Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. has operated since 1 January 2005. It was established under the agreement of 31 December 2004 whereby Biuro Projektów Kolejowych w Poznaniu, a state-owned enterprise, was handed over for paid use. Consequently, BPK acquired all rights and obligations of the acquired entity.</p>
Main reasons for acquisition:	<p>BPK's core business consists of the preparation of comprehensive design documentation including feasibility studies, concepts, basic designs including construction designs, tender materials and detailed construction designs for high complexity investments with a focus on:</p> <ul style="list-style-type: none"> <li>- railway lines, stations and sidings (with drainage);</li> <li>- tramways;</li> <li>- roads, streets and crossings;</li> <li>- road and railway bridges, overpasses, tunnels and passages;</li> <li>- rail traffic control equipment;</li> <li>- wire and radio communication, line and junction digitalisation, computer network and computer science devices;</li> <li>- buildings and structures with technology (stations, switch towers, technical bases);</li> <li>- tram depots;</li> <li>- environmental protection and water and sewage management;</li> <li>- high-, medium- and low-voltage power systems; and</li> <li>- OCL network and non-OCL lines.</li> </ul>
Control taken on:	19 March 2012.
Consideration and control taking:	<p>ZUE purchased 830 BPK shares at PLN 1,593.84 per share; i.e. 58.5% of the company's share capital. On 24 April 2012, ZUE bought another 50 BPK shares at PLN 1,593.84 per share. The total of 880 shares in BPK cost PLN 1,402,579.20. The par value of each share was PLN 500. As at the date of this report, ZUE held the total of 880 BPK shares with the par value of PLN 440,000.00; i.e. 62.06% interest in the company's share capital.</p>

**Amounts recognised on the acquisition date under each category of assets, liabilities and contingent liabilities**

The acquisition of BPK was settled on the basis of data contained in the separate statements of BPK as at 31 March 2012. The Management Board of ZUE believe that the difference between the date of control taking (19 March 2012) and the date of the separate statements of BPK (31 March 2012) has no significant impact on the acquisition settlement.

	(PLN)
<b>ASSETS</b>	<b>31 March 2012</b>
<b>Fixed assets</b>	
Tangible fixed assets	5,046,353.01
Investment real property	0.00
Intangible assets	800,550.00
Goodwill	0.00
Investments in associates	0.00
Investments in non-consolidated subsidiaries	0.00
Advance payments for investments in subsidiaries	0.00
Retentions on construction contracts	0.00
Deferred tax assets	1,592,543.00
Other assets	0.00
<b>Total fixed assets</b>	<b>7,439,446.01</b>
<b>Current assets</b>	
Inventories	0.00
Trade and other receivables	12,947,156.44
Retentions on construction contracts	0.00
Current tax assets	0.00
Other assets	141,648.09
Loans advanced	0.00
Cash and cash equivalents	4,258.13
<b>Total current assets</b>	<b>13,093,062.66</b>
<b>Total assets</b>	<b>20,532,508.67</b>
<b>EQUITY AND LIABILITIES</b>	
Equity	0.00
Share capital	747,500.00
Revaluation capital	4,435,970.35
Share premium account	0.00
Retained earnings	-5,441,799.89
<b>Total equity</b>	<b>-258,329.54</b>
<b>Long-term liabilities</b>	
Long-term bank borrowings and other debt instruments	0.00
Retentions on construction contracts	0.00
Other financial liabilities	1,960,000.00
Liabilities under employee benefits	185,330.00
Deferred tax provision	2,769,231.76
Long-term provisions	0.00
Deferred income	0.00
Other liabilities	0.00
<b>Total long-term liabilities</b>	<b>4,914,561.76</b>
<b>Short-term liabilities</b>	
Trade and other payables	13,204,672.80
Retentions on construction contracts	0.00
Short-term bank borrowings and other debt instruments	0.00
Other financial liabilities	210,000.00
Liabilities under employee benefits	1,947,527.26
Current tax liabilities	0.00
Short-term provisions	514,076.39
<b>Total short-term liabilities</b>	<b>15,876,276.45</b>
<b>Total liabilities</b>	<b>20,790,838.21</b>
<b>Total equity and liabilities</b>	<b>20,532,508.67</b>

#### Calculation of goodwill as at 31 March 2012

Transferred consideration	1,322,887.20
Value of non-controlling interests at fair value	-107,129.26
BPK net assets as at 31.03.2012	-258,329.54
<b>Goodwill as at 31.03.2012</b>	<b>1,474,087.48</b>

Given the events identified after the transaction date, it became necessary to verify the initial goodwill. During the valuation, ZUE S.A. (the acquirer) learnt of new facts and circumstances as at the acquisition date and, consequently, recognised additional assets and liabilities. Consequently, the original goodwill presented in the abbreviated consolidated financial statements as at 31 March 2012 (PLN 477,779.98) was changed and amounted to PLN 1,474,087.47 as at 31 December 2012.

#### Factors contributing to the cost causing the recognition of goodwill

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

In the period 1 April 2012 - 31 December 2012, the acquired entity recorded the net profit of PLN 532,217.92.

#### 1.5. Shareholders of the Parent Company

According to information held, the Parent Company had the following shareholder structure as at 14 March 2012:

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

## 2. Use of International Financial Reporting Standards

### 2.1. Statement on compliance

The consolidated financial statements of the ZUE Capital Group covering the period ended 31 December 2012 and the comparable data for the financial year ended 31 December 2011 have been drawn up in accordance with the requirements of the International Financial Reporting Standards as approved by the European Union (EU).

### 2.2. Standards and interpretations used for the first time in 2012

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

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

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

### 2.3. Standards and interpretations published and approved of by the EU but not yet effective



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

- **IFRS 10 “Consolidated Financial Statements”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 “Joint Arrangements”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 “Disclosure of Interests in Other Entities”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 13 “Fair Value Measurement”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **IAS 27 (as amended in 2011) “Separate Financial Statements”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards” – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities** approved of in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 1 “Presentation of Financial Statements” – presentation of items of other comprehensive income** approved of in the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);
- **Amendments to IAS 12 “Income Tax” – Deferred Tax: Recovery of Underlying Assets** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 19 “Employee Benefits” – amendments to post-employment benefits** approved of in the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities** approved of in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **International Financial Reporting Interpretations Committee’s (IFRIC) Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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

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

The International Financial Reporting Standards (IFRS) as approved by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 14 March 2013:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2015);
- **Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards” – Government Loans** (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Mandatory Date of Entry into Force and Interim Provisions;**

- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”** – interim provisions explanation (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”** – investment units (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to different standards “Amendments to IFRS (2012)”** – amendments made as part of making annual amendments to IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (effective for annual periods beginning on or after 1 January 2013).

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

### 3. Adopted accounting principles

#### 3.1. Preparation basis

The financial statements have been prepared assuming that the Group will continue in operational existence for the foreseeable future. As at the date of the financial statements, no going concern risks exist.

The consolidated financial statements have been prepared under historical cost except for certain fixed assets and financial instruments measured at reassessed values or fair value according to the following accounting policy.

The most important accounting policies used by the Group have been set forth below.

#### 3.2. Consolidation rules

##### 3.2.1. Investments in subsidiaries

Subsidiaries are entities controlled by the parent (this includes SPVs). The control is exercised if the parent has the power to govern financial and operating policies of subsidiaries so as to obtain benefit from their activities.

The results of subsidiaries acquired or sold during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests are identified separately from the Group's equity. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquired net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequently, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in the Group's equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of assets (including goodwill), liabilities and non-controlling interests. Amounts recognized in other comprehensive income in relation to disposed subsidiary are reclassified to profit or loss. The fair value of any investment retained in the former subsidiary is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

### **3.2.2. Investments in associates**

An associate is an entity over which the parent has a significant influence, but which is not a subsidiary or an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an associate without control or joint control.

The results, assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method of accounting, investments in associates are carried in the consolidated statement of financial position at historical cost as adjusted by post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value of individual investments. Losses of the associates in excess of the Group's interest in those associates (including any long-term shares which in fact are a part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Group transacts with an associate, profits and losses are eliminated to the extent of the Group's interest in the associate.

### **3.2.3. Transactions with minority shareholders that do not result in a change of control**

Transactions with minority shareholders that do not result in a change of control are accounted for as equity transactions.

### **3.2.4. Goodwill**

Goodwill arising on acquisition represents the excess of the aggregate of transferred consideration, non-controlling interests and the fair value of interests previously held in the acquired unit over the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired unit at the date of acquisition.

If negative goodwill arises, the fair values of acquired net assets are reassessed by the Group. If negative goodwill still arises, then it should be recognised immediately in profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is not subsequently reversed.

On disposal of a subsidiary or a jointly controlled unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **3.2.5. Segment reporting**

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

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

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

- construction; and
- design.

The Group is organised and managed within the abovementioned segment. The Group applies a uniform

accounting policy for all operating areas within the segment.

### **3.3. Measurement of sales revenue**

Sales revenue is measured at the fair value of the consideration received or receivable, net of discounts, returns and similar deductions, including VAT and other sales related taxes.

#### **3.3.1. Sale of goods and materials**

Revenue from the sale of goods and materials is recognised when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **3.3.2. Construction contracts**

When the outcome of a construction contract can be estimated reliably, revenue and costs, including financial expenses, are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract works and claims are included to the extent that they have been agreed on with a customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Included in assets are the amounts due and receivable from customers (employers) under all construction work in progress in respect of which the incurred costs increased by recognised profits (reduced by recognised losses) exceed the amounts due under partial invoices. Outstanding invoiced amounts due and payable for the contract work performed are recognized under "Trade and other receivables" and the amounts retained by customers under "Retentions on construction contracts."

Included in liabilities are the amounts due and payable to customers under all construction work in progress in respect of which the amounts invoiced for the work performed under the contract exceed the incurred costs increased by recognized profits (reduced by recognized losses). Outstanding amounts due and payable to suppliers, which have been invoiced to the Company, are recognized under "Trade and other payables" and the amounts retained for suppliers under "Retentions on construction contracts."

### **3.4. Foreign currencies**

Transactions in currencies other than functional currency are recognised at the rate prevailing at the date of the transaction. At the end of each reporting period, financial assets and liabilities denominated in foreign currencies are translated at the rate quoted at that date by the National Bank of Poland. Assets and liabilities measured at fair value and denominated in foreign currencies are measured at the rate prevailing at the date when the fair value was determined. Non-monetary items are measured at historical cost.

### **3.5. Borrowing costs**

Borrowing costs directly attributable to the acquisition or production of assets that take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs include exchange differences arising from foreign currency loans and borrowings to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are recognised, subject to item 3.3.2, in profit or loss in the period in which they are incurred.

These capitalisation rules do not apply to assets measured at fair value.

### **3.6. Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is the acquisition or production by the Company of fixed assets are recognised in the statement of financial position as prepayments and accrued income and transferred to profit or loss on a systematic basis over the expected useful lives of the related assets.

Other government grants are recognised as income on a systematic basis over the period necessary to match them with the related costs which they were intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Rules of transferring grants to fixed assets also apply in the case of fixed assets received for free.

### **3.7. Employee benefits**

Costs of employee benefits include short-term benefits and post-employment benefits.

Costs of wages and salaries include the wages and salaries under employment contracts concluded with individual employees. Costs of wages and salaries also include bonuses and paid leaves.

Costs of social insurance include pension, social security and accident benefits and contributions to the Guaranteed Benefits Fund and the Labour Fund. Costs of pension benefits include retirement gratuities paid to employees according to the labour law.

The Company operates the retirement gratuity scheme and makes a provision for these benefits. Payments under this scheme are recognised in profit or loss in a way enabling the spread of these costs over the entire term of employees' employment with the Company. The amount of the provision is determined by an independent actuary using the projected unit method.

The Company is obliged to create the Company Social Benefits Fund. Contributions to this Fund are the Company's expenses and must be blocked on a separate bank account. The fund assets and liabilities are disclosed in the financial statements at their net value.

Other employee benefits include trainings organised to improve employees' qualifications, medical care and other benefits provided for under the labour law.

The Company recognises actuarial gains and losses in the period in which they arise. All actuarial gains and losses are recognised in profit or loss.

### **3.8. Taxation**

Income tax expense represents the tax currently payable and deferred tax.

#### **3.8.1. Current tax**

The tax currently payable is calculated based on taxable profit for the year. Taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and items of income or expense that are never taxable. The Group's liability for current tax is calculated using tax rates applicable in the year.

#### **3.8.2. Deferred tax**

Deferred tax is accounted for using the balance sheet liability method as the tax payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

A deferred tax liability is recognised for all taxable temporary differences and a deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, tax losses or tax credit can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised or the liability becomes due. Income tax is presented in the statement of financial position after the offset against liability payable to the same taxation authority.

### **3.8.3. Current and deferred tax for the year**

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is recognised directly in equity.

### **3.9. Property, plant and equipment**

Property, plant and equipment include fixed assets and expenditures on fixed assets under construction the entity intends to use in its operation and for administrative purposes for more than 1 year from which future economic benefits are expected to flow to the entity. Expenditure on fixed assets includes capital expenditure and expenses incurred in connection with future deliveries of plant and equipment and services related to the production of fixed assets (prepayments). Fixed assets also include essential specialist spare parts, which function as elements of fixed assets.

Fixed assets and fixed assets under construction are initially recognised at purchase price or production cost, including financing costs less impairment losses. Depreciation of those assets commences, on the same basis as other fixed assets of the Company, when they are placed in service.

Fixed assets are depreciated according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. Fixed assets are depreciated on a straight-line basis. The following useful lives are used for fixed assets:

Item	Useful lives
Buildings and structures	25 – 30 years
Plant and equipment	5 – 20 years
Vehicles	7 – 30 years
Other fixed assets	4 – 15 years

Freehold land is not depreciated.

According to the principle of prudence, low value fixed assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred.

Fixed assets and fixed assets under construction are tested for impairment if there are indications of impairment at least at the end of each reporting period. Rules governing the determining of impairment are set out in note 3.12. Effects of the impairment of fixed assets and fixed assets under construction are recognised in other operating expenses.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

Gains or losses from the sale/liquidation or discontinued use of fixed assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

### **3.10. Investment property**

Investment properties are initially recognised at purchase price, including associated transaction costs. Subsequent to initial recognition, investment properties, except for land, are depreciated on a straight-line basis less impairment losses.

Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are carried at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment properties, which meet the criteria of being classified as held for sale or disclosed in a pool held for sale, are measured according to the rules set forth in note 3.16.

Gains or losses arising from the sale/liquidation or discontinued use of properties are determined as a difference between sales revenue and the carrying amounts of these items and recognised in profit or loss.

### **3.11. Intangible assets**

Intangible assets are the Group's assets which are without physical substance and identifiable, can be reliably measured and from which future economic benefits are expected.

Intangible assets are initially recognised at purchase price or production cost.

The expenses associated with the purchase of leasehold are also recognised by the Group as intangible assets. Leasehold is treated as an operating lease and its object is not recognised as the Company's asset. However, the expenses associated with purchase of such right on the secondary market (from other entities) and the expenses associated with conferring such rights by relevant state authorities are recognised as intangible assets and amortised over the period in which such rights may be exercised by the Company.

Intangible assets are amortised according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. The Company does not own any intangible assets whose useful lives are indefinite. Intangible assets with definite useful lives are amortised on a straight-line basis. The following useful lives are used for particular intangible assets:

Item	Useful lives
Licences for software	2 – 10 years
Leasehold rights	25 years

Intangible assets are tested for impairment if there are indications of impairment and any impairment is determined at the end of each reporting period. Rules governing the determining of impairment are set out in note 3.12. Effects of the impairment of intangible assets and their amortisation are carried to other operating expenses.

According to the principle of prudence, low value intangible assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred.

Gains or losses from the sale/liquidation or discontinued use of intangible assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

At the end of the reporting period, intangible assets are measured at cost less amortisation and impairment losses, if any.

### **3.12. Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are substantially independent from cash flows generated by other assets, the Group analyses the group of cash-generating assets to which the asset belongs. If it is possible to identify a reliable and uniform allocation basis, fixed assets held by the Group are allocated to specific cash-generating units or to the smallest groups of cash-generating units for which reliable and uniform allocation bases can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. The latter is equivalent to the present value of estimated future cash flows discounted at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to an asset.

If the recoverable amount is less than the carrying amount of an assets (or a cash-generating unit), the carrying amount of the asset or the unit is reduced to the recoverable amount. An impairment loss is immediately recognised as an expense of the period in which it occurred, unless the asset is carried at revalued amount (in which case, such impairment loss is treated as a revaluation decrease).

If the impairment loss is subsequently reversed, the net value of the asset (or the cash-generating unit) is increased to the new estimated recoverable value, however not higher than the carrying amount of the asset as it would have been established had impairment not been identified in the past years. Any reversal of impairment is recognised immediately in the profit or loss, unless the asset is carried at a revalued amount – in this case, the reversal will be treated as a revaluation increase.

### **3.13. Long-term financial assets, including investments in related entities**

Long-term financial assets, including investments in subsidiaries, fellow subsidiaries and associates, are measured at historical cost net of impairment, if any. The carrying amount of such assets is reviewed each time to find out whether it does not exceed the amount of future economic benefits. If the carrying amount exceeds the amount of anticipated economic benefits it is reduced to the amount of net sales price. Impairment losses are recognised in financial expenses. The rise in the value of an investment directly associated with a previous decrease in the value recognised in financial expenses is disclosed up to the amount of these expenses as financial income.

### **3.14. Leasing**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Any other types of lease are treated as an operating lease.

Assets held under a finance lease are recognised as assets of the Group and measured at their fair value at the inception of the lease, however not higher than the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant interest rate on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's accounting policy on borrowing costs as set out in note 3.5.

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals under operating lease are recognised as an expense in the period in which they are incurred.

### **3.15. Inventories**

Inventories are the assets held for sale in the ordinary course of business, assets in the production process for sale and materials that are consumed in the production process or service provision. Inventories include materials, merchandise, finished goods and work in progress.

Materials and merchandise are initially measured at purchase price. At the end of the reporting period, materials and merchandise are measured on a prudent basis; i.e. these categories are measured at purchase price or achievable sales price, depending on which is lower.

Work in progress is initially measured at actual production cost. At the end of the reporting period, work in progress and finished goods are measured on a prudent basis.

Materials, merchandise and finished goods are written down at the discretion of the Company.

Inventory disbursement is recorded in accordance with the principles of specific identification of items intended for specific projects or on a first-in-first-out basis for other inventories and is recognised in cost of sales. Write-downs for inventories resulting from prudent valuation and write-downs for items in excess of anticipated demand and their reversals are recognised under other operating expenses.

### **3.16. Non-current assets held for sale**

Non-current assets held for sale are the assets that meet all the following criteria:

- an appropriate level of management must be committed to sell the asset;
- assets are available for immediate sale in their present condition;
- an active programme to locate a buyer must have been initiated;
- the completion of the sale is highly probable within 12 months of classification as held for sale;
- sales price is reasonable in relation to its present fair value;
- it is unlikely that plan will be significantly changed.

The classification change is reflected in the reporting period in which the aforementioned criteria have been satisfied. If the abovementioned criteria are satisfied after the end of the reporting period, an asset is not reclassified at the end of the financial year preceding the event.

No further depreciation will be recorded once an asset is classified as held-for-sale. Assets held for sale (excluding, *inter alia*, financial assets and investment property) are measured at the lower of carrying amount and fair value less costs to sell.

In the case of any subsequent increase in the fair value less costs to sell, a gain is recognised to the extent this does not exceed the cumulative impairment loss.

### **3.17. Financial assets**

Financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.



### **3.17.1. Financial assets at fair value through profit or loss**

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the short term; or
- it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be classified as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is a part of the group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and the information on the grouping is provided internally on that basis; or
- the financial asset is a part of the contract containing one or more embedded derivatives and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets as at fair value through profit or loss are stated at fair value with any gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

### **3.17.2. Assets held to maturity**

Financial assets (excluding derivatives) with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity are classified as financial assets held to maturity. They are measured at amortized cost using the effective interest method, less any impairment with revenue recognised on an effective yield basis.

Effective interest method is used to calculate the amortised cost of a financial asset or liability and to allocate the interest expense over the relevant period. The effective interest rate is the rate which discounts future cash payments through the expected life of the liability or, where appropriate, a shorter period.

### **3.17.3. Loans and receivables**

Loans and receivables are the trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### **3.17.4. Impairment of financial assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that as a result of the events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Group's past experience of collecting payments and observable changes in national or local economic situations that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss under the item other operating income/expenses.

Except for the financial instruments available for sale, if in a subsequent period the amount of the impairment loss decreases and the decrease can be reasonably related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **3.17.5. Derecognition of financial assets**

Financial assets are derecognised by the Company only when the contractual rights to receive cash flows from the financial assets have expired or the financial assets together with substantially all the risks and rewards of ownership have been transferred to another entity. If substantially all the risks and rewards of ownership are neither transferred nor retained by the Group but control is retained, the retained share in the asset and the related payment obligation is recognised. If the Group retains substantially all the risks and rewards of a transferred financial asset, the Group continues to recognise the transferred financial asset.

#### **3.18. Financial liabilities and equity instruments issued by the Group**

Debt and equity instruments are classified as either financial liabilities or equity depending on the substance of contractual arrangements.

##### **3.18.1. Equity instruments**

An equity instrument is any contract that evidences an interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Puttable financial instruments will be presented as equity only if all of the following criteria are met:

- (a) the holder is entitled to a pro-rata share of the entity's net assets on liquidation;
- (b) the instrument is in the class of instruments that is the most subordinate and all instruments in that class have identical features;
- (c) the instrument has no other characteristics that would meet the definition of a financial liability; and
- (d) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity (excluding any effects of the instrument itself). Profit or loss or change in recognised net assets is measured for this purpose in accordance with relevant IFRSs. The entity must have no other instruments that would substantially restrict or fix the return to the holders of the puttable financial instruments.

##### **3.18.2. Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### **3.18.3. Financial liabilities at fair value through profit or loss**

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- it is a part of a portfolio of financial instruments that are managed together by the Group according to a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial liability other than held for trading may be designated as at fair value through profit or loss on initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms a part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it is a part of a contract containing one or more embedded derivatives and under IAS 39, the entire contract (asset or liability) may be designated as an item as at fair value through profit or loss.

Financial liabilities as at fair value through profit or loss are stated at fair value with any gains or losses recognised in profit or loss. The gain or loss incorporates any interest paid on the financial liability.

#### **3.18.4. Other financial liabilities**

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### **3.18.5. Derecognition of financial liabilities**

A financial liability is derecognised by the Company only when it is discharged, cancelled or expires.

### **3.19. Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation but the amount and timing are uncertain.

The amount recognised as a provision reflects the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain the reimbursement will be received and the amount of the receivable can be measured reliably.

#### **3.19.1. Onerous contracts**

Present obligations arising under onerous contracts are recognised as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### **3.20. Derivative instruments**

Derivative financial instruments are initially recognised at fair value on the contract date and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised immediately in the income statement.

Derivative financial instruments are presented as fixed assets or long-term liabilities if a maturity is greater than 12 months and they are not expected to be realised or settled within 12 months. Other derivative financial instruments are recognised as current assets or short-term liabilities.

## **4. Key accounting principles and sources of estimation uncertainty**

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company 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.

### **4.1. Key sources of estimation uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 4.1.1. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of all cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate required to calculate the present value.

#### 4.1.2. Useful economic lives of fixed assets

As set out in items 3.9 and 3.11, the Company verifies useful economic lives of tangible and intangible assets at the end of each annual reporting period.

#### 4.1.3. Fair value of derivatives and other financial instruments

The Management Board use their judgment in selecting an appropriate valuation technique for financial instruments that are not traded in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

#### 4.1.4. Provisions for litigations

Lawyers and the Company's Management Board make detailed analyses of the number and nature of litigations and potential risks relating to them. Based on these analyses, they decide about the necessity to account for the effects of such proceedings in the Company's accounting records, and the amount of the provision.

#### 4.1.5. Provisions for warranty claims

Provisions for warranty claims are charged to the cost of a contract based on the amount of direct expenses that have been involved. Provisions for warranty claims are created at the Company with a breakdown into individual contracts. They are maintained until the expiry date of warranty rights or claims taking account of the occurrence probability.

If a created provision is not utilised (after expiry date), the provision is released by reducing a cost of sales.

Depending on the date by which they are maintained, provisions are presented in the statement of financial position as long-term or short-term provisions.

#### 4.1.6. Construction contracts accounted for using percentage-of-completion method

Revenues from a construction service that has not been completed are recognised by the Company under the percentage-of-completion method. Contract budgets are prepared for each construction contract. Budgets are updated according to the schedule of works and any amendments thereto throughout a contract to reflect cost or revenue changes but not less often than on the last day of each quarter; i.e. 31 March, 30 June, 30 September and 31 December. The stage of completion of a contract is determined on the basis of contract budgets by calculating the proportion that contract costs incurred for the work performed to date bear to the estimated total costs of the contract.

Changed cost and revenue estimates are used to determine the amount of costs and revenues disclosed in the profit or loss in the reporting period in which they occur and in subsequent periods.

#### 4.1.7. Deferred tax assets

The Company's Management Board decide about the recognition of deferred tax assets based on the forecasts for subsequent years.

### 5. Revenue

The following table presents the Company's sales revenue:

	Period ended 31/12/2012	Period ended 31/12/2011
Revenue from the sale of goods and raw materials	12,574,365.11	12,659,718.49
Revenue from the provision of services	18,451,128.24	19,051,736.41
Revenue from construction contracts	487,114,068.80	493,629,507.92
<b>Total</b>	<b>518,139,562.15</b>	<b>525,340,962.82</b>

(PLN)

Almost total 2011 and 2012 sales revenue came from Poland. The Group executes projects in the entire territory of Poland. The largest portion of sales is contributed by the revenue from construction contracts. Sales volume depends on tenders announced for the urban and rail infrastructure construction industry.

## **6. Operating segments**

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

In previous annual consolidated financial statements, the Group presented one aggregate operating segment: engineering construction and assembly services.

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

- construction; and
- design.

These operating segments jointly meet the following rules:

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

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

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

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

**Operating segments' results in 2012:**

(PLN)

	<b>Construction</b>	<b>Design</b>	<b>Total</b>
Sales revenue	509,440	8,700	518,140
Including			
Revenue from external customers	509,289	8,287	517,576
Inter-segment revenues	151	413	564
Gross profit	21,029	1,179	22,208
Financial income / expenses	1,362	-607	755
Interest received	1,898,98	11,83	1,911
Interest paid	-3,150,35	-73,53	-3,224
Pre-tax profit	3,855	769	4,624
Corporate income tax	1,087	111	1,198
Net profit	2,768	658	3,426
Depreciation and amortisation	7,024	228	7,252
Tangible fixed assets	61,260	4,882	66,142
Fixed assets	173,990	6,768	180,758
Total assets	454,817	14,455	469,272

**7. Operating expenses**

(PLN)

	<b>Period ended 31/12/2012</b>	<b>Period ended 31/12/2011</b>
Change in products	1,689,940.51	-578,273.24
Cost of products manufactured for own use	-21,386,326.51	-14,349,671.02
Depreciation and amortization	7,252,374.02	6,867,207.43
Consumption of raw and other materials	147,755,730.09	144,192,963.82
Contracted services	271,969,241.84	268,788,871.27
Cost of employee benefits	64,702,122.29	59,331,562.21
Taxes and charges	2,005,763.45	1,267,268.94
Other expenses	27,910,404.00	23,037,519.00
Value of goods and materials sold	10,617,095.88	10,345,313.55
<b>Total</b>	<b>512,516,345.57</b>	<b>498,902,761.96</b>

**7.1. Depreciation and amortisation**

(PLN)

	<b>Period ended 31/12/2012</b>	<b>Period ended 31/12/2011</b>
	<b>PLN</b>	<b>PLN</b>
Depreciation of property, plant and equipment	6,309,474.21	5,845,739.56
Amortisation of intangible assets	576,938.34	743,322.98
Depreciation of investment in real property	365,961.47	278,144.89
<b>Total depreciation and amortisation</b>	<b>7,252,374.02</b>	<b>6,867,207.43</b>

## 8. Other operating income

(PLN)

	Period ended 31/12/2012	Period ended 31/12/2011
<b>Gain on disposal of assets:</b>	<b>0.00</b>	<b>1,593,750.85</b>
Gain on disposal of fixed assets	0.00	1,593,750.85
<b>Other operating income:</b>	<b>3,950,293.59</b>	<b>1,733,688.09</b>
Received damages and contractual penalties	2,508,664.26	781,543.95
Refund of costs of court proceedings	95,861.34	0.00
Surplus inventory	22,424.70	0.00
Revenue from the sale of scrap	79,537.15	0.00
Revenue from rental	37,190.00	0.00
Release of other provisions	724,507.39	340,506.88
Release of write-downs of receivables	242,654.23	233,381.07
Other	239,454.52	378,256.19
<b>Total</b>	<b>3,950,293.59</b>	<b>3,327,438.94</b>

Other operating income includes revenues and gains indirectly related to the Group's operations. This category includes gain on disposal of fixed assets and fees charged to other consortium members and subcontractors in connection with their participation in general expenses related to construction contracts, e.g. bid bonds, damages paid in connection with a refund of court costs, tax overpayment, except for corporate income tax, and damages paid in connection with a loss of the Group's insured assets.

Other operating income also includes the reversals of write-downs of receivables and impairment losses on fixed assets.

## 9. Other operating expenses

(PLN)

	Period ended 31/12/2012	Period ended 31/12/2011
<b>Loss on disposal of assets:</b>	<b>553,504.48</b>	<b>0.00</b>
Loss on disposal of fixed assets	553,504.48	0.00
<b>Other operating expenses:</b>	<b>5,150,593.32</b>	<b>1,069,512.34</b>
Donations	200.00	10,000.00
Provision for contractual penalties	1,500,000.00	0.00
Clearing of other future contract settlements relating to construction and assembly works	669,694.85	0.00
Damages	1,413,934.95	261,037.54
Costs of litigations	380,827.80	0.00
Costs of warranties and insurance	482,328.15	0.00
Settlement of stock shortage	17,359.67	24,153.54
Creation of write-downs of receivables	448,886.48	249,375.92
Creation of write-downs of assets held for sale	0.00	68,520.86
Remission of debt	14,928.64	2,188.93
Contributions to trade organisations	12,100.01	25,350.00
Other	210,332.77	428,885.55
<b>Total</b>	<b>5,704,097.80</b>	<b>1,069,512.34</b>

Other operating expenses include expenses and losses indirectly related to the Group's operation. This category includes losses on disposal of fixed assets and monetary and non-monetary donations to other entities, including not-for-profit organisations. Other operating expenses also include the costs of write-downs of receivables and impairment losses on fixed assets.

## 10. Financial income

(PLN)

Period ended 31/12/2012	Period ended 31/12/2011
----------------------------	----------------------------

<b>Interest income:</b>	<b>3,161,186.37</b>	<b>2,319,812.95</b>
Interest on bank deposits	1,910,010.41	1,167,954.54
Income on interests in related entities	0.00	688,910.85
Interest on loan	37,670.61	35,307.84
Interest on receivables	1,213,505.35	417,708.72
Other	0.00	9,931.00
<b>Foreign exchange gains</b>	<b>0.00</b>	<b>0.00</b>
<b>Gain on disposal of investments</b>	<b>0.00</b>	<b>0.00</b>
<b>Other</b>	<b>1,833,501.79</b>	<b>515,834.22</b>
Discount of long-term items	1,427,354.95	515,834.22
Valuation of derivative instruments	0.00	0.00
Realisation of financial instruments	0.00	0.00
Prepayment discount	404,481.21	0.00
Guarantees	0.00	0.00
Other	1,665.63	0.00
<b>Total</b>	<b>4,994,688.16</b>	<b>2,835,647.17</b>

Financial income includes income from dividends and interest on deposits and investments in various types of financial instruments. Financial activity also includes foreign exchange gains.

## 11. Financial expenses

(PLN)

	<b>Period ended 31/12/2012</b>	<b>Period ended 31/12/2011</b>
<b>Interest expenses:</b>	<b>3,496,441.52</b>	<b>3,653,399.69</b>
Interest on bank overdrafts and borrowings	2,599,988.01	2,586,105.15
Interest on obligations under finance lease	636,161.25	620,833.72
Interest on loan	0.00	375,460.80
Interest on trade and other payables	260,292.26	71,000.02
<b>Revaluation investment</b>	<b>0.00</b>	<b>114,147.35</b>
<b>Other financial expenses:</b>	<b>743,891.94</b>	<b>439,106.92</b>
Foreign exchange losses	320,167.11	295,502.97
Discount of long-term items	423,724.83	143,603.95
Realisation of financial instruments	0.00	0.00
Cost of bank commission relating to capital expenditure	0.00	0.00
Other	0.00	0.00
<b>Total</b>	<b>4,240,333.46</b>	<b>4,206,653.96</b>

Financial expenses include expenses related to external finance, interest payable under finance lease and other financial expenses. Financial expenses also include foreign exchange losses.

## 12. Corporate income tax

### 12.1. Corporate income tax recognised in profit or loss

(PLN)

	<b>Period ended 31/12/2012</b>	<b>Period ended 31/12/2011</b>
<b>Current income tax:</b>	<b>7,183,641.00</b>	<b>4,595,949.42</b>
Tax currently payable	7,183,641.00	4,595,949.42
<b>Deferred income tax:</b>	<b>-5,985,420.82</b>	<b>1,064,303.19</b>
Deferred income tax related to occurrence and reversal of temporary differences	-5,985,420.82	1,064,303.19
<b>Total tax expense/income</b>	<b>1,198,220.18</b>	<b>5,660,252.61</b>

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable



or deductible and items of income or expense that are never taxable. The Group's liability for current tax is calculated using tax rates applicable during the fiscal year in question. Since 2004, the rate applicable pursuant to amended regulations has been 19%. Current regulations do not provide for any differences in tax rates during future periods.

The Capital Group is subject to general regulations governing corporate income tax. The Group's entities neither form a tax capital group nor operate in a Special Economic Zone. Both the tax and balance sheet years coincide with calendar years.

Differences between the nominal and effective tax rates are as follows:

(PLN)

	Period ended 31/12/2012	Period ended 31/12/2011
<b>Profit on operations</b>	<b>4,623,767.07</b>	<b>27,325,120.67</b>
Corporate income tax at 19%	878,515.74	5,191,772.93
Tax effect of revenue not classified as revenue under tax regulations	-76,322.84	-177,122.35
Tax effect of costs that are not tax-deductible under tax regulations	548,051.13	123,192.76
Tax effect of tax losses deducted in the period	0.00	
Adjustments recognised in the present year with reference to current and deferred tax from previous years	-45,517.86	497,334.57
Other	-106,505.99	25,074.70
<b>Income tax expense recognised in profit or loss</b>	<b>1,198,220.18</b>	<b>5,660,252.61</b>

## 12.2. Current tax assets and liabilities

(PLN)

	As at 31/12/2012	As at 31/12/2011
<b>Current tax assets</b>		
Tax refundable	584,961.00	434,029.00
<b>Total</b>	<b>584,961.00</b>	<b>434,029.00</b>
<b>Current tax liabilities</b>		
Tax payable	123,731.00	3,460,174.42
Tax carried to profit or loss	0.00	0.00
<b>Total</b>	<b>123,731.00</b>	<b>3,460,174.42</b>

### 12.3. Deferred tax balance

(PLN)

	Period ended 31/12/2012	Period ended 31/12/2011
<b>Deferred tax balance at beginning of period</b>	<b>-6,125,867.14</b>	<b>-5,052,078.28</b>
<b>Temporary differences relating to deferred tax assets:</b>		
Provisions	5,679,816.74	3,747,964.51
Discount of receivables	311,737.26	368,082.26
Valuation of financial instruments	0.00	0.00
Other financial liabilities	537,982.46	877,363.99
Valuation of long-term contracts	4,959,246.44	1,432,016.81
Interest	228,833.48	10,686.88
Remuneration and insurance premiums that are not tax deductible	64,388.42	69,871.79
Cost of civil tax on acquired company	150,384.05	147,291.61
Other – valuation of settlements	29,276.36	4,691.56
Tax work in progress	8,489,653.90	11,440,597.38
Deferred tax transferred from equity	0.00	0.00
<b>Temporary differences relating to deferred tax liabilities:</b>		
Leasehold	2,469,946.44	2,831,689.49
Valuation of long-term contracts	11,834,763.81	13,158,657.94
Deferred income	181,573.78	
Tangible fixed assets	6,969,664.31	7,193,572.67
Revaluation of fixed assets	0.00	
Finance lease	1,201,496.37	844,015.12
Discount of payables	276,060.39	336,422.77
Interest	332,843.43	46,186.89
Other	10,044.55	8,178.49
<b>Unused tax losses and other tax credits</b>		
Tax losses	1,511,990.42	194,289.44
Tax credits	0.00	0.00
Other	0.00	0.00
<b>Deferred tax balance at end of period</b>	<b>-1,313,083.55</b>	<b>-6,125,867.14</b>
<b>Change in deferred tax</b>	<b>4,812,783.59</b>	<b>-1,073,788.86</b>
- carried to income	4,812,783.59	-1,064,303.19
- carried to equity	0.00	0.00
- other	0.00	-9,485.67

### 13. Profit per share

	(PLN)	
	Period ended 31/12/2012	Period ended 31/12/2011
<b>Basic profit per share</b>	<b>0.12</b>	<b>0.97</b>
Total basic profit per share	0.12	0.97
<b>Diluted profit per share</b>	<b>0.12</b>	<b>0.97</b>
Total diluted profit per share	0.12	0.97

#### 13.1. Basic profit per share

The profit and weighted average number of ordinary shares used in the calculation of basic profit per share: (PLN)

	Period ended 31/12/2012	Period ended 31/12/2011
Profit per share for the financial year attributable to shareholders of the parent	0.12	0.97
Total profit used in the calculation of basic profit per share	2,617,383.71	21,264,396.15
Weighted average number of ordinary shares used in the calculation of profit per share	22,000,000	22,000,000

Basic profit per share is calculated by dividing the net profit for the period under analysis by the weighted average number of shares for the period under analysis.

#### 13.2. Diluted profit per share

The profit used in the calculation of diluted profit per share does not differ from the profit used in the calculation of basic profit per share as at 31 December 2012.

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**14. Property, plant and equipment**

(PLN)

	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total fixed assets	Fixed assets under construction	Prepaid fixed assets under construction	TOTAL
<b>Gross value</b>									
<b>As at 1 January 2012</b>	<b>12,287.67</b>	<b>22,014,257.95</b>	<b>25,755,506.51</b>	<b>29,905,428.34</b>	<b>1,906,840.89</b>	<b>79,594,321.36</b>	<b>1,260,542.94</b>	<b>0.00</b>	<b>80,854,864.30</b>
Increases – acquisition of BPK and first consolidation of BIUP	0.00	4,841,000.00	857,828.90	122,400.00	202,529.45	6,023,758.35	0.00	0.00	6,023,758.35
Additions	0.00	903,977.50	1,507,071.86	3,935,126.01	204,182.53	6,550,357.90	483,988.65	0.00	7,034,346.55
Liquidations	0.00	83,565.16	503,680.06	1,706,011.38	64,581.20	2,357,837.80	470,241.98	0.00	2,828,079.78
<b>As at 31 December 2012</b>	<b>12,287.67</b>	<b>27,675,670.29</b>	<b>27,616,727.21</b>	<b>32,256,942.97</b>	<b>2,248,971.67</b>	<b>89,810,599.81</b>	<b>1,274,289.61</b>	<b>0.00</b>	<b>91,084,889.42</b>
<b>Depreciation and impairment</b>									
<b>As at 1 January 2012</b>	<b>0.00</b>	<b>3,069,426.24</b>	<b>6,771,663.67</b>	<b>7,321,885.77</b>	<b>833,878.86</b>	<b>17,996,874.54</b>	<b>0.00</b>	<b>0.00</b>	<b>17,996,874.54</b>
Increases – acquisition of BPK and first consolidation of BIUP	0.00	0.00	735,365.13	89,433.33	144,530.82	969,329.28	0.00	0.00	969,329.28
Elimination on disposal of assets	0.00	29,112.35	163,461.02	81,287.08	59,031.75	332,892.20	0.00	0.00	332,892.20
Depreciation expense	0.00	995,291.26	2,522,740.13	2,528,092.18	263,350.64	6,309,474.21	0.00	0.00	6,309,474.21
<b>As at 31 December 2012</b>	<b>0.00</b>	<b>4,035,605.15</b>	<b>9,866,327.91</b>	<b>9,858,124.20</b>	<b>1,182,728.57</b>	<b>24,942,785.83</b>	<b>0.00</b>	<b>0.00</b>	<b>24,942,785.83</b>
<b>Carrying amount</b>									
<b>As at 1 January 2012</b>	<b>12,287.67</b>	<b>18,944,831.71</b>	<b>18,983,822.84</b>	<b>22,583,542.57</b>	<b>1,072,962.03</b>	<b>61,597,446.82</b>	<b>1,260,542.94</b>	<b>0.00</b>	<b>62,857,989.76</b>
<b>As at 31 December 2012</b>	<b>12,287.67</b>	<b>23,640,065.14</b>	<b>17,750,399.30</b>	<b>22,398,818.77</b>	<b>1,066,243.10</b>	<b>64,867,813.98</b>	<b>1,274,289.61</b>	<b>0.00</b>	<b>66,142,103.59</b>

Total property, plant and equipment of the Group as at 31 December 2012 amounted to PLN 66.1m (compared with PLN 62.9m in 2011). No impairment losses were recognised by the Group.

**14.1. Assets pledged as security**

The movables of ZUE (plant and equipment) with a net carrying amount of PLN 15.4m were pledged to secure the bank borrowing under the agreement no. WAR/2001/1/198/CB. The facility was intended for a construction contract financing and refinancing.

15. Investments in real property

(PLN)

	Freehold	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Gross value</b>							
As at 1 January 2012	125,550.00	5,128,433.33	5,441,069.78	0.00	0.00	0.00	10,695,053.11
Additions	0.00	0.00	23,000.00	0.00	0.00	0.00	23,000.00
Liquidations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at 31 December 2012	125,550.00	5,128,433.33	5,464,069.78	0.00	0.00	0.00	10,718,053.11
	Freehold	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Depreciation and impairment</b>							
As at 1 January 2012	11,550.00	597,237.40	734,781.44	0.00	0.00	0.00	1,343,568.84
Elimination on disposal of assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation expense	0.00	165,433.33	200,528.14	0.00	0.00	0.00	365,961.47
As at 31 December 2012	11,550.00	762,670.73	935,309.58	0.00	0.00	0.00	1,709,530.31
<b>Carrying amount</b>							
As at 1 January 2012	114,000.00	4,531,195.93	4,706,286.34	0.00	0.00	0.00	9,351,484.27
As at 31 December 2012	114,000.00	4,365,762.60	4,528,760.20	0.00	0.00	0.00	9,008,522.80

All of the Group's investment property is held either under freehold or leasehold interests.

16. Non-current assets held for sale

(PLN)

	Freehold	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Gross value</b>							
As at 1 January 2012	524,475.00	1,402,312.50	375,485.30	0.00	0.00	191,486.25	2,493,759.05
Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liquidations	524,475.00	1,402,312.50	375,485.30	0.00	0.00	191,486.25	2,493,759.05
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at 31 December 2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Freehold	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Depreciation and impairment</b>							
As at 1 January 2012	26,555.17	117,519.58	118,937.06	0.00	0.00	30,747.24	293,759.05
Elimination on disposal of assets	26,555.17	117,519.58	118,937.06	0.00	0.00	30,747.24	293,759.05
Depreciation expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at 31 December 2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Carrying amount</b>							
As at 1 January 2012	497,919.83	1,284,792.92	256,548.24	0.00	0.00	160,739.01	2,200,000.00
As at 31 December 2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00

As at 31.12.2012, the Group did not hold any non-current assets held for sale.

## 17. Goodwill

The goodwill of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A resulted from the acquisition of 85% of shares. The acquisition of PRK S.A. was settled on the basis of data contained in the separate financial statements of PRK S.A. as at 31 December 2009.

(PLN)

	Goodwill as at	
	31.12.2012	31.12.2011
PRK	31,171,913.65	31,171,913.65
BPK	1,474,087.48	n/a
<b>Total</b>	<b>32,646,001.13</b>	<b>31,171,913.65</b>

The goodwill of BPK was discussed in item 1.4 of these statements.

### 17.1. Annual test for impairment

The Management Board of ZUE S.A. performed a test for the impairment of investments in PRK and BPK. The test revealed no grounds for the goodwill impairment losses as at the date of these financial statements.

## 18. Intangible assets

Structure of intangible assets:

(PLN)

Item	As at 31/12/2012	As at 31/12/2011
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>962,408.64</b>	<b>819,959.89</b>
- software	962,408.64	819,959.89
<b>Other intangible assets, including:</b>	<b>10,418,680.08</b>	<b>9,793,150.62</b>
- leasehold	10,418,680.08	9,793,150.62
<b>Total</b>	<b>11,381,088.72</b>	<b>10,613,110.51</b>

Movements of intangible assets:

(PLN)

	Leasehold	Other intangible assets - software	Total
<b>Gross value</b>			
<b>As at 1 January 2012</b>	<b>10,176,832.53</b>	<b>1,881,348.83</b>	<b>12,058,181.36</b>
Increases – acquisition of BPK and first consolidation of BIUP	800,000.00	682,521.72	1,482,521.72
Additions	0.00	705,072.24	705,072.24
Disposals or classification as held for sale	0.00	596,448.33	596,448.33
<b>As at 31 December 2012</b>	<b>10,976,832.53</b>	<b>2,672,494.46</b>	<b>13,649,326.99</b>

	Leasehold	Other intangible assets - software	Total
<b>Amortisation and impairment</b>			
<b>As at 1 January 2012</b>	<b>383,681.91</b>	<b>1,061,388.94</b>	<b>1,445,070.85</b>
Increases – acquisition of BPK and first consolidation of BIUP	0.00	620,156.69	620,156.69
Amortisation expense	174,470.54	402,467.80	576,938.34
Disposals or classification as held for sale	0.00	373,927.61	373,927.61
<b>As at 31 December 2012</b>	<b>558,152.45</b>	<b>1,710,085.82</b>	<b>2,268,238.27</b>
<b>Carrying amount</b>			
<b>As at 1 January 2012</b>	<b>9,793,150.62</b>	<b>819,959.89</b>	<b>10,613,110.51</b>
<b>As at 31 December 2012</b>	<b>10,418,680.08</b>	<b>962,408.64</b>	<b>11,381,088.72</b>

No impairment losses were recognised by the Group.

## 19. Investments in and advances to subsidiaries

### 19.1. Information on non-consolidated subsidiaries

At the end of the reporting period, ZUE S.A. held 51% of shares in Railway Technology International Sp. z o.o. of Cracow. The subsidiary is not operating right now. RTI holds 100% interest in Railway Technology International Germany GmbH of Hamburg, Germany, whose core business consists of winning and executing foreign projects.

Name	Core business	Registered office	Shares		Value at historical cost	
			At 31/12/2012 %	At 31/12/2011 %	At 31/12/2012 PLN	At 31/12/2011 PLN
Biuro Inżynierskich Usług Projektowych Sp. z o.o.	Execution of tram and rail projects	Cracow	49%	49%	Consolidated since 1 Jan 2012 on the basis of ZUE Management Board's decision	655,099.68
Railway Technology International Sp. z o.o.	Not operating	Cracow	51%	51%	28,585.50	5,635.50
<b>Total investments in subsidiaries</b>					<b>28,585.50</b>	<b>660,735.18</b>



## 20. Other assets

(PLN)

	Current		Non-current	
	As at 31/12/2012	As at 31/12/2011	As at 31/12/2012	As at 31/12/2011
Prepaid expenses	3,731,618.55	3,083,191.46	217,324.22	359,374.92
Other long-term receivables	0.00	0.00	0.00	235,821.94
Long-term financial assets in other undertakings	0.00	0.00	21,850.00	21,850.00
<b>Total</b>	<b>3,731,618.55</b>	<b>3,083,191.46</b>	<b>239,174.22</b>	<b>617,046.86</b>

Short-term prepaid expenses mainly include items such as property insurance as well as performance bonds and defects liability bonds.

Other long-term assets include the amount retained to provide additional credit limit and the amount retained on bank deposit to provide additional security for the proper contract performance.

## 21. Inventories

(PLN)

	As at 31/12/2012	As at 31/12/2011
Materials	18,942,663.94	17,855,464.82
Work in progress	1,116,521.17	540,204.75
Finished goods	206,324.40	328,822.73
Prepaid deliveries	62,735.67	1,324.37
<b>Total</b>	<b>20,328,245.18</b>	<b>18,725,816.67</b>

At the end of the reporting period, inventories amounted to PLN 20.3m (compared with PLN 18.7m in 2011). High inventory level is related to advanced construction works.

## 22. Trade and other receivables

(PLN)

	As at 31/12/2012	As at 31/12/2011
Trade receivables	134,240,975.14	144,952,594.68
Allowance for doubtful debts	-4,711,936.16	-864,975.42
Receivables under contracts (valuation)	60,578,128.29	72,284,080.79
Taxes, subsidies and social securities receivable	0.00	0.00
Receivables from the state budget other than corporate income tax	0.00	0.00
Other receivables	220,550.62	177,566.08
Receivables under court proceedings		0.00
<b>Total</b>	<b>190,327,717.89</b>	<b>216,549,266.13</b>

## 22.1. Ageing analysis of trade receivables

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
<b>Not past due receivables, including:</b>	<b>104,680,645.43</b>	<b>136,154,805.59</b>
Not past due receivables for which write-downs were recognised	63,056.66	0.00
<b>Receivables that are past due but not impaired</b>	<b>24,911,450.21</b>	<b>7,932,813.67</b>
1-30 days	17,893,017.60	5,265,093.77
31-60 days	3,173,348.47	1,814,644.49
61-90 days	244,068.07	763,443.50
91-180 days	418,602.79	50,411.53
181-360 days	2,773,922.03	30,660.39
360 + days	408,491.25	8,559.99
<b>Past due receivables for which write-downs were recognised</b>	<b>4,648,879.50</b>	<b>864,975.42</b>
1-30 days	0.00	0.00
31-60 days	16,134.22	15,543.78
61-90 days	3,600,923.27	27,365.62
91-180 days	152,177.47	29,067.18
181-360 days	293,194.44	99,983.64
360+ days	586,450.10	693,015.20
<b>Total trade receivables (gross)</b>	<b>134,240,975.14</b>	<b>144,952,594.68</b>
<b>Trade receivables write-downs</b>	<b>-4,711,936.16</b>	<b>-864,975.42</b>
<b>Total trade receivables (net)</b>	<b>129,529,038.98</b>	<b>144,087,619.26</b>

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. Therefore, the Management Board believe there is no need to create additional provisions.

## 22.2. Long-term receivables

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
Trade receivables	39,577,093.78	0.00
Allowance for doubtful debts	0.00	0.00
Discount of long-term receivables	-1,620,373.75	0.00
<b>Total</b>	<b>37,956,720.03</b>	<b>0.00</b>

	(PLN)	
	Gross value of long-term receivables	
Balance at beginning of period		0.00
<b>Increases</b>	<b>57,086,692.76</b>	
<b>Decreases</b>	<b>19,129,972.72</b>	
Transfer to short-term receivables	19,129,972.72	
Discount	0.00	
<b>Balance at end of period</b>	<b>37,956,720.03</b>	

## 23. Share capital

	(PLN)	
	Share capital	
	As at 31/12/2012	As at 31/12/2011
<b>Registered capital</b>	5,500,000.00	5,500,000.00
<b>Amount recognised in the financial statements</b>	5,500,000.00	5,500,000.00

Share capital as at 14.03.2013 (PLN)

Class / issue	Type of shares	Type of preference	Limit on rights to shares	Number of shares	Value of class/issue at par value	Contribution	Registration date	Right to dividend (as of)
Class A	Ordinary bearer shares	-	-	16,000,000	4,000,000.00	Contribution in kind	12 July 2002	12 July 2002
Class B	Ordinary bearer shares	-	-	6,000,000	1,500,000.00	Fully paid up in cash by way of issue	19 October 2010	19 October 2010
<b>Total</b>				<b>22,000,000</b>	<b>5,500,000.00</b>			

## 24. Retained earnings

	(PLN)	
	Period ended 31/12/2012	Period ended 31/12/2011
<b>Balance at beginning of year</b>	<b>85,550,781.44</b>	<b>64,286,385.29</b>
Opening balance adjustment	0.00	0.00
Opening balance restatement	85,550,781.44	64,286,385.29
Net profit distribution	21,264,396.15	16,806,591.01
Reserve funds	21,264,396.15	16,806,591.01
Capital reserve	0.00	0.00
Coverage of loss brought forward	0.00	0.00
<b>Annual distributable profit</b>	<b>2,617,383.71</b>	<b>21,264,396.15</b>
Payment of dividend for prior year	0.00	0.00
Interim dividend for current year	0.00	0.00
<b>Change in non-controlling interests</b>	<b>656,188.44</b>	<b>0.00</b>
Decrease in equity attributable to non-controlling interests - PRK of Cracow	824,681.14	0.00
Acquisition of additional interests - BPK Poznań	-168,492.70	0.00
<b>Change in net profit according to IFRS</b>	<b>0.00</b>	<b>0.00</b>
<b>Balance at end of year</b>	<b>88,824,353.59</b>	<b>85,550,781.44</b>

The retained earnings from previous years comprise the entire earnings retained at Companies on the basis of the decision made by their shareholders and the consequences of the IFRS implementation.

Companies create a capital reserve according to the articles of association. The Company's profit to be distributed in subsequent periods or used to cover special losses of other expenses may be allocated to capital reserve.

According to the agreement no. 07/164/11/Z/IN concluded on 28 June 2011 with BRE Bank S.A., ZUE S.A. must not pay dividends whose amount exceeds the net profit for the preceding financial year nor make advances on dividends.

## 25. Share premium account

	(PLN)	
	Period ended 31/12/2012	Period ended 31/12/2011
Balance at beginning of year	85,360,680.68	85,360,680.68
Share issue	0.00	0.00
Share issue costs	0.00	0.00
<b>Balance at end of year</b>	<b>85,360,680.68</b>	<b>85,360,680.68</b>

On 1 October 2010, ZUE raised cash of PLN 88.5m through the issue of shares. The costs of class B shares issue in 2010 amounted to PLN 3.1m.

The Company did not launch any new issue of shares in 2012 or 2011.

**26. Bank borrowings and other debt instruments and other financing sources**

(PLN)

	As at 31/12/2012	As at 31/12/2011
<b>Long-term</b>	<b>25,090,430.37</b>	<b>5,271,281.77</b>
Bank borrowings (i)	20,700,811.30	0.00
Loans from	0.00	0.00
related entities	0.00	0.00
other entities	170,000.00	0.00
Obligations under finance lease	4,219,609.07	5,271,281.77
<b>Short-term</b>	<b>41,184,811.96</b>	<b>48,514,608.14</b>
Overdrafts (ii)	0.00	0.00
Bank borrowings (i)	39,065,577.84	45,201,003.39
Loans from:	0.00	0.00
related entities	0.00	56,246.74
other entities	0.00	0.00
Obligations under finance lease	2,743,609.12	4,089,858.01
Settlement of commission on borrowing	-624,375.00	-832,500.00
<b>Total</b>	<b>66,275,232.33</b>	<b>53,785,889.91</b>

**26.1. Summary of credit facility agreements**

**As at 31 December 2012**

(PLN)

Bank / entity	Description	Principal amount according to the agreement	Outstanding amount as at 31.12.2012	Interest rate	Maturity	Security
<b>Overdraft facilities (ii)</b>						
BRE Bank S.A.	Overdraft facility (agreement no. 07/183/04/Z/VV)	10,000,000.00	0.00	O/N WIBOR + margin	22 May 2013	1. Blanket capped mortgage up to PLN 1,000,000 on real property KR1P/00264688/9, KR1P/0017153/4, KR1P/00227028/4 2. Blank bill of exchange
Deutsche Bank	Overdraft facility (agreement no. LW/11000080)	500,000.00	0.00	3M WIBOR + margin	15 Sept 2015	1. Blank bill of exchange – guarantee by ZUE
BRE Bank S.A.	Overdraft facility (agreement no. 07/120/11/Z/VV)	10,000,000.00	0.00	O/N WIBOR + margin	22 May 2013	Blank bill of exchange
<b>Other facilities (i)</b>						
BRE Bank S.A.	PLN working capital facility (agreement no. 07/044/09/Z/OB.)	3,765,000.00	1,004,000.00	1M WIBOR + margin	8 April 2014	1. Mortgage on real property KR1P/00264688/9, KR1P/0017153/4, KR1P/00227028/4 2. Blank bill of exchange
BRE Bank S.A.	Investment facility (agreement no. 07/164/11/Z/IN)	23,000,000.00	15,333,333.38	3M WIBOR + margin	11 December 2015	1. Blank bill of exchange with declaration 2. Blanket ordinary mortgage up to PLN 35,420,550 on real property KR1P/00264688/9, KR1P/0017153/4, KR1P/00227028/4, WA5M/00242445/1, KR1P/00333015/6, KR1P/00328817/0
Bank Millennium S.A.	Revolving facility (agreement no. 2749/11/475/04)	35,000,000.00	0.00	1M WIBOR + margin	22 August 2013	1. Assignment of claims under the following contract: "Construction of the Franowo tram depot in Poznań"

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BNP Paribas Bank Polska S.A. Revolving facility (agreement no. WAR/2001/11/198/CB)	45,000,000.00	43,429,055.76	3M WIBOR + margin	2 May 2014	<ol style="list-style-type: none"> <li>1. Blank bill of exchange</li> <li>2. Registered pledge, assignment of rights under the insurance policy for plant and equipment</li> <li>3. Assignment of rights under the contract no. 90/132/284/00/11024955/10/II</li> <li>3. Borrower's statement on submission to enforcement pursuant to Art. 97 of the Banking Act of 29 August 1997</li> </ol>
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The agreement no. 07/044/09/Z/OB with BRE Bank S.A. came to an end at the beginning of 2013. The facility was repaid on 31 January 2013.

The maturity dates were extended for the agreements nos. 07/183/04/Z/IV, 2749/11/475/04 and WAR/2001/11/198/CB.

The overdraft facility agreement no. S/122/08/2011/115/K/OBR with Bank Ochrony Środowiska S.A. came to an end in 2012.

The credit facility under the agreement no. LW/11000080 is a multi-purpose line and guarantee line taken out in connection with day-to-day operations of BIUP.

The amount of credit facility under the agreement no. WAR/2001/11/198/CB decreased by PLN 5m (from PLN 50m) in accordance with the Amendment no. 1 to the agreement of 17 February 2012.

No new credit facilities were taken out in 2012 by any company comprising the ZUE Group.



## 27. Other long-term liabilities

(PLN)

	Current		Non-current	
	As at 31/12/2012	As at 31/12/2011	As at 31/12/2012	As at 31/12/2011
Financial liabilities to the State Treasury	280,000.00	0.00	1,750,000.00	0.00
<b>Total</b>	<b>280,000.00</b>	<b>0.00</b>	<b>1,750,000.00</b>	<b>0.00</b>

The financial liabilities set out in the table above are BPK's liabilities to the State Treasury under the Agreement for handing the enterprise over for paid use.

## 28. Provisions

(PLN)

	Current		Non-current	
	As at 31/12/2012	As at 31/12/2011	As at 31/12/2012	As at 31/12/2011
Provision for warranties (i)	3,090,422.69	3,525,867.87	5,351,853.35	7,434,133.06
Other	5,135,905.83	159,506.36	0.00	0.00
	<b>8,226,328.52</b>	<b>3,685,374.23</b>	<b>5,351,853.35</b>	<b>7,434,133.06</b>

	Warranties	Other
<b>Balance at 1 January 2012</b>	<b>10,960,000.93</b>	<b>159,506.36</b>
Additional provisions recognised	6,873,024.91	5,135,905.84
Reductions arising from payments/other sacrifices of future economic benefits	-793,675.69	-154,869.00
Reductions resulting from re-measurement or settlement without cost	-8,936,242.59	-4,637.37
Unwinding of discount and effect of changes in the discount rate	-339,168.48	0.00
<b>Balance at 31 December 2012</b>	<b>8,442,276.04</b>	<b>5,135,905.83</b>

- (i) Provision for warranty repairs is created for construction contracts whereby 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. In 2012, the ratio of provisions to revenues under contracts was 0.4%. The amount of provisions may decrease or increase on the basis of inspections of construction works in subsequent years of warranty.

## 29. Construction contracts

The following data concerns the contracts accounted for by the Group under the percentage-of-completion method.

### Selected balance sheet data

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
<b>Assets</b>	<b>233,946,608.32</b>	<b>216,665,677.22</b>
including:		
- valuation of contracts	60,578,128.29	72,284,080.79
- advance payments for contracts	364,768.90	318,868.53
<b>Liabilities</b>	<b>130,227,039.25</b>	<b>100,631,928.99</b>
including:		
- valuation of contracts	27,588,392.25	9,069,391.51
- provision for subcontractors	7,482,265.18	11,862,255.11
<b>Received advance payments for contracts</b>	<b>1,441,723.91</b>	<b>213,250.40</b>
Revenue under construction contracts	487,114,068.80	493,629,507.92
Costs under construction contracts	465,943,062.06	445,040,879.92
<b>Gross result on construction contracts</b>	<b>21,171,006.74</b>	<b>48,588,628.00</b>

## 30. Retentions on construction contracts

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
Retained by customers – to be repaid after 12 months	1,392,475.42	3,178,705.45
Retained by customers – to be repaid within 12 months	3,676,826.70	299,483.98
<b>Total retentions on construction contracts retained by customers</b>	<b>5,069,302.12</b>	<b>3,478,189.43</b>
Retained for suppliers – to be repaid after 12 months	4,464,483.84	4,173,789.16
Retained for suppliers – to be repaid within 12 months	8,201,466.56	3,715,478.92
<b>Total retentions on construction contracts retained for suppliers</b>	<b>12,665,950.40</b>	<b>7,889,268.08</b>

Retentions on construction contracts with payment dates above one year are discounted and recognized in the balance sheet at present value. The table below shows the results of discounting recognized in the balance sheets and profit and loss accounts of the Company in individual periods. The amounts of discount reduce the nominal value of receivables from and liabilities under retentions on construction contracts. In addition, a deferred tax is recognized in the balance sheet on the stated amounts calculated at the rate prevailing in Poland, i.e. 19%, and on the effect of change in the value of discount in the profit and loss account.

### 30.1. Discount recognised in profit and loss account

(PLN)

	As at 31/12/2012	As at 31/12/2011
Discount of long-term retentions on construction contracts retained by customers	6,924.09	286,200.85
Discount of long-term retentions on construction contracts retained for suppliers	611,709.70	620,000.39
Adjustment of financial income	382,031.69	499,867.09
Adjustment of financial expenses	0.00	0.00
Deferred tax on above adjustments	-72,586.02	-94,974.75
<b>Net effect on profit and loss account</b>	<b>309,445.67</b>	<b>404,892.34</b>

### 30.2. Ageing structure of past due retentions on construction contracts (nominal values before discount)

The following table presents the ageing analysis of retentions on construction contracts that are past due at the end of the reporting period but not impaired:

(PLN)

	As at 31/12/2012	As at 31/12/2011
<b>Past due retentions on construction contracts:</b>		
– up to 1 month	1,970.10	21,168.13
– 1 - 3 months	0.00	1,788.12
– 3 - 6 months	0.00	0.00
– 6 months - 1 year	19,369.00	185,801.55
– over 1 year	206,969.68	39,932.64
<b>Total</b>	<b>228,308.78</b>	<b>248,690.44</b>

### 30.3. Risk of interest rate fluctuations

The effective interest rate as at 31 December 2012 used to discount the retentions on construction contracts was 4% compared with 5% as at 31 December 2011.

### 31. Trade and other payables

(PLN)

	As at 31/12/2012	As at 31/12/2011
<b>Short-term payables:</b>		
Trade payables	91,835,742.65	97,303,296.00
Liabilities to the state budget other than corporate income tax	18,972,566.95	13,586,406.66
Accruals	7,482,265.18	20,888,478.34
Liabilities under contracts	27,588,392.25	256,418.68
Other liabilities	6,499,520.57	459,171.65
<b>Total</b>	<b>152,378,487.60</b>	<b>132,493,771.33</b>

Total trade payables as at 31 December 2012 amounted to PLN 152.3m (compared with PLN 132.5m in 2011).

### Ageing analysis of trade payables

(PLN)

	As at 31/12/2012	As at 31/12/2011
<b>Not past due payables</b>	<b>74,873,052.61</b>	<b>92,825,702.80</b>
<b>Past due payables</b>	<b>16,962,690.04</b>	<b>4,477,593.20</b>
1-30 days	5,039,571.08	4,009,153.57
31-60 days	7,455,590.92	43,166.28
61-90 days	105,022.20	269,376.32
91-180 days	900,360.87	88,167.25
181-360 days	1,123,341.15	52,914.41
360 + days	2,338,803.82	14,815.37
<b>Total trade payables</b>	<b>91,835,742.65</b>	<b>97,303,296.00</b>

## 32. Obligations under finance lease

### 32.1. General terms of lease

Finance lease agreements for manufacturing equipment were entered into for the term from three to six years. The Company has an option to purchase the equipment for a price equal to their residual value at the end of the lease term. The Company's obligations under the finance lease are secured by the lessor's title to the leased assets.

### 32.2. Finance lease liabilities

	(PLN)			
	Minimum lease payments		Present value of minimum lease payments	
	As at 31/12/2012	As at 31/12/2011	As at 31/12/2012	As at 31/12/2011
Not later than one year	3,426,259.13	4,627,788.97	2,743,609.12	4,089,858.01
Later than one year and not later than five years	4,430,131.42	5,033,278.25	4,219,609.07	4,339,481.61
Later than five years	0.00	972,250.16	0.00	931,800.16
Less: future finance charges	-893,172.36	-1,272,177.60	n/a	n/a
<b>Present value of minimum lease payments</b>	<b>6,963,218.19</b>	<b>9,361,139.78</b>	<b>6,963,218.19</b>	<b>9,361,139.78</b>
Included in the financial statements as:				
- current borrowings (note 26)			2,743,609.12	4,089,858.01
- non-current borrowings (note 26)			4,219,609.07	5,271,281.77

## 33. Obligations under retirement and other benefits

Pension and retirement gratuities are paid to employees who go to retirement or draw pension. The amount of the gratuity is the product of its base at the date of entitlement and the appropriate ratio progressing in proportion to the years of service.

The table below sets out the obligations under employee benefits:

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
<b>Pension and retirement gratuities, including:</b>	<b>2,750,211.67</b>	<b>2,882,806.16</b>
– present amount of obligation at balance sheet date	2,750,211.67	2,882,806.16
– actuarial gains / (losses) unrecognised at balance sheet date	0.00	0.00
– past service cost unrecognised at balance sheet date	0.00	0.00
<b>Obligations to employees</b>	<b>606,839.23</b>	<b>721,004.29</b>
<b>Other employee benefits</b>	<b>6,739,612.94</b>	<b>4,347,872.94</b>
– provision for unused leaves	3,272,180.98	2,387,872.94
– provision for bonuses	1,649,291.81	1,960,000.00
<b>Total obligations under retirement and other benefits</b>	<b>10,096,663.83</b>	<b>7,951,683.39</b>
including:		
– long-term	2,323,605.01	2,259,087.29
– short-term	7,773,058.82	5,692,596.10
	As at 31/12/2012	As at 31/12/2011
Discount rate	4%	5%
Expected inflation	3%	3%
Expected salary increase	3%	3%

#### Pension and retirement gratuities

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
<b>Present amount of obligation at beginning of period</b>	<b>2,882,806.16</b>	<b>3,497,958.63</b>
Interest cost	107,449.26	101,282.08
Current service cost	-9,735.59	114,983.74
Past service cost	-227,506.64	-104,358.30
Benefits paid	-728,713.68	-705,939.29
Actuarial (gains) / losses	474,268.16	-21,120.70
<b>Present amount of obligation at end of period</b>	<b>2,498,567.67</b>	<b>2,882,806.16</b>

Amounts recognised in profit or loss in respect of future employee benefits are as follows:

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
Current service cost	-9,735.59	114,983.74
Interest cost	107,449.26	101,282.08
Actuarial (gains)/ losses to be recognised in the period	474,268.16	-21,120.70
Past service cost	-227,506.64	-104,358.30
<b>Costs recognised in profit or loss</b>	<b>344,475.19</b>	<b>90,786.82</b>

#### 34. Capital management

The Group reviews the capital structure each time for the purpose of major contract financing. As part of this review, the Group considers the funds required for day-to-day operations, the schedule of contract financing, the cost of capital and the risks associated with each class of capital.

The gearing ratio at end of the year:

	(PLN)	
	As at 31/12/2012	As at 31/12/2011
Interest bearing loans and borrowings	66,275,232.33	53,785,889.91
Retentions on construction contracts	12,665,950.40	7,889,268.08
Obligations under employee benefits	10,096,663.83	7,951,683.39
Trade and other payables	152,378,487.60	132,493,771.33
Current tax liabilities	123,731.00	3,460,174.42
<b>Debt</b>	<b>241,540,065.16</b>	<b>205,580,787.13</b>
Cash and cash equivalents	69,760,750.22	48,392,136.44
<b>Net debt</b>	<b>171,779,314.94</b>	<b>157,188,650.69</b>
Equity	188,846,908.48	185,352,712.16
<b>Net debt to equity ratio</b>	<b>90.96%</b>	<b>84.81%</b>

#### 35. Financial risk management

The main financial instruments used by the Group include:

- bank borrowings, loans and finance lease whose aim is to obtain funds for the Company's operation;
- trade and other receivables and payables as well as cash and short-term deposits arising during the course of the Company's operation.

The Group's activities expose it to different financial risks including foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Board verify these risks and define the rules governing the management of these risks.

### 35.1. Foreign currency risk

As part of its core business, the Group makes settlements in foreign currencies, mainly in EUR. The foreign exchange risk is mainly hedged by concluding contracts with counterparties whereby the risk is transferred to them. If this is not possible, currency exposure (if relevant) is hedged on the financial market using currency futures.

In the past years, the Group concluded Euro-denominated finance lease agreements. Upon the conclusion, the foreign currency risk related to these transactions was acceptable to the Board and, consequently, was not hedged.

#### Foreign currency risk – sensitivity to changes

To analyse the sensitivity to exchange rate changes, the reasonably possible change in foreign exchange rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -5% / +5% for EUR/PLN exchange rate as at 31 December 2012.

The following table presents the sensitivity of the financial result to reasonably possible change in foreign exchange rates provided that other factors remain unchanged (the effect on the result of the year and net assets is identical).

(PLN)

	Currency	Carrying amount as at the balance sheet date (PLN)	Sensitivity to changes as at 31 December 2012	
			Depreciation of PLN against other currencies +5% (EUR/PLN)	Appreciation -5% (EUR/PLN)
Derivative instruments denominated in foreign currencies (net currency exposure)	EUR	0.00	0.00	0.00
Cash	EUR	1,011,327.89	50,566.39	-50,566.39
Receivables	EUR	1,354.01	67.70	-67.70
Lease obligations	EUR	737,393.38	-36,869.67	36,869.67
Trade and other payables	EUR	615,829.80	-30,791.49	30,791.49
<b>Gross effect on result of period and net assets</b>			<b>-17,027.06</b>	<b>17,027.06</b>
Deferred tax			3,235.14	3,235.14
<b>Total</b>			<b>-13,791.92</b>	<b>20,262.21</b>

### 35.2. Interest rate risk

The Group is exposed to interest rate risk mainly because it uses such instruments as bank borrowings, loans and finance lease. These instruments are issued at variable interest rates and expose the Company to the risk of cash flow fluctuations.

#### Interest rate risk – sensitivity to changes

To analyse the sensitivity to interest rate changes, the reasonably possible change in interest rates was assessed, on the basis of historical changes and the Group's experience and knowledge of financial markets, at -1% / +1% pp as at 31 December 2012. A parallel shift of interest rate curve was assumed for the purpose of calculating the sensitivity to change in interest rates.

The following table sets out the effect on the result of the period and net assets as at 31 December 2012.

		(PLN)	
	Carrying amount as at the reporting date	31 December 2012 +100 bp	-100 bp
Long-term retentions on construction contracts (discount):			
– recognised in assets (present value)	1,392,475.42	-1,601.20	1,661.27
– recognised in liabilities (present value)	4,464,483.84	152,334.23	-158,875.55
Cash at banks (nominal value / interest)	69,760,750.22	697,607.50	-697,607.50
Advanced loans (nominal value / interest)	103,448.11	1,034.48	-1,034.48
Bank borrowings and loans (nominal value / interest)	66,275,232.33	-662,752.32	662,752.32
Obligations under finance lease (present value / interest)	6,963,218.19	-69,632.18	69,632.18
<b>Gross effect on result of period and net assets</b>		<b>116,990.51</b>	<b>-123,471.76</b>
Deferred tax		-22,228.20	23,459.63
<b>Total</b>		<b>94,762.31</b>	<b>-100,012.12</b>

### 35.3. Price risk

The Group is exposed to price risk relating to the increase in prices of the most popular construction materials such as steel, concrete, copper or crude oil products including petrol or diesel oil. Taking the available market data into consideration, on the basis of the Group's knowledge and experience, the risk is assessed as moderate.

Changes in prices of materials or labour costs may contribute to a change in service fees charged by subcontractors. Prices contained in contracts with investors remain fixed throughout the term of such contracts (usually from 6 to 36 months). However, contracts with subcontractors may be concluded at a later date as the works progress.

### 35.4. 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 increased for the Group in 2012 as 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.

### 35.5. Liquidity risk

The Group reduces liquidity risk by maintaining sufficient cash and concluding credit line agreements which serve as an additional safeguard against the loss of liquidity. The Group uses its funds, bank borrowings and long-term finance lease agreements to finance its investments and to ensure appropriate stability of financing structure for this type of assets.

The maturity structure for financial liabilities is set out in note 36 – Financial instruments.

Liquidity management is supported by the obligatory system of reporting cash flow forecasts.



### 36. Financial instruments

The following table sets out the carrying amounts of all financial instruments of the Group with a breakdown into particular classes and categories of assets and liabilities as at 31 December 2012.

(PLN)

Classes of financial instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts	0.00	0.00	5,069,302.12	0.00	12,665,950.40
Long-term receivables	0.00	0.00	37,956,720.03	0.00	0.00
Trade and other receivables	0.00	0.00	190,327,717.89	0.00	0.00
including: amounts receivable from customers under construction contracts – advance payments	0.00	0.00	364,768.90	0.00	0.00
Derivative financial instruments and other financial liabilities	0.00	0.00	0.00	0.00	2,030,000.00
Advanced loans	0.00	0.00	103,448.11	0.00	0.00
Cash and cash equivalents	0.00	69,760,750.22	0.00	0.00	0.00
Bank borrowings and other debt instruments and other financing sources	0.00	0.00	0.00	0.00	66,275,232.33
Trade and other payables	0.00	0.00	0.00	0.00	152,378,487.60
including: amounts payable to customers under construction contracts – advance payments	0.00	0.00	0.00	0.00	3,618,445.59
<b>Total</b>	<b>0.00</b>	<b>69,760,750.22</b>	<b>233,457,188.15</b>	<b>0.00</b>	<b>233,349,670.33</b>

At the end of the reporting period, there were no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

#### Reclassifications of financial assets

During the period covered by the financial statements, the Group did not reclassify any financial instruments.

### 36.1. Maturity profile of financial liabilities at fair value through profit or loss and at amortised cost

The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December 2012	As at 31 December 2011
(PLN)		
<b>Age structure</b>		
– less than 1 year	222,893,068.67	184,723,858.39
– 1 - 3 years	5,985,953.01	6,559,128.76
– 3 - 5 years	2,875,272.90	1,441,259.20
– 5 years +	1,595,375.75	1,444,682.97
<b>Total</b>	<b>233,349,670.33</b>	<b>194,168,929.32</b>

### 36.2. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

### 36.3. Derivative instruments

No derivative instrument transactions were entered into by the Group in 2011 or 2012.

### 37. Transactions with related entities

#### 37.1. Trade transactions

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

(PLN)

	Receivables		Payables	
	Period ended	Period ended	Period ended	Period ended
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Wiesław Nowak	0.00	0.00	0.00	60,117.74
RTI	3,690.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	0.00
<b>Total</b>	<b>3,690.00</b>	<b>0.00</b>	<b>0.00</b>	<b>60,117.74</b>

	Sales revenue		Acquisition cost	
	As at	As at	As at	As at
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Wiesław Nowak	0.00	4,390,243.90	270,000.00	3,871.00
RTI	12,000.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	6,728.04	17,609.16	17,609.16
<b>Total</b>	<b>12,000.00</b>	<b>4,396,971.94</b>	<b>287,609.16</b>	<b>21,480.16</b>

	Advanced loans		Financial income	
	As at	As at	As at	As at
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	103,448.11	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	669,695.85
<b>Total</b>	<b>103,448.11</b>	<b>0.00</b>	<b>0.00</b>	<b>669,695.85</b>

	Received loans		Financial expenses	
	As at	As at	As at	As at
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Wiesław Nowak	0.00	0.00	0.00	395,573.92
RTI	0.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>395,573.92</b>

In 2012, the transactions between the Group and related entities were executed at market prices with discounts depending on the volume of purchase.

Under the agreement of 9 May 2012, ZUE granted the loan to RTI Spółka z o.o. maturing on 30 June 2013. The interest rate on the loan was 3M EURIBOR + margin. The borrower allocated the amount of EUR 25,000 for the payment of share capital in Railway Technology International Germany GmbH and ongoing expenses.

Other transactions with RTI were executed under the business establishment rental agreements of 4 November 2011 and 16 November 2012.

Transactions with Mr. Wiesław Nowak were entered into under the rental agreement of 28 December 2011 whereby he rented the office and warehouse space of 800m<sup>2</sup> to ZUE S.A.

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

#### 37.2. Remuneration of key management personnel

The remuneration of Management Board members and other members of key management personnel during the year was as follows:

(PLN)

	Period	Remuneration	Period	Remuneration
<b>Management Board</b>				
Wiesław Nowak	01.2012-12.2012	732,696.15	01.2011-12.2011	692,483.51
Marcin Wiśniewski	01.2012-12.2012	465,240.00	01.2011-12.2011	316,000.00
Maciej Nowak	01.2012-12.2012	362,000.00	01.2011-12.2011	252,000.00
Jerzy Czeremuga	01.2012-12.2012	331,895.14	05.2011-12.2011	170,716.63
<b>Proxy</b>				
Barbara Nowak	01.2012-12.2012	300,033.88	01.2011-12.2011	278,061.24
<b>Supervisory Board</b>				
Beata Jaglarz	01.01.2012–15.07.2012	68,057.66	01.2011-12.2011	102,638.82
Bogusław Lipiński	01.2012-12.2012	109,492.88	01.2011-12.2011	105,774.59
Magdalena Lis	01.2012-12.2012	44,991.28	01.2011-12.2011	36,274.48
Michał Lis	16.07.2012-31.12.2012	43,277.91	-	-
Mariusz Szubra	01.2012-12.2012	6,000.00	01.2011-12.2011	5,500.00
Piotr Korzeniowski	01.2012-12.2012	6,000.00	01.2011-12.2011	5,500.00
<b>Total</b>		<b>2,469,684.90</b>		<b>1,964,949.27</b>

The General Meeting resolved not pay dividends for 2012.

The remuneration of the Management Board members is determined by the Supervisory Board and the remuneration of key management personnel is determined by the Management Board President (the main shareholder of the Company) having regard to the performance of individuals and market trends.

On 25 January 2011, the Extraordinary General Meeting of ZUE S.A. resolved that all members of the Supervisory Board would be paid gross remuneration of PLN 500 for each month of serving on the Board. The first payment was made in February 2011.

In 2012, members of the Supervisory Board were paid monthly gross remuneration of PLN 500 for their service on the Board. The abovementioned remuneration of Mr. Bogusław Lipiński, Ms. Beata Jaglarz, Ms. Magdalena Lis and Mr. Michał Lis is the remuneration paid under employment contracts plus the remuneration for their service as the Supervisory Board members.

### 38. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and at banks and investments in financial market instruments taking account of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the balance sheet items as follows:

(PLN)

	As at 31/12/2012	As at 31/12/2011
Cash on hand and at banks	2,101,421.83	7,753,109.59
Three-month bank deposits	67,659,328.39	40,639,026.85
<b>TOTAL</b>	<b>69,760,750.22</b>	<b>48,392,136.44</b>

### 39. Non-cash transactions and sources of finance

In 2012, the non-cash investing and financing activities which are not reflected in the statement of cash flows included only the acquisition of fixed assets of PLN 2,210 thousand under a finance lease.

In 2011, the non-cash investing and financing activities which are not reflected in the statement of cash flows included the acquisition of fixed assets of PLN 8,452 thousand under a finance lease and the sale of the real property at ul. Jugowicka 6A in Cracow for PLN 5,400 thousand set off against the loan granted by Mr. Wiesław Nowak, conversion of the loan of PLN 650 thousand into shares in BIUP and the acquisition of fixed assets of PLN 3,918.61 thousand under a finance lease.

#### 40. Operating lease arrangements

##### 40.1. The Company as lessee

Operating lease relates to the leasehold of undeveloped real property in Kraków Podgórze – Jugowice, district 45, comprising the plots no. 36/2, 37/6, 37/11, 40/25 – Land and mortgage register no. KR1P/00333015/6.

In 2011, the leasehold of the real property comprising the plots no. 30/1 and 30/2 was sold under the notarial deed no. Rep. A 11428/2011 of 27 December 2011 and the leasehold of the real property comprising the plots no. 36/3 and 37/7 was sold under the notarial deed no. Rep. A 4868/2011 of 30 December 2011.

##### 40.2. Leasing arrangements

The annual lease payment of PLN 34,307.88 was set for the real property comprising the plots no. 36/2, 37/6, 37/11, 40/25 (district 45 Podgórze). Leasehold until 2089.

##### 40.3. Payments recognised as an expense

(PLN)

	Period ended 31/12/2012	Period ended 31/12/2011
Minimum lease payments	189,334.47	164,392.55
<b>TOTAL</b>	<b>189,334.47</b>	<b>164,392.55</b>

##### 40.4. Operating lease commitments

(PLN)

	As at 31/12/2012	As at 31/12/2011
Not later than 1 year	189,334.47	164,392.55
Later than 1 year and not later than 5 years	757,337.88	657,570.20
Later than 5 years	16,623,023.99	16,638,266.79
<b>TOTAL</b>	<b>17,569,696.34</b>	<b>17,460,229.54</b>

#### 41. Contingent liabilities and contingent assets

##### 41.1. Contingent liabilities

(PLN)

	As at 31/12/2012	As at 31/12/2011
Guarantees	195,837,579.09	178,896,609.31
Sureties	10,120,414.37	760,893.30
Bills of exchange	157,754,220.79	174,357,730.99
Mortgages	38,150,550.00	38,420,550.00
Pledges	15,484,784.94	3,690,045.51
<b>Total contingent liabilities</b>	<b>417,347,549.19</b>	<b>396,125,829.11</b>

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

The contingent liabilities secured by the bills of exchange, mortgages and pledges are mainly credit facility and lease agreements.

#### 41.2. Contingent assets

(PLN)

	As at 31/12/2012	As at 31/12/2011
Guarantees	27,799,153.59	29,750,244.17
Bills of exchange	52,706.20	106,300.43
<b>Total contingent assets</b>	<b>27,851,859.79</b>	<b>29,856,544.60</b>

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

#### 42. Events after the reporting period

- On 8 January 2013, ZUE concluded the contract with the city of Lublin for the construction works as part of the following project: "Construction of trolleybus traction and power supply system, and reconstruction of street lighting system in the following streets: Jana Pawła II (from Armii Krajowej to Nadbystrzycka), Krochmalna (from Nadbystrzycka to Młyńska), Młyńska (from Krochmalna to Dworcowa) and the following intersections: Młyńska / Krochmalna / Gazowa and Młyńska / Dworcowa in Lublin" as part of the following project: Integrated Urban Public Transport System in Lublin. Contract gross value: PLN 12,361,795.51. Completion date: 15 December 2014.
- On 8 January 2013, PRK concluded the contract with PKP Polskie Linie Kolejowe S.A. of Warsaw for the construction works as part of the following project: "Upgrade of the Tunel station on the railway line no. 8 Warszawa Zachodnia – Kraków Główny Osobowy." Contract net value: PLN 41,953,990.41.
- On 25 January 2013, ZUE concluded the contract with Tramwaje Śląskie S.A. of Chorzów for the construction works as part of the following projects: "Upgrade of the tramway track along the Wolności street from the Kondratowicza street up to the border with Gliwice" (project no. 50) in Zabrze" and "Upgrade of the tramway track along the 3 Maja street in Zabrze (project no. 51)" and "Upgrade of tram and trolleybus infrastructure in the Upper Silesia with associated infrastructure." Contract net value: PLN 16,647,267.92. Completion date: 25 January 2014.
- On 25 January 2013, ZUE concluded the contract with Tramwaje Śląskie S.A. of Chorzów for the construction works as part of the following projects: "Upgrade of a separate tramway track at lines no. 15, 21, 24 and 27 along the 3-go Maja street, an interchange in Sosnowiec, with platforms," "Upgrade of crossings in Sosnowiec: 3-go Maja street, the intersection of Parkowa and Mościckiego streets" (project no. 28)," "Upgrade of a tramway in the 3-go Maja Street in Sosnowiec – from the interchange to the Zagórze terminus (project no. 29)," "Upgrade of tram and trolleybus infrastructure in the Upper Silesia with associated infrastructure." Contract net value: PLN 26,293,505.13. Completion date: 25 September 2014.
- On 31 January 2013, the credit facility agreement no. 07/044/09/Z/0B with BRE Bank S.A. came to an end – the facility repayment.
- On 12 March 2013, ZUE concluded the contract with Tramwaje Warszawskie Sp. z o.o. of Warsaw for the design and reconstruction (upgrade) of the tramway track along Al. Jerozolimskie in Warsaw. Contract net value: PLN: 998,000.00. Completion date: 31 May 2013.

#### 43. Approval of financial statements

The financial statements were approved by the Management Board on 14 March 2013.

**STATEMENT OF THE MANAGEMENT BOARD OF ZUE S.A. ON ANNUAL FINANCIAL STATEMENTS  
COMPLIANCE WITH APPLICABLE ACCOUNTING PRINCIPLES**

The Management Board of ZUE state that according to their best knowledge, the annual consolidated financial statements of the Group for the period 1 January to 31 December 2012 have been prepared in accordance with applicable accounting principles and give a true and fair view of the financial position of the Group and its financial performance. 2012 Management Board Report contains a true view of the Group's development and achievements, and the Group's standing, including the description of fundamental risks and threads.

Wiesław Nowak – Management Board President

.....

Marcin Wiśniewski – Management Board Vice-  
President

.....

Maciej Nowak – Management Board Vice-President

.....

Jerzy Czeremuga – Management Board Vice-  
President

.....

Cracow, 14 March 2013

These consolidated financial statements of the ZUE Capital Group cover the period from 1 January to 31 December 2012. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as approved by the European Union.

The financial statements have been prepared by:

Barbara Stępak – Chief Accountant .....

The financial statements have been presented by the  
Management Board:

Wiesław Nowak – Management Board President .....

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

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

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

Cracow , 14 March 2013