

**ZUE S.A.**  
**2013 Report on Activities**

Cracow, 14 March 2014

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Abbreviations and definitions:

ZUE, Company, Issuer	<p>ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full.</p> <p>Parent company of the ZUE 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>On 20 December 2013, PRK was removed from the register as a result of merger with ZUE.</p>
BIUP	<p>Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 19,400 paid up in full.</p> <p>Subsidiary of ZUE.</p>
RTI	<p>Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full.</p> <p>Subsidiary of ZUE.</p>
RTI Germany	<p>Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full.</p> <p>Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.</p>
BPK	<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 1,747,500 paid up in full.</p> <p>Subsidiary of ZUE.</p>
BPK Gdańsk	<p>Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji with registered office in Gdańsk, entered into the National Court Register maintained by the District Court Gdańsk-Północ, VII Commercial Division of the National Court Register, under entry no. KRS 0000273363, share capital of PLN 1,000,000 paid up in full.</p> <p>Associate.</p>
ZUE Group, Group, Capital Group	ZUE Capital Group comprising: ZUE 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.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Dz.U. 2000, no. 94, item 1037, as amended).

## I. OPERATIONS

### 1. Scope of operations

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

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

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

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

The activities of ZUE include:

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

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

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

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

As regards the construction and comprehensive upgrade of tram tracks, ZUE offers comprehensive solutions based on different technologies covering all track widths. Track design and construction technologies include:

- classic tracks on wooden and prestressed concrete sleepers;
- tracks on grass (green), gravel or asphalt/concrete subgrade, embedded in the roadway;
- tracks with a reduced noise level - damping by means of vibration isolation padding or appropriately selected track fasteners.

All the projects, including delivery and assembly at the site, are executed by a team of competent employees and the cooperation with recognised suppliers combined with the specialty equipment

and machinery owned by ZUE guarantee the timely delivery and high quality of the service, as demonstrated by ISO 9001 certificate awarded for those operations.

As regards the construction of tracks, the infrastructure elements offered by ZUE include the delivery and assembly of:

- tram point switches;
- crossings;
- safe-locking of point mechanisms;
- state-of-the-art point mechanisms;
- track drainage systems; and
- rail lubrication systems.

As part of OCL development and upgrade, ZUE offers:

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

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

The construction, upgrade and maintenance of OCL substations are also the key elements of ZUE's operations. OCL network power supply system is inseparably connected with OCL network. ZUE offers the construction of OCL substations developed with components manufactured by Polish and international manufacturers, harnessing advanced world-class technologies. The expertise and experience of the Company's personnel coupled with an efficient substation support system make the Company perfectly positioned to respond speedily to emergencies and remove them in an efficient manner.

#### *Design, construction and comprehensive modernisation of railway lines*

On the rail infrastructure market, ZUE specialises in earthworks and substructure, drainage systems, civil structures and buildings (station buildings, depots and switch towers), development of new railway lines and sidings, upgrade and repair of tracks and low-voltage electric installations. In addition, the Company executes the tasks related to clearing landslide from railway lines. Services are provided with the use of modern geosynthetic materials of cellular structure enabling a new engineering approach to the design and development of geotechnical structures used to stabilize and reinforce the land.

By offering comprehensive services related to the design, construction and repairs of tracks as well as assembling and delivering railway fittings, the Company has become a contractor able to perform construction contracts on its own.

#### *Services in the field of power networks and power electronic services*

Power electronic services are another key area of the Company's activities. Our competence and equipment base allow the Company to perform a variety of works in the field of low and medium voltage networks:

- design and construction of cable and overhead lines;
- design and construction of fixed and overhead transformer stations;
- design and construction of LV power cable lines;

- design and construction of MV and high voltage cable lines (110 kV);
- construction of road traffic signalling from design to implementation and commissioning of the entire system;
- design, installation and maintenance of street lighting;
- telecommunications technology – systems for traditional utilities (construction of telecommunications ducts by trenching or jacking) and for fibre-optic lines (special ducts or suspending fibre lines on poles, such as traction poles).

The Company's key activities include:

- *Construction and maintenance of street lighting*

In the field of street lighting, ZUE performs both construction works (from design to completion) and ongoing maintenance of lighting lines using specialized equipment and means of communication allowing thorough maintenance of the lighting system. High competence of ZUE in this field is confirmed by the routine maintenance of street lighting in the City of Cracow and Municipality of Jerzmanowice (covering a total of more than 50,000 lighting points).

- *Construction of cable lines and fault location*

In the field of construction of the cable lines and fault location, the Company's offer includes the construction and repair of low and medium voltage cable lines, both as regards connections between the existing objects as well as related to the construction of new stations. The Company's power engineering laboratory holds mobile equipment for fault location on various types of power lines to locate common line faults such as short circuits or wire breaks as well as location of more complex defects (search for a damaged wire in a cable bundle etc.).

- *Construction of traffic signalling*

ZUE offers comprehensive construction of street traffic signalling, from design to completion and commissioning of the entire signalling system, using signalling products from the suppliers that who guarantee high quality of components and timely deliveries.

- *Telecommunications technology*

As regards telecommunications technology, ZUE offers the construction of telecommunications systems for traditional utilities (construction of telecommunications ducts by trenching or jacking) and for fibre-optic lines (special ducts or suspending fibre lines on poles, such as traction poles). Within the framework of its activities, ZUE constructed a number of telecommunication installations, including for customers from the telecommunications sector.

- *Traffic light controllers for public transport rail vehicles*

Traffic light controllers offered by ZUE are complementary to our services of constructing traffic light systems. The controllers offered by ZUE are designed for top comprehensive performance of the signalling tasks, both in terms of operation and work optimization. Their functionality allows to dynamically maximize throughput at an intersection in the microscale and support the network optimization in the macroscale as well as "smart" assigning of priority to public transport and emergency vehicles. In addition, the system supports all the modern detection methods, such as video, induction loops, infrared, laser, ultrasound etc. as well as all the navigation and radio systems.

## 2. Sales trends

ZUE operates on the entire Polish market. The Company's core business consists of engineering and construction activities related to the construction of urban and rail transport infrastructure.

The construction sector uses the EU aid funds. A considerable part of the funding is used to support infrastructure investments, including the construction of roads and railways. The increased expenditure on infrastructure resulted in new contracts entered into between the Group companies and the authorities managing urban and rail infrastructure and a high likelihood of signing a major power contract.

The urban infrastructure construction contracts performed in 2013 included:

- Construction works under the investment project "Extension of the tramway of Poznański Szybki Tramwaj (PST – Poznań Speed Tram) to Dworzec Zachodni (Western Railway Station)."
- Comprehensive design and construction of a public road - railway works (no road works) with construction of two heated temporary turnouts and traction power supply works in connection with the Integrated Transport Centre in Poznań investment.
- Modernisation of the Warszawa Zachodnia – Warszawa Okęcie section of E8 railway line and the construction of the Warszawa Służewiec – Okęcie Airport siding, Construction of tramway from the city centre to the Bydgoszcz Główna railway station along with the extension of the Marszałka Focha, Naruszewicza, Dworcowa and Zygmunta Augusta Streets in Bydgoszcz.
- Reconstruction of the tramway track and OCL network at Zakład Tramwajowy no. II in the Słowiańska Street in Wrocław.
- Construction of the *Obrazkowa* OCL substation in Warsaw.
- Design and reconstruction (upgrade) of the tramway track along the Aleje Jerozolimskie in Warsaw – the Dmowskiego Roundabout.
- Upgrade of the tramway track in the 3 Maja Street in Zabrze – project no. 51.

In 2013, ZUE continued to provide urban infrastructure construction services including:

Poznań

- Construction of the Franowo tram depot.



Apart from the continued urban infrastructure construction works, the Company signed the following new contracts:

- 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.
- Construction of trolleybus traction with power supply system and *Poręba* substation, and reconstruction of street lighting system in the following streets: Jana Pawła II (from Armii Krajowej to Granitowa), Armii Krajowej (from Jana Pawła II to Orkana) and Granitowa in Lublin.
- 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 the 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 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).
- Reconstruction of the tramway track and OCL network at Zakład Tramwajowy no. II in the Słowiańska 16 Street in Wrocław.
- Reconstruction of the tramway tracks in the tram traffic routes in Szczecin: the Piastów Avenue, the Wawrzyniaka Street and the intersection of the Bohaterów Warszawy and Jagiellońska Streets.
- Reconstruction of the Pogodno tram depot in Szczecin.
- Removal of the collision effects in the Warsaw Chopin Airport junction.
- Upgrade of the Motoarena terminus in Toruń.
- Upgrade of the tramway track along the Gliwicka Street from the *Lisa* tram stop to the borders of Katowice and Chorzów. Reconstruction of OCL network (project no. 11a), Upgrade of the tramway track in the tram crossing in the Bracka Street in Katowice.

In 2013, ZUE continued the work involving ongoing maintenance, servicing and emergency repair of tram infrastructure and street lighting in Cracow (over 65,000 lighting points) under maintenance contracts entered into with the Public Infrastructure and Transport Authority of Cracow. In the period under analysis, the Company carried out the works to ensure smooth functioning of tracks, switches and overhead contact system at OT and TH as well as managing ongoing operation of the power supply system at MV (15kV) substations OS-1, OS-2 in Cracow.

Selected projects executed by ZUE on the rail infrastructure construction market in 2013:

- Construction works as part of comprehensive modernisation of stations and tracks in the area of the Działdowo Local Control centre, the Warsaw – Gdynia section of E65/C railway line.
- Modernisation of the Biadolino – Tarnów section of E30 railway line Cracow – Medyka.

- Reconstruction of the Pyskowice station and the replacement of OCL network in the tracks no. 1 and no. 2 of the Pyskowice – Paczyna route up to 44.4km and the reinforcement of the substructure in the tracks no. 1 and no. 2 between 43.100km and 43.500km of the line 132 as part of the following project: “Upgrade of the railway line no. 132/135 on the Gliwice Łabędy – Strzelce Opolskie – Opole Groszowice section.”
- Reconstruction of the railway infrastructure on the line no. 61, Koniecpol - Turów section, as part of the following project: “Revitalization of the track no. 1 of the railway line no. 61.”
- Modernisation of the Wrocław – Zgorzelec railway line no. 274, Wrocław – Jelenia Góra section – upgrade of OCL network with auxiliary works, track no. 2, Smolec – Kąty Wrocławskie section.
- Reconstruction of the infrastructure of the Katowice railway station at Platforms 2, 3 and 4 as part of the following investment: “Modernisation of the track layout at lines no. 1, 137 and 139 and the passenger infrastructure at the Katowice Osobowa station.”
- Construction works as part of the following project: “Reconstruction of railway siding and internal access roads at Elektrownia Rybnik S.A. with associated infrastructure.”
- Reconstruction of the Tarnów Mościce station (72.8km – 74.6km) involving track, drainage and construction works as part of the following task: “Design and completion of construction works on the Cracow – Medyka – state border railway line, Biadolin – Tarnów section between 61.300km and 80.200km” as part of the following Project: “Modernisation of E 30/C-E 30 railway line, Cracow – Rzeszów section, stage III.”
- Reconstruction of the Tunel station as part of the following task: “Upgrade of the Tunel station on the railway line no. 8 Warszawa Zachodnia – Kraków Główny Osobowy.”

Apart from the continued rail infrastructure works, the Company signed the following new contracts:

- Design and construction services for the following project: “Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie – Dąbrowa Górnicza Ząbkowice – Jaworzno Szczakowo section.”
- Upgrade of the track no. 2 of the railway line no. 61 Kielce – Fosowskie on the Koniecpol – Częstochowa Stradom section as part of the following project: “Upgrade of the railway line no. 61 and 572 on the Włoszczowa Północ – Częstochowa Stradom section.”
- Comprehensive reconstruction of OCL network in the track no. 2 on the Koniecpol – Turów section, railway line no. 61 Kielce – Fosowskie.

In 2013, the Company continued to extend its abilities related to power networks to include high-voltage systems. On 6 November 2013, the consortium including ZUE submitted the lowest price tender for the following project: “Construction of the double track 400 kV Kozienice – Ołtarzew.”

### 3. Reliance on one or several customers

In 2013, ZUE operated on the urban infrastructure market as standalone contractor, consortium leader or partner and, for certain projects, as subcontractor. As a service provider, ZUE did not depend on a single customer but cooperated with the authorities managing tram infrastructure in all major cities. The structure of ZUE’s customer base in the period under analysis reflected the nature of services sold by the Company under contracts awarded on a one-off basis through tenders and/or by way of trade negotiations.

The Company operated on the rail infrastructure market as an independent contractor, consortium member or subcontractor. In 2013, the Company’s rail infrastructure repair and construction services

were mainly provided to PKP Polskie Linie Kolejowe S.A. Investment Centre. ZUE is not formally linked to any customer whose share of the sales is at least 10%.

Customer	Service	% share of revenue in 2013
PKP Polskie Linie Kolejowe S.A.	Rail infrastructure construction services	39
OHL ZS, a.s. S. A. Polish Branch	Rail infrastructure construction services	15
Other	Urban and rail infrastructure construction services	46

#### 4. Supply sources

Given the nature of operations (the provision of specialist construction and assembly services, also as a general contractor), the Company's suppliers mainly include domestic companies operating on the same market as the Company. The table below sets out the Company's major suppliers as at 31 December 2013 according to the value of transactions. The share of a single supplier does not exceed a 10% share in purchases.

Supplier	Type of purchase	% share in 2013
MORIS Spółka z o.o.	Materials	6
Wytwórnia Podkładów Strunobetonowych STRUNBET Sp. z o.o.	Materials	5
THYSSENKRUPP GFT Polska Sp. z o.o.	Materials and services	5
Zakłady Automatyki KOMBUD SA	Design and construction services	4
Other	Design and construction services, supply of materials	80

## II. MAJOR CONTRACTS

### 5. Contracts for construction and assembly services and delivery of goods

Major contracts signed in 2013 include:

- On 8 January 2013, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., a subsidiary of ZUE S.A., and PKP Polskie Linie Kolejowe S.A. signed the construction contract (reconstruction of the Tunel station) 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. Completion date: 30 November 2013.
- On 25 January 2013, ZUE S.A. and Tramwaje Śląskie S.A. of Chorzów concluded the construction contract for the following projects: 1) "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 2) "Upgrade of the tramway track along the 3 Maja Street in Zabrze" (project no. 51). Contract net value: PLN 16,647,267.92. Completion date: 12 months of the contract date.
- On 25 January 2013, ZUE S.A. and Tramwaje Śląskie S.A. of Chorzów concluded the construction contract for the following projects: 1) 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; 2) Upgrade of crossings in Sosnowiec: 3-go Maja Street, the intersection of Parkowa and Mościckiego Streets" (project no. 28); 3) Upgrade of a tramway in the 3-go Maja Street in Sosnowiec – from the interchange to the Zagórze terminus" (project no. 29). Contract net value: PLN 26,293,505.13. Completion date: 20 months of the contract date.
- On 25 March 2013, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., a subsidiary of ZUE S.A., and PKP Polskie Linie Kolejowe S.A. signed the design and construction contract for the following project: "Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie – Dąbrowa Górnicza Ząbkowice – Jaworzno Szczakowo section." Contract net value: PLN 357,147,465.00. Completion date: 728 days.
- On 11 October 2013, ZUE S.A. and the city of Szczecin signed the construction contract for the following project: "Design and construction works consisting in the reconstruction of the Pogodno tram depot in Szczecin" as part of the following project: "Construction and reconstruction of tracks in Szczecin co-funded by the EU." Contract net value: PLN 110,000,000. Completion date: 31 January 2015.
- On 13 November 2013, the consortium of:
  - ZUE S.A. of Cracow (Leader);
  - TOR-KAR-SSON Sp. z o.o. Spółka komandytowa of Warsaw (Partner); and
  - Zbigniew Kargul entered into the Central Business Register conducting a business activity under the name Przedsiębiorstwo Tor-Kar-Sson Zbigniew Kargul of Warsaw (Partner);

concluded the contract with the city of Szczecin. The contract provided for the reconstruction of the tramway track together with OCL network and associated infrastructure and the associated works for the following task: "Reconstruction of tramway tracks along the tramways in Szczecin: 1) the Piastów Avenue; 2) the Wawrzyniaka Street; 3) the intersection of the Bohaterów Warszawy and Jagiellońska Streets as part of the following project:

“Construction and reconstruction of tracks in Szczecin co-funded by the EU.” Contract net value: PLN 36,172,891.00. Completion date: 6 months of the contract date.

- On 29 November 2013, ZUE S.A. and CTL Service Sp. z o.o. of Sosnowiec signed the contract for the comprehensive reconstruction of OCL network of the track no. 2 of the railway line no. 61 Kielce – Fosowskie on the Koniecpol – Częstochowa Stradom section as part of the following project: “Upgrade of the railway line no. 61 and 572 on the Włoszczowa Północ – Częstochowa Stradom section.” Contract net value: PLN 19,740,000. Completion date: 28 November 2014.
- On 10 December 2013, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., a subsidiary of ZUE S.A., and PKP Polskie Linie Kolejowe of Warsaw signed the contract for the upgrade of the track no. 2 of the railway line no. 61 Kielce – Fosowskie on the Koniecpol – Częstochowa Stradom section as part of the following project: “Upgrade of the railway line no. 61 and 572 on the Włoszczowa Północ – Częstochowa Stradom section.” Contract net value: PLN 35,675,300. Completion date: 28 November 2014.

## 6. Bond and guarantee agreements

Bond and guarantee agreements concluded by ZUE in 2013:

- On 26 March 2013, ZUE together with PRK and BIUP, and Generali Towarzystwo Ubezpieczeń S.A. with registered office in Warsaw (the “Guarantor”) signed the annex no. 2 to the master agreement of 18 April 2011 for the provision of project-related guarantees under a revolving guarantee facility. Under the annex, the limit of the facility was changed from PLN 44,200,000.00 to PLN 41,400,000.00 with the following breakdown:
  - ZUE: PLN 41,400,000;
  - PRK: PLN 15,000,000;
  - BIUP: PLN 200,000.
- On 8 April 2013, ZUE and TUiR Allianz with registered office in Warsaw signed an annex to the agreement of 25 October 2004 (as amended) for the provision of project-related bonding products. Under the annex, the limit of the facility was changed from PLN 35,000,000.00 to PLN 20,000,000.00 and the term of the agreement was extended until 1 April 2014.
- On 28 May 2013, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna and Bank Millennium S.A. signed the overdraft facility agreement no. 5700/13/400/04. Repayment date: 22 May 2014. Interest: 1M WIBOR + margin. On 26 February 2014, the name of the borrower was changed to ZUE S.A. under the annex no. A1/5700/13/400/04.
- On 17 April 2013, ZUE and PRK, and Powszechny Zakład Ubezpieczeń S.A. with registered office in Warsaw (“PZU”) signed an annex to the agreement of 29 April 2010 (as amended) for the provision of project-related bonding products. Under the annex, the limit of the facility was changed from PLN 120,000,000.00 to PLN 80,000,000.00 and the term of the agreement was extended until 16 April 2014.
- On 9 October 2013, ZUE and PRK, and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. with registered office in Warsaw (the “Guarantor”) signed the annex no. 1 to the agreement of 10 July 2012 for the provision of project-related bonding products (bid bonds, performance bonds, defects liability bonds and advance payment bonds) within a specified limit of the facility. Under the annex, the limit of the facility was

changed from PLN 50,000,000.00 to PLN 40,000,000.00 and the term of the agreement was extended until 12 September 2014.

## 7. Insurance agreements

Personal and property insurance is provided to ZUE by the following financial institutions:

- PZU S.A.:
  - Third party, accident and comprehensive motor insurance.
  - Construction equipment and machinery damage insurance.
  - Liability insurance.
- Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.:
  - Comprehensive all risk insurance for the company's assets (Jugowicka 6A, Czapińskiego 3, Magdalenka ul. Orzechowa 2 in Warsaw, Cracow ul. Półtanki 21, construction sites in the territory of Poland) - buildings and structures, plant and equipment, portable containers, third party property, inventories, employee property, electrical damage to electrical machines, cash in a locker, hardware and electronic equipment.
  - Insurance of electronic equipment against theft, portable equipment, temporary storage or temporary operation stoppage.
  - Insurance of construction equipment and machinery in the company's registered office and the places where the machines are operated in the territory of Poland.
  - Construction risks insurance, property insurance, liability insurance for construction contracts.
- Towarzystwo Ubezpieczeń Allianz Polska S.A.:
  - Property insurance, liability insurance for construction contracts.
  - Issue prospectus liability insurance.
  - Liability insurance for members of the company's governing bodies.
- AXA Towarzystwo Ubezpieczeń i Reasekuracji S.A.:
  - Rolling stock comprehensive insurance.
- GENERALI Towarzystwo Ubezpieczeń S.A.:
  - Construction risks insurance, property insurance, liability insurance for construction contracts.
  - Technical insurance.
- Leader: AXA Towarzystwo Ubezpieczeń i Reasekuracji S.A. Co-insurer: Generali T.U. S.A.:
  - Business activity and property liability insurance except for Liability for Product and Service.

## 8. Credit facility agreements

- On 14 May 2013, ZUE S.A. and mBank S.A. (previously BRE BANK S.A.) signed the annex no. 10 to the CREDIT FACILITY AGREEMENT no. 07/183/04/Z/VV. Under the annex, the

repayment date was changed from 22 May 2013 to 15 May 2014. Interest: O/N WIBOR for interbank credits + margin.

- On 28 May 2013, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna and Bank Millennium S.A. signed the overdraft facility agreement no. 5700/13/400/04. Repayment date: 22 May 2014. Interest: 1M WIBOR + margin at 0.8%. On 26 February 2014, the name of the borrower was changed to ZUE S.A. under the annex no. A1/5700/13/400/04.
- On 21 August 2013, ZUE S.A. and Bank Millennium S.A. signed the annex no. A4/2749/11/475/04 to the revolving credit facility agreement no. 2749/11/475/04 of 23 August 2011. Under the annex, the repayment date was changed from 23 August 2013 to 21 September 2013.
- On 12 September 2013, ZUE S.A. and Bank Millennium S.A. signed the annex no. A5/2749/11/475/04 to the revolving credit facility agreement no. 2749/11/475/04 of 23 August 2011. Under the annex, the repayment date was changed from 21 September 2013 to 23 May 2014.
- On 7 January 2014, the revolving credit facility under the agreement no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A. was repaid in full. The security was released and the agreement was terminated on 7 January 2014.

## 9. Agreements between shareholders

- The Company does not hold any information about any major agreements between the shareholders.

### III. CORPORATE EVENTS

- On 14 May 2013, the Supervisory Board of ZUE resolved to appoint Roedl Audit Sp. z o.o. with registered office in Warsaw to review the separate and consolidated interim financial statements and to audit the separate and consolidated annual financial statements of the Company for the financial year 2013.

Roedl Audit is authorized to audit financial statements and has been entered on the list maintained by the National Council of Statutory Auditors (*KRBR*) under entry number 2623.

- On 27 May 2013, the Ordinary General Meeting of ZUE resolved under the resolution no. 6 to cover the loss for the financial year 2012 of PLN 1,282,892.38 from reserve funds
- On 27 May 2013, the following people were appointed for a new three-year term as members of the Supervisory Board under the resolutions no. 21, 22, 23, 24 and 25. The composition of the Supervisory Board remained unchanged and was composed of:
  - Mr. Mariusz Szubra – Supervisory Board Chairman;
  - Mr. Michał Lis – Supervisory Board Member;
  - Mr. Bogusław Lipiński – Supervisory Board Member;
  - Mr. Piotr Korzeniowski – Supervisory Board Member;
  - Ms. Magdalena Lis – Supervisory Board Member.
- On 15 July 2013, the Management Board of ZUE decided about the merger of ZUE and PRK.
- On 6 December 2013, the Extraordinary General Meeting of ZUE resolved under the resolution no. 4 to merge the Company with PRK.
- On 6 December 2013, the Extraordinary General Meeting of ZUE resolved under the resolution no. 5 to accept the amendments to the Company's Articles of Association.
- On 6 December 2013, the Extraordinary General Meeting of ZUE resolved under the resolution no. 7 to apply for admission and introduction of the Company's class C shares to trading on the regulated market, dematerialise class C shares and give the authority for the conclusion of the agreement with the Central Securities Depository.
- On 13 December 2013, the Management Board of ZUE learnt from Mr. Wiesław Nowak – President of the Company's Management Board – of his sale on 12 December 2013, via IPOPEMA Securities S.A., of 1,600,000 class A shares of the Company with the average sales price of PLN 9.60 per share. The shares were sold in the regular trading session of the Warsaw Stock Exchange. As a result of the transaction, the share of Mr. Wiesław Nowak in the total vote at the Company's General Meeting decreased from 72.73% to 65.45%.
- On 20 December 2013, the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, registered the merger of ZUE and PRK and the amendments to the Company's Articles of Association, including a change in the amount of the Company's shares capital from PLN 5,500,000.00 to PLN 5,757,520.75.
- On 23 December 2013, the Supervisory Board of ZUE resolved to appoint Ms. Anna Mroczek as member of the Company's Management Board as of 24 December 2013.
- On 24 December 2013, the Company received a notice from AMPLICO PTE S.A. according to which AMPLICO Otwarty Fundusz Emerytalny, an entity managed by AMPLICO PTE S.A., had increased its shareholding and held more than 5% of the total vote at the Company's General Meeting. The increase was a result of the acquisition of the Company's shares on 12 December 2013.



Prior to the transaction, AMPLICO held 661,659 shares representing 3.01% of the Company's share capital. After the transaction, AMPLICO held 1,461,659 shares representing 6.64% of the Company's share capital.

#### IV. CURRENT AND FORECAST FINANCIAL POSITION AND BASIC ECONOMIC AND FINANCIAL INFORMATION

##### 1. Financial result and basic factors and untypical events with a bearing on the result

The financial statements of the Company for the period ended 31 December 2013 have been the first annual report prepared after the merger of ZUE and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna effected on 20 December 2013. The data for the prior financial year comes from the separate financial statements of ZUE as the acquiring company. This is the main reason for highly dynamic changes in certain items that occurred on a year-on-year basis.

##### Statement of comprehensive income

In 2013, revenue generated by the Company stood at PLN 402,796 thousand and increased year-on-year by 22.7%. Cost of sales grew by 18.6% to amount to PLN 379,045 thousand. Gross profit on sales was PLN 23,751 thousand and grew by 178.9% compared to the analogous figure of 2012.

Operating profit in 2013 amounted to PLN 8,254 thousand and grew year-on-year by PLN 10,406 thousand.

In 2013, the Company's net profit amounted to PLN 7,642 thousand and increased by PLN 9,946 thousand compared to the comparative data of 2012.

Item (PLN '000)	2013	2012	Change	% change
Revenue	402,796	328,247	74,549	22.7%
Cost of sales	379,045	319,731	59,314	18.6%
Gross profit (loss)	23,751	8,516	15,235	178.9%
General and administrative expenses	17,867	10,993	6,874	62.5%
Other operating income	5,327	1,436	3,891	270.9%
Other operating expenses	2,958	1,111	1,846	166.1%
Operating profit (loss)	8,254	-2,152	10,406	-483.55%
Financial income	3,417	3,222	194	6.0%
Financial expenses	2,238	3,506	-1,269	-36.2%
Pre-tax profit (loss)	9,433	-2,436	6,997	-287.2%
Corporate income tax	1,791	-132	1,923	1454.7%
Net profit (loss)	7,642	-2,304	9,946	-431.7%
Net profit (loss)	7,642	-2,304	9,946	-431.7%

### Statement of financial position

As at the end of the reporting period, total assets of the Company amounted to PLN 390,169 thousand and increased year-on-year by PLN 47,606 thousand (13.9%).

Non-current assets as at 31 December 2013 decreased over the year by PLN 14,888 thousand; i.e. by 9.5%.

The goodwill of PLN 31,172 thousand and the leasehold value (difference in the fair value of the net assets at acquisition) of PLN 15,956 thousand (adjusted for a deferred tax asset) disclosed in the separate financial statements at the merger date were calculated as at the date the control of PRK was acquired by ZUE and follow from the consolidated financial statements of the ZUE Capital Group. Changes in interests resulting from the merger were accounted for as changes in equity.

Investments in subsidiaries also changed in connection with the completed merger of ZUE S.A. and PRK Kraków S.A. and dropped by PLN 77,505 thousand.

Compared to 2012, non-current receivables saw a drop by PLN 37,957 thousand.

Current assets increased year-on-year by PLN 62,493 thousand; i.e. by 33.6%. Cash and cash equivalents, which grew by PLN 39,414 thousand, had the greatest impact on the increase in current assets.

As at 31 December 2013, total assets amounted to PLN 390,169 thousand and increased by 13.9% when compared with the end of 2012.

Item (PLN '000)	2013	2012	Change	% change
Property, plant and equipment	64,166	24,139	40,027	165.8%
Investment property	8,660	0	8,660	100%
Intangible assets	11,223	1,629	9,594	589.1%
Goodwill	31,172	0	31,172	100%
Investments in subsidiaries	3,100	80,605	-77,505	-96.2%
Non-current receivables	0	37,957	-37,957	-100.0%
Retentions on construction contracts	1,644	53	1,591	3004.6%
Deferred tax assets	21,915	12,413	9,503	76.6%
Other assets	27	0	27	100.0%
<b>Total non-current assets</b>	<b>141,907</b>	<b>156,795</b>	<b>-14,888</b>	<b>-9.5%</b>
Inventories	18,010	16,548	1,462	8.8%
Trade and other receivables	171,696	152,704	18,992	12.4%
Retentions on construction contracts	5,219	3,644	1,575	43.2%
Current tax assets	0	0	0	
Other assets	1,938	1,856	83	4.5%
Loans advanced	1,754	785	969	123.4%
Cash and cash equivalents	49,645	10,232	39,414	385.2%
<b>Total current assets</b>	<b>248,262</b>	<b>185,768</b>	<b>62,494</b>	<b>33.6%</b>
<b>Total assets</b>	<b>390,169</b>	<b>342,563</b>	<b>47,606</b>	<b>13.9%</b>

As at the end of the reporting period, equity grew year-on-year by PLN 22,043 thousand to reach PLN 192,435 thousand.

Non-current liabilities of the Company as at 31 December 2013 increased by PLN 3,578 thousand compared to the figure reported as at 31 December 2012. Long-term bank borrowings and other debt instruments saw the greatest drop (58.2%) and amounted to PLN 9,551 thousand.

Current liabilities at the end of 2013 increased year-on-year by PLN 21,984 thousand and amounted to PLN 151,924 thousand.

Item (PLN '000)	2013	2012	Change	% change
Share capital	5,758	5,500	258	4.7%
Share premium account	93,836	85,361	8,475	9.9%
Retained earnings	92,841	79,531	13,310	16.7%
<b>Total equity</b>	<b>192,435</b>	<b>170,391</b>	<b>22,043</b>	<b>12.9%</b>
Long-term bank borrowings and other debt instruments	9,551	22,840	-13,289	-58.2%
Retentions on construction contracts	8,958	3,046	5,912	194.1%
Other financial liabilities	0	0	0	0.0%
Long-term liabilities under employee benefits	705	128	577	452.2%
Deferred tax liability	19,959	14,121	5,838	41.3%
Long-term provisions	6,637	2,097	4,540	216.5%
<b>Total non-current liabilities</b>	<b>45,810</b>	<b>42,232</b>	<b>3,578</b>	<b>8.5%</b>
Trade and other payables	88,318	80,913	7,405	9.2%
Retentions on construction contracts	6,630	7,134	-504	-7.1%
Short-term bank borrowings and other debt instruments	40,377	39,133	1,244	3.2%
Other financial liabilities	0	0	0	0%
Short-term liabilities under employee benefits	7,321	2,345	4,976	212.2%
Current tax liabilities	2,943	0	2,943	100%
Short-term provisions	6,335	415	5,920	1426.6%
<b>Total current liabilities</b>	<b>151,924</b>	<b>129,940</b>	<b>21,984</b>	<b>16.9%</b>
<b>Total liabilities</b>	<b>197,734</b>	<b>172,172</b>	<b>25,563</b>	<b>14.8%</b>
<b>Total equity and liabilities</b>	<b>390,169</b>	<b>342,563</b>	<b>47,606</b>	<b>13.9%</b>

### Statement of cash flows

The Company's cash at the end of 2013 amounted to PLN 49,645 thousand. The Company generated positive net cash flows from operating activities of PLN 12,030 thousand, negative net cash flows from investing activities of PLN -8,872 thousand and negative net cash flows from financing activities of PLN -22,272 thousand (compared to PLN 9,000 thousand in 2012).

Item (PLN '000)	2013	2012
Cash at the beginning of the year	10,232	19,724
Net cash flows from operating activities	12,030	-19,464
Net cash flows from investing activities	-8,872	970
Net cash flows from financing activities	-22,272	9,000
Total net cash flows	39,402	-9,494
Foreign exchange gains / (losses)	11	0
Cash at the end of the year	49,645	10,232

## 2. Financial analysis

### Profitability ratios

In 2013, gross margin grew year-on-year by 3.3 p.p. and amounted to 5.9%. EBITDA increased by PLN 14,498 thousand and amounted to PLN 15,498 thousand. EBITDA margin increased by 3.6 p.p. 2013 net margin increased year-on-year by 2.6 p.p. to 1.9%.

Return on assets (ROA) stood at 2% and was higher by 2.7 p.p. compared to the analogous figure of 2012. Return on equity (ROE) increased by 5.4 p.p. to reach 4.0%.

Item	2013	2012
Gross margin	5.9%	2.6%
EBITDA	15,498	1,000
EBITDA margin	3.9%	0.3%
EBIT margin	2.0%	-0.7%
Gross margin	2.3%	-0.7%
Net margin	1.9%	-0.7%
ROA	2.0%	-0.7%
ROE	4.0%	-1.4%

Formulas used to calculate the ratios:

Gross margin = gross profit / revenue

EBITDA = operating profit + depreciation / amortisation

EBITDA margin = EBITDA / revenue

EBIT margin = EBIT / revenue

Gross margin = gross profit / revenue

Net margin = net profit / revenue

ROA = net profit / assets

ROE = net profit / equity

### Liquidity ratios

At the end of the reporting period, working capital was PLN 96,338 thousand and increased by PLN 40,510 thousand compared to 2012.

Current ratio at the end of 2013 was 1.6 and increased year-on-year by 0.2 p.p. Quick ratio saw a growth by 0.2 p.p. compared to the analogous item of 2012. Cash ratio increased year-on-year by 0.2 p.p. and was 0.3.

Item	2013	2012
Working capital	96,338	55,828
Current ratio	1.6	1.4
Quick ratio	1.5	1.3
Cash ratio	0.3	0.1

*Formulas used to calculate the ratios:*

*Working capital = current assets – current liabilities*

*Current ratio = current assets / current liabilities*

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

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

### Debt ratios

As at 31 December 2013, debt ratio, debt to equity ratio, short-term debt ratio and long-term debt ratio were the same as the items recognised as at 31 December 2012. Equity to non-current assets ratio grew from 1.4 in 2012 to 1.7 in 2013. Interest coverage ratio increased significantly to reach 4.6%. The item reflects the Company's ability to repay a loan (bank borrowing) from the Company's operating profit.

Item	2013	2012
Debt ratio	0.5	0.5
Debt to equity ratio	1.0	1.0
Equity ratio	0.6	0.5
Equity to non-current assets ratio	1.7	1.4
Short-term debt ratio	0.4	0.4
Long-term debt ratio	0.1	0.1
Interest coverage ratio	4.6	-0.4

*Formulas used to calculate the ratios:*

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

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

*Equity ratio = equity / total assets*

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

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

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

*Interest coverage ratio = EBIT / interest*

### 3. Financial resource management

At the end of the reporting period, the Company's cash amounted to PLN 49,645 thousand and increased year-on-year by PLN 39,413 thousand.

The main financial instruments used by the Company in 2013 included:

- bank borrowings and finance lease whose aim was to obtain funds for the Company's operating and investing activities;
- trade and other receivables and payables, cash and short-term deposits during the course of the Company's operations.

In 2013, ZUE and Bank Millennium signed the overdraft facility agreement. In addition, the Company signed annexes to credit facility agreements described in detail in chapter II item 4: Credit facility agreements.

At the end of the reporting period, the amount available under the facilities was PLN 123,000 thousand.

The repayment dates were extended for the credit facility agreements no. 07/183/04/Z/VV (mBank S.A.) and 2749/11/475/04 (Bank Millennium S.A.). The revolving credit facility under the agreement no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A. was repaid in full. The security was released and the agreement was terminated on 7 January 2014.

At the end of the reporting period, net debt was PLN 282 thousand and increased year-on-year by PLN 51,460 thousand.

Item (PLN '000)	At 31.12.2013	At 31.12.2012
Bank borrowings and other debt instruments and other financing sources (long-term)	9,551	22,840
Bank borrowings and other debt instruments and other financing sources (short-term)	40,377	39,133
<b>Total</b>	<b>49,928</b>	<b>61,973</b>

#### 4. Human resource management

At the end of the reporting period, the Company employed 709 people, including 81 women.

Proportion of women and men in management and supervisory functions:

	2013				2012			
	Management Board		Supervisory Board		Management Board		Supervisory Board	
	Number of people	% share	Number of people	% share	Number of people	% share	Number of people	% share
Women	1	20%	1	20%	0	0%	1	20%
Men	4	80%	4	80%	4	100%	4	80%
Total	5	100%	5	100%	4	100%	5	100%

The total number of employees included 226 white collar workers and 483 blue collar workers.

Employment structure at ZUE S.A. according to the types of activity in 2013–2012.

Activity	2013	2012
Management and administration	102	38
Sales and marketing	15	7
Production	471	300
Engineers and technicians	121	85
<b>TOTAL</b>	<b>709</b>	<b>430</b>

The Company's employment structure according to education in 2013–2012.

Education	2013	2012
Elementary	83	39
Vocational	236	153
Secondary	226	132
Higher	164	106
<b>TOTAL</b>	<b>709</b>	<b>430</b>

In 2013, the Company paid the gross remuneration of PLN 48,723 thousand under employment contracts and the gross remuneration of PLN 277 thousand under mandate or work-for-hire agreements.

The significant discrepancies in the comparative data are the result of the merger of ZUE and PRK effected in 2013 and a joint presentation as ZUE.



## 5. Remuneration of ZUE key management personnel

ZUE Management Board	Period	Remuneration (PLN)
Wiesław Nowak	01.2013 – 12.2013	734,122.40
Marcin Wiśniewski	01.2013 – 12.2013	342,000.00
Maciej Nowak	01.2013 – 12.2013	264,000.00
Jerzy Czeremuga	01.2013 – 12.2013	263,245.75
Anna Mroczek	21.12.2013 – 31.12.2013	5,500.00
Management Board of PRK	01.2013-20.12.2013	1,505,633.95

Ms. Anna Mroczek was appointed as member of the Management Board as of 24 December 2013.

ZUE Proxy	Period	Remuneration (PLN)
Barbara Nowak	01.2013 – 12.2013	284,395.20

ZUE Supervisory Board	Period	Remuneration (PLN)
Bogusław Lipiński	01.2013 – 12.2013	101,530.00
Magdalena Lis	01.2013 – 12.2013	59,409.82
Michał Lis	01.2013 – 12.2013	97,870.15
Mariusz Szubra	01.2013 – 12.2013	6,000.00
Piotr Korzeniowski	01.2013 – 12.2013	6,000.00

In 2013, 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. Magdalena Lis and Mr. Michał Lis is the remuneration paid under employment contracts plus the remuneration for their service as the Supervisory Board members.

## 6. Occupational health and safety management

In 2003, ZUE implemented an occupational health and safety management system consistent with OHSAS 18001:1997 to ensure the maximum safety of its employees. In 2012, the Company achieved the OHSAS 18001:2007 certification.

No death or collective or serious accident at work was reported in 2013 at ZUE. The number of workplace injuries did not substantially change when compared with 2012. The inspections carried out in 2013 by the National Labour Inspectorate did not reveal any major deviations from applicable labour laws.

Positive effects of occupational health and safety have been produced by:

- a systemic approach to quality, environment and occupational health and safety management;
- regular occupational health and safety trainings for employees;
- preventive measures and risks monitoring;
- regular assessment of workplace and contract risks; and

- provision of proper facilities and resources to improve work conditions.

## 7. Quality system management

ZUE has for many years provided the highest quality services taking account of the safety of its employees and customers and the needs of the natural environment. This has been confirmed by the certificates awarded to the Company.

In 2000, ZUE implemented a quality management system in compliance with the ISO 9001 standards. It resulted in the improvement of the quality of services and the company's image among counterparties, especially those from the European Union. In 2003, ZUE implemented an occupational health and safety management system based on the ISO 18001 standard to ensure the safety of the employees and customers of ZUE. In 2006, the Company became ISO 14001 certified to provide for the slightest possible impact of its business activity on the natural environment. This improved the identification and classification of environmental aspects, waste management and the ability to predict and identify any hazardous situations likely to have a negative influence on the environment.

The audits conducted in 2013 confirmed that employees complied with the requirements set out in the abovementioned standards.

In 2014, ZUE will continue its activities with a focus on the compliance with environmental laws, occupational health and safety and quality requirements.

## 8. Growth prospects

The Strategy for Road Transport by 2020 (with the perspective until 2030) adopted by the Council of Ministers on 22 January 2013 provides for implementation of the following fields of intervention in the field of railway infrastructure conditioning the rail transport development:

- consistent upgrade and revitalization of the existing railway lines so that in 2030, the major part of the network should be in good technical condition (i.e. requiring only maintenance) and that TEN-T lines should facilitate travel of trains at a technical speed of at least 100 km/h;
- revitalization and expansion of railway lines in the functional areas of cities as well as initiating actions to improve the integration of rail and road transport;
- upgrade and construction of terminals adapted to handle intermodal container transport by rail;
- by 2020 – taking decisions on the possible construction of a high speed rail system supplemented by the so-called "Y"-line connecting Warsaw, Łódź, Poznań and Wrocław;
- upgrade of railway infrastructure and railway stations;
- replacement of obsolete locomotives and carriages with modern rolling stock corresponding to the specifics of particular market segments;
- development of infrastructure of systems facilitating the management of passenger and freight transport; the gradual implementation of the European Rail Traffic Management System (ERTMS) on the major rail routes.

Long-term Rail Investment Programme until 2015 contains details of the investments in rail infrastructure.

Financing of investments in rail infrastructure depends on the significance of a line. For the lines of state importance, the funds required for the projects executed by the authority managing the national line network are provided by the State.

By 2015, most of the investments executed by the national rail infrastructure authority will be funded by the Cohesion Fund as part of the Infrastructure and Environment Operational Programme for 2007-2013. At the national level, the funding of the projects will come from the Rail Fund and, to a small extent, local authorities, the State budget (a significant source of national contribution to the Infrastructure and Environment Operational Programme projects) and funds of the infrastructure management, including the financing provided by the European Investment Bank.

The sources of financing the rail infrastructure planned for 2010-2015 include:

- the State budget;
- the EU funds;
- the Rail Fund; and
- funds of the infrastructure management (including loans extended by the European Investment Bank).

Apart from the lines of state importance, projects are supported with the funds from the European Regional Development Fund available as part of the Regional Operational Programmes of particular voivodeships. The State's contribution includes the funds provided by local authorities including, in particular, regional authorities, and the funds provided by the authority managing the national rail infrastructure.

The Polish tram market is one of the world's biggest tram markets. It includes 14 tram networks operated by 16 enterprises.

Urban rail transport in Poland is managed by local authorities. There is no central authority responsible for the coordination of this segment. The decisions about investments are made by local authorities and city authorities.

Estimates show that 60-70% of the Polish tram infrastructure needs renovation. Below please find the planned investments.

The Management of the ZUE Group believe the public transport segment will develop in connection with:

- required upgrade of old tracks and OCL;
- development of new city districts and the related need to build new tram lines (e.g. the Upper Silesia Łódź, Bydgoszcz, Grudziądz and Częstochowa plan to extend their tram networks while Olsztyn and Płock intend to build the new ones);
- general policy to promote public transport in response to communication problems faced by Poland's biggest cities ((e.g. continued extension of Krakowski Szybki Tramwaj (Cracow Speed Tram)).

PMR Publications, a research company, say that the power industry will mainly be driven by distribution and transmission lines since many major transactions in this sector have been given up.

Experts expect the expenditure on major projects in the segment to reach PLN 10bn. It is estimated that approximately PLN 55bn will be spent on the upgrade of power networks that are more than 30 years old and need to be replaced.

According to the information provided by operators, in 2009-2013 distribution companies will make the investments to the tune of approximately PLN 27bn (with more than PLN 7bn in 2013). The investments will concern the upgrade of existing or the construction of new lines but they will also include the connection of new power generation facilities and new consumers as well as the investments aimed to streamline the system operation, such as its supervision or remote control.

According to the Energy Regulatory Office, the expenditure is expected to grow to reach PLN 7.4bn in 2015.

Changes in the Group's organisational structure in connection with the merger of ZUE and PRK effected in 2013 will influence its operations. The merger has been aimed at a more efficient use of the companies' potential and the achievement of synergies including a better use of their capacity to deliver services and the achievement of economic and financial synergies, including the reduction of business costs (including the reduction of costs related to the maintenance of a separate entity), simplification of the Group's structure and a more efficient management of the Capital Group.

The cooperation as part of one entity will enable the execution of major investments, more flexible margins and completion dates, better service quality management and the achievement of a position of independent contractor.

## 9. Fundamental risks

Business activity of Polish companies, including the activity of ZUE, is limited by the following risks.

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

ZUE's operation on the urban and rail infrastructure construction market as well as the power market is conditional on Poland's macroeconomic situation including, in particular, GDP growth rate, investments, inflation and unemployment rates and the level of the budget deficit. No new infrastructure contracts and, consequently, lower number of orders is the main contributor to the expected drops in the construction industry in 2014. The new funds from the European Union will be available only in 2014 with a new budget for 2014-2020. Negative changes in Poland's macroeconomic situation, if any, may create a risk to the Company's business activity and, consequently, influence its financial results.

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

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

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

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

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

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

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

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

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

Construction contracts concluded by the Company provide for the obligation to provide performance bonds and defects liability bonds in the form of deposits, or bank or insurance guarantees. Moreover, contracting authorities expect longer warranty periods. These contracts also provide for contractual penalties if a deadline for the completion of the tasks specified therein is missed. The Company cannot exclude the risk of missing a deadline for the completion of construction contracts or the completion of warranty works connected with the removal of defects. Thus, an investor may exercise its right to use the bonds or demand contractual penalties. In addition, the Company cannot exclude the risk of disputes related to the failure to duly or timely perform the contracts. The factors could have a negative impact on ZUE's financial results.

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

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

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

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

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

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

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

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

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

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

- **Risk related to greater employment costs**

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

- **Risk related to atmospheric conditions**

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

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

## **10. Financial risk management**

The Company's operations expose it to different financial risks that include foreign exchange risks, interest rate risks, price risks, credit risks and liquidity risks. The Board determine the policies for managing these risks.

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

The Company'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 Company 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 Company tries to make sure that the contracts with investors provide for the right to stop the works if the payment for the services already performed is delayed. If possible, the contracts also provide for the Company's ability to pay its subcontractors after the Company has been paid by an investor.

The credit risk increased for the Company in 2013 because public sector units 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.

The Company's transactions are sometimes settled 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.

## **11. Assessment of intended investments**

Investments in tangible fixed assets and intangible assets will be made in 2014 at the replacement level due to the extensive investment programme implemented in previous years.

We believe that the level of financial resources as well as available credit and leasing lines are sufficient and thus we anticipate no changes whatsoever in the financing structure.

ZUE does not plan capital investments in 2014.

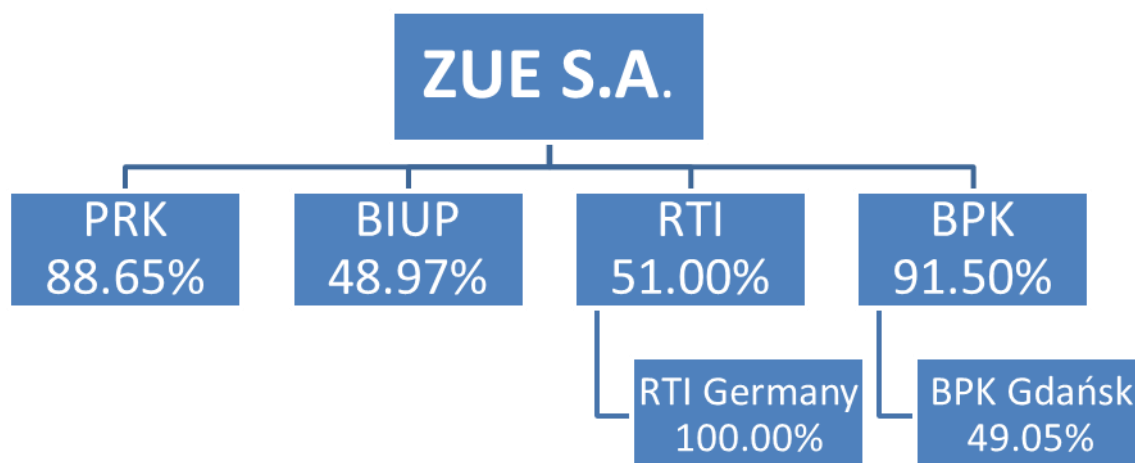
## V. ORGANISATION

### 1. Structure of the ZUE Group

The ZUE Group operates on the entire Polish market. The Group offers comprehensive services in the field of specialized engineering construction in the areas of railway, tram and municipal infrastructure, power engineering, power electronics and enclosed structures.

Composition of the ZUE Group:

- ZUE S.A. with registered office in Cracow (the parent);
- Biuro Inżynierskich Usług Projektowych Sp. z o.o. (subsidiary – a 48.97% interest);
- Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (subsidiary – an 84.25% interest)<sup>1</sup>;
- Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji (associated with BPK – a 49.05% interest)<sup>2</sup>;
- Railway Technology International Sp. z o.o. (subsidiary – a 51.00% interest), the company is not operating; and
- Railway Technology International Germany GmbH (subsidiary of RTI – 100.00% of shares) whose core business is the winning and execution of foreign projects.



<sup>1</sup> On 18 January 2014, ZUE purchased 248 shares in BPK for the total amount of PLN 39,037.68. At the date of the report publication, ZUE held 91.50% of the share capital of PBK.

<sup>2</sup> Direct interest of BPK Poznań in the share capital of BPK Gdańsk. Indirect interest of ZUE in BPK Gdańsk is 41.33%.

ZUE holds 51.00% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the assets and financial position, Railway Technology International Sp. z o.o. was not consolidated as at 31 December 2013.

Railway Technology International Sp. z o.o. holds 100.00% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the assets and financial position, Railway Technology International Germany GmbH was not consolidated as at 31 December 2013.



As at 1 January 2013, BPK held 533 shares in BPK Gdańsk. Given the financial standing of BPK Gdańsk, the value of its shares was written off. On 16 January 2013, BPK purchased another 533 shares in BPK Gdańsk and held the total of 1,066 shares; i.e. 54.25% of the company's share capital. On 15 March 2013, the Extraordinary Shareholders Meeting of BPK Gdańsk resolved to change the composition of the Management Board and the Supervisory Board. Consequently, the ZUE Group gained control of BPK Gdańsk and the company was consolidated as of 31 March 2013.

On 12 June 2013, the Shareholders Meeting of BPK Gdańsk resolved under the resolution no. 14/2013 to dissolve the company (to discontinue the activities and put the company in liquidation) given the company's financial standing.

On 20 June 2013, the District Court Poznań – Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, issued the decision about the increase of the share capital of BPK from PLN 747,500 to PLN 1,747,500.

On 19 July 2013, BPK purchased another 533 shares in BPK Gdańsk and held the total of 1,599 shares; i.e. an 81.37% interest in the company's share capital.

On 30 December 2013, BPK Poznań sold 32.32% of shares in BPK Gdańsk for PLN 15,240 and consequently lost control of the company. The effect of the loss of control of the subsidiary was presented in 2013 consolidated statement of comprehensive income under the Loss of control over subsidiary item (PLN 2,951,192.13). By the date the control was lost, the company was consolidated with the full method and was included in the design segment. As at 31 December 2013, the shares in BPK Gdańsk were measured with the equity method. The fair value of the shares as at the balance sheet date was zero.

Fully consolidated companies as at 31 December 2013 were ZUE, BIUP and BPK.

## 2. Merger of ZUE and PRK

On 15 July 2013, the Management Board of the Company decided about the merger of ZUE and PRK. On 6 December 2013, the Extraordinary General Meeting of ZUE resolved under the resolution no. 4 to merge ZUE with PRK. The merger took place on 20 December 2013 by registering the transaction with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register pursuant to Art. 492 § 1.1 of the Act; i.e. by a transfer of all the assets of PRK to ZUE in exchange for ZUE shares issued to the shareholders of PRK taking account of Art. 514 of the Act whereby ZUE, a shareholder of PRK, did not acquire own shares in exchange for the shares of PRK.

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

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

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

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

### 3. Shares in ZUE's related entities held by members of ZUE's governing and supervisory bodies

**Value of shares held by members of ZUE's governing and supervisory bodies in BIUP as at 31.12.2013**

Shareholder	Position at ZUE	Number of shares	Par value per share (PLN)	Total value of shares (PLN)	Ownership interest
Maciej Nowak	Management Board Vice-President	99	50	4,950	25.5%
Magdalena Lis	Supervisory Board Member	99	50	4,950	25.5%

**Value of shares held by members of ZUE's governing and supervisory bodies in RTI as at 31.12.2013**

Shareholder	Position at ZUE	Number of shares	Par value per share (PLN)	Total value of shares (PLN)	Ownership interest
Wiesław Nowak	Management Board President	290	50	14,500	29%

### 4. ZUE's ownership interest in related entities as at 31.12.2013

Entity	Type of relationship	Number of shares	Par value per share (PLN)	Total par value of shares (PLN)	Ownership interest (%)
BIUP	Subsidiary	190	50	9,500	48.97
RTI	Subsidiary	510	50	25,500	51.00
BPK	Subsidiary	2880	500	1,440,000	84.25
BPK Gdańsk	Associate	964	500	482,000	49.05 <sup>4</sup>
RTI Germany	Indirect subsidiary	1	EUR 25,000	EUR 25,000	100.00 <sup>5</sup>

<sup>4</sup> Direct interest of BPK Poznań in the share capital of BPK Gdańsk. ZUE's indirect interest in BPK Gdańsk is 41.33%.

<sup>5</sup> Direct interest of RTI in RTI Germany.

## VI. INVESTMENTS MADE IN 2013

The total capital expenditure in 2013 was PLN 13,197 thousand. The capital expenditure is detailed in the table below.

Item (PLN '000)	Own funds	Leasing	Bank borrowings	Total
Domestic investments				
Intangible assets	1,318	0	0	1,318
Property, plant and equipment, including:	7,957	3,922	0	11,879
- buildings and structures	811	0	0	811
- plant and equipment	443	0	0	443
- vehicles	6,598	3,922	0	10,520
- Other	105	0	0	105
Equity investments	0	0	0	0
<b>Total domestic investments</b>	<b>9,275</b>	<b>3,922</b>	<b>0</b>	<b>13,197</b>
Total international investments	0	0	0	0

The Company's major investments in 2013 in property, plant and equipment included:

- purchase of fifteen 418Vh dump cars for the total price of PLN 2,550 thousand. The transaction was financed with own funds;
- purchase of four Regs 457Z flat cars for the total price of PLN 360 thousand. The transaction was financed with own funds;
- purchase of M62-1242/224 Engine; purchase price of PLN 3,075 thousand. The transaction was financed under a lease contract;
- purchase of four Kamaz dump trucks for the total price of PLN 600 thousand. Three trucks were financed with own funds and one was financed under a lease contract;
- upgrade of SM42-2625 Engine; purchase price of PLN 485 thousand. The transaction was financed with own funds;
- upgrade of SM30-030 Engine; purchase price of PLN 129 thousand. The transaction was financed with own funds;
- purchase of a special car Mercedes Unimog 1650 for the total price of PLN 571 thousand. The transaction was financed under a lease contract;
- purchase of two MITSUBISHI L200DC INVITE AC trucks for the total price of PLN 149 thousand. The transaction was financed with own funds;
- purchase of ten cars for the total price of PLN 347 thousand. The transaction was financed with own funds.

The Company's investments in intangible assets in 2013 mainly concerned the purchase of software and licences.

## VII. TRANSACTIONS WITH RELATED ENTITIES

As part of its operating activities, ZUE entered into typical arm's length transactions with the related entities.

In 2013, the following services were sold by ZUE to:

- BIUP:
  - other services PLN 278 thousand
- RTI:
  - other services PLN 12 thousand
- BPK:
  - other services PLN 29 thousand

The following services were sold by the related entities to ZUE:

- BIUP:
  - design services PLN 400 thousand
- BPK:
  - design services PLN 1,495 thousand
- Wiesław Nowak:
  - other services PLN 416 thousand
- RTI Germany
  - other services PLN 768 thousand

As at 31 December 2013, ZUE advanced the following loans to the related entities:

Borrower	Description	Principal	Interest rate	Repayment date
RTI	Loan agreement of 09.05.2012	EUR 25.5 thousand	3M EURIBOR + margin	20 Dec 2014
BPK	Loan agreement no. 1/2013 of 27.05.2013	PLN 300.0 thousand	3M WIBOR + margin	31 Mar 2014
BPK	Loan agreement no. 2/2013 of 28.06.2013	PLN 110.0 thousand	3M WIBOR + margin	31 Mar 2014
BIUP	Loan agreement of 28.09.2011	PLN 44.0 thousand	3M WIBOR + margin	20 Dec 2014
BIUP	Loan agreement no. 1/2013 of 14.08.2013	PLN 280.0 thousand	3M WIBOR + margin	20 Dec 2014
BIUP	Loan agreement no. 2/2013 of 14.08.2013	PLN 140.0 thousand	3M WIBOR + margin	20 Dec 2014
BIUP	Loan agreement no. 3/2013 of 26.09.2013	PLN 160.0 thousand	3M WIBOR + margin	20 Dec 2014
BIUP	Loan agreement no. 4/2013 of 29.10.2013	PLN 160.0 thousand	3M WIBOR + margin	20 Dec 2014
BIUP	Loan agreement no. 5/2013 of 27.11.2013	PLN 200.0 thousand	3M WIBOR + margin	20 Dec 2014
BIUP	Loan agreement no. 6/2013 of 30.12.2013	PLN 230.0 thousand	3M WIBOR + margin	31 Mar 2014

Other revenue / expense transactions with the related entities concerned the services related to repairs, diagnostic testing and lease of equipment, rental fees in connection with the leased office space, language courses and phone bills.

ZUE provided the following bill of exchange guarantees to the related entities.

Related entity	Beneficiary	Amount	Security	Term
BIUP	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	PLN 2.3 thousand	Performance bond no. 280000018798	2013-01-08 2016-01-23
Consortium: BIUP and BPK	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	PLN 96.9 thousand	Performance bond no. 280000033427	2012-08-20 2014-06-20
BPK	HDI Asekuracja TU S.A.	PLN 12.0 thousand	Performance bond and defects liability bond no. 3034774/8400	2013-11-24 2016-12-08
BIUP	BNP PARIBAS Bank Polska S.A.	PLN 340.0 thousand	Overdraft facility agreement no. WAR/2001/13/40/CB	2013-04-02 2026-04-02
BPK	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	PLN 13.2 thousand	Defects liability bond no. 280000062378 (Preparation of design and construction documentation of intermodal container terminal with access tracks and exit from the track no. E20)	2013-12-01 2014-11-15
BIUP	Powszechny Zakład Ubezpieczeń S.A.	PLN 500.0 thousand	Mandate agreement for temporary provision of project-related bonding products	2013-04-30 2014-04-29
BIUP	BRE Bank S.A.	PLN 300.0 thousand	Overdraft facility no. 07/113/13/Z/VV	2013-06-21 2014-09-13
BPK	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	PLN 16.7 thousand	Performance bond no. 280000074581 (Analysis of extension and upgrade of the road and rail system in Outer Port)	2013-08-22 2014-05-30
BPK	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	PLN 20.0 thousand	Bid bond (bonding product) no. 280000072574: Preparation of design documentation for the construction of the Maciejowa beltway in Jelenia Góra	2013-12-10 2014-02-10
BPK	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	PLN 20.0 thousand	Bid bond (bonding product) no. 280000072611: Preparation of design documentation for the construction of beltway in the western part of Biłgoraj along the road no. 835	2014-01-16 2014-03-17
BPK	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	EUR 108.1 thousand	Defects liability bond no. 280000062318: Technical assistance in connection with the designed upgrade of E65 railway line on the Warsaw - Działdowo – Gdynia section.	15-03-2013 30-06-2014
BIUP + BPK	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	EUR 85.8 thousand	Performance bond no. 280000064611: Preparation of design documentation for the upgrade of the Warszawa Włochy - Grodzisk Mazowiecki railway line – preparatory works	06-09-2013 19-01-2015
BPK + BIUP	Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	EUR 25.7 thousand	Defects liability bond no. 280000064611: Preparation of design documentation for the upgrade of the Warszawa Włochy - Grodzisk Mazowiecki railway line – preparatory works	20-01-2015 04-01-2019

No costs of debts at risk in connection with the transactions with the related entities were recognised in the reporting period.

## VIII. CHANGES IN BASIC RULES OF MANAGEMENT OF THE ISSUER'S ENTERPRISE AND ITS CAPITAL GROUP

On 15 July 2013, the Management Board of the Company decided about the merger of ZUE and PRK. On 6 December 2013, the Extraordinary General Meeting of ZUE resolved under the resolution no. 4 to merge ZUE with PRK. The merger took place on 20 December 2013 by registering the transaction with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register pursuant to Art. 492 § 1.1 of the Act; i.e. by a transfer of all the assets of PRK to ZUE in exchange for ZUE shares issued to the shareholders of PRK taking account of Art. 514 of the Act whereby ZUE, a shareholder of PRK, did not acquire own shares in exchange for the shares of PRK.

The merger has basically been aimed at a more efficient use of the companies' potential and the achievement of synergies including a better use of their capacity to deliver services and the achievement of economic and financial synergies, including the reduction of business costs (including the reduction of costs related to the maintenance of a separate entity), simplification of the Group's structure and a more efficient management of the Capital Group.

The merger has simplified the corporate structure of the Company and brought uniform procedures and strategy to the Company's counterparties. One corporate centre is better positioned to effectively manage the entire Group. It will build up a uniform culture of the organisation.

The new organisational structure of ZUE comprises 5 divisions:

### 1) CEO

This Division is divided into the following organisational units:

- Managing Director – Proxy
- Bidding Office
- Management and Promotion Office
- Central Purchasing Office
- Occupational Health and Safety
- ISO Office

### 2) Production Division

This Division is divided into the following organisational units:

- Urban Infrastructure Unit
- Rail Infrastructure Unit
- Power Infrastructure Unit
- Technical Department
- Transport and Specialised Equipment Department

The execution of construction contracts will be managed by Managers (Directors) of contracts managed by Managers (Directors) of contracts.

### 3) HR and Administration Division

This Division is divided into the following organisational units:

- Legal Department
- Insurance and Claims Management Expert
- HR Department
- Administration and Commercial Department

#### 4) Financial Division

This Division is divided into the following organisational units:

- Controlling Department
- IT Department
- Contract Settlement Department
- Accounting Department

#### 5) Strategy and Investor Relations Division

This Division is divided into the following organisational units:

- Corporate Supervision and Internal Control Department
- Business Development Office
- Investor Relations Department

Previously, the tasks of the Strategy and Investor Relations Division were dispersed. After it had changed the rules governing the management of this area, the Management Board of the Company gained a formal and legal tool to execute the tasks of the Strategy and Investor Relations Division in line with the best market practices.

On 9 January 2014, the Supervisory Board of the Company resolved to dismiss Mr. Maciej Nowak from the position of the Vice-President of the Management Board of ZUE S.A. and to appoint him as Member of the Management Board of ZUE S.A. Changes in the Company's organisational structure in connection with the merger of ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. were the reason for the dismissal.

On 9 January 2014, the Supervisory Board of the Company resolved to appoint Mr. Arkadiusz Wierciński as Member of the Management Board of ZUE S.A. as of 9 January 2014.

The consolidation of design activities will be the next stage of the Group's reorganization. The Management Board of ZUE has decided to merge the design companies to strengthen the market position and streamline the provision of services to the tram, rail and power industry.

Following the reorganization, the Group will be composed of the following companies: one strong construction company; i.e. ZUE S.A. (following the merger with PRK), the companies dedicated to foreign markets; i.e. Railway Technology International Sp. z o.o. and Railway Technology International Germany GmbH, and the company focused on design activities.

**IX. AGREEMENTS BETWEEN THE ISSUER AND THE BOARD MEMBERS PROVIDING FOR COMPENSATION FOR RESIGNATION OR DISMISSAL FROM THEIR POSITIONS FOR NO IMPORTANT REASON OR AS A RESULT OF THE ISSUER'S MERGER THROUGH ACQUISITION**

No such agreements were concluded at ZUE.



**X. INFORMATION ABOUT AGREEMENTS KNOWN TO THE ISSUER LIKELY TO CAUSE CHANGES TO THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS**

No such agreements were known to the Issuer on this document publication date.

## XI. INFORMATION ON CREDIT FACILITIES, LOANS, SURETIES AND GUARANTIES

### 1. Credit facility and loan agreements as at 31.12.2013

The balance of credit facilities at the end of 2013 was PLN 43,122.47 thousand. No new credit facilities or loans were taken out by ZUE in 2013.

Bank	Description	Principal (PLN '000)	Outstanding amount as at 31 12 2013 (PLN '000)	Interest rate	Repayment date
<b>mBank S.A.</b>	Overdraft facility (agreement no. 07/183/04/Z/VV)	10,000.00	0	O/N WIBOR for interbank credits + margin	V 2014
<b>Bank Millennium S.A.</b>	Overdraft facility (agreement no. 5700/13/400/04)	10,000.00	0	1M WIBOR + margin	V 2014
<b>mBank S.A.</b>	Investment facility (agreement no. 07/164/11/Z/IN)	23,000.00	10,222.22	3M WIBOR + margin	XII 2015
<b>Bank Millennium S.A.</b>	Revolving facility (agreement no. 2749/11/475/04)	35,000.00	22,421.66	1M WIBOR + margin	V 2014
<b>BNP Paribas Bank Polska S.A.</b>	Revolving facility (agreement no. WAR/2001/11/198/CB)	45,000.00	10,478.59	3M WIBOR + margin	I 2014

On 28 May 2013, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna and Bank Millennium S.A. signed the overdraft facility agreement no. 5700/13/400/04. Repayment date: 22 May 2014. Interest: 1M WIBOR + margin. On 26 February 2014, the name of the borrower was changed to ZUE S.A. under the annex no. A1/5700/13/400/04.

The repayment dates were extended for the agreements no. 07/183/04/Z/VV and 2749/11/475/04.

The agreement no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A. was terminated. The credit was repaid on 7 January 2014.

The revolving facility under the agreement no. 2749/11/475/04 with Bank Millennium was repaid on 17 January 2014.

## 2. Off-balance sheet items of ZUE

### Contingent liabilities

In 2013, ZUE used project-related bonding products provided by banks and insurance companies. At the end of 2013, the balance of the bonding products provided at the request of the Company amounted to PLN 187,423.63 thousand.

Bonds and guarantees were mainly provided by PZU S.A. (PLN 48,073.15 thousand), Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A. (PLN 45,916.78 thousand) and BNP PARIBAS (PLN 43,929.14 thousand).

Contingent liabilities secured by the bills of exchange and mortgages mainly include credit facility and lease agreements and guaranties.

The revolving credit facility under the agreement no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A. was secured by registered pledge. On 7 January 2014, the facility was repaid in full. On 24 February 2014, the District Court for Cracow–Śródmieście in Cracow, VII Commercial Division of the Register of Pledges, decided to remove the pledge.

Item (PLN '000)	Balance at 31 December 2013
Bonds and guarantees	191,811.70
Sureties	2,105
Bills of exchange	130,136
Mortgages	35,420
Pledges	11,034
Total	370,509

### Contingent assets

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

Item (PLN '000)	Balance at 31 December 2013
Bonds and guarantees	29,641
Bills of exchange	1,324
Other	0
Total	30,965

## **XII. ISSUE OF CLASS C MERGER SHARES – ISSUER’S USE OF PROCEEDS FROM THE ISSUE OF SHARES BY THE DATE OF THIS REPORT**

As a result of the merger of ZUE (the Acquiring Company) and PRK (the Acquired Company) effected in 2013, the Company’s share capital was increased by PLN 257,520.75 through the issue of new class C bearer (merger) shares with a par value of PLN 0.25 each. The said merger took place pursuant to Art. 492 § 1.1 of the Act; i.e. by a transfer of all the assets of PRK to ZUE in exchange for ZUE (merger) shares issued to the shareholders of PRK taking account of Art. 514 of the Act whereby ZUE was excluded as a shareholder of PRK.

The Issuer states it did not receive any proceeds from the said issue of class C shares that could be used for the Company’s operation.

### **XIII. DIFFERENCIES BETWEEN PUBLISHED FORECASTS AND 2013 RESULTS**

The Company did not publish any forecasted 2013 separate or consolidated financial statements.

#### **XIV. PREPARATION BASIS**

The annual financial statements of ZUE have been prepared in accordance with the International Financial Reporting Standards as approved by the European Union based on the assumption that the Company will continue as a going concern in the foreseeable future.

## **XV. PROCEEDINGS BEFORE COURT, ARBITRATION COURT OR PUBLIC ADMINISTRATION AUTHORITY AS AT 31 DECEMBER 2013**

As at 31 December 2013, ZUE was not a party to the proceedings whose total value exceeded 10% of ZUE's equity.

## **XVI. MAJOR RESEARCH AND DEVELOPMENT PROJECTS**

ZUE's core business does not require it to engage in any basic research or development projects.



## **XVII. STATEMENT OF COMPLIANCE WITH LAW**

The Management Board of ZUE state that 2013 financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the European Union.

The scope of information contained in 2013 financial statements of ZUE complies with the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent (Dz.U. 2009, no. 33, item 259, as amended).

## **XVIII. STATEMENT ON APPOINTMENT OF AUDITOR**

The Management Board of ZUE state that Company's Supervisory Board resolved on 14 May 2013 to appoint Roedl Audit Sp. z o.o. of Warsaw (00-833), ul. Sienna 73, entered into the register maintained by the District Court for the capital city of Warsaw, XII Commercial Division of the National Court Register, under entry no. KRS 50605 to audit the separate and consolidated financial statements of ZUE for the financial year 2013. The entity authorized to audit the financial statements was appointed pursuant to applicable laws. The entity authorized to audit the financial statements and chartered auditors involved in the audit met the requirements necessary to make an unbiased and independent opinion on the audited annual financial statements in accordance with applicable laws and professional standards.

The agreement for the audit of the separate and consolidated financial statements of ZUE for the 12 months ended 31 December 2013 and the review of the abbreviated interim consolidated and separate financial statements of ZUE was concluded with Roedl Audit Sp. z o.o. on 5 June 2013. The remuneration payable to Roedl Audit Sp. z o.o. was set at PLN 130 thousand.

## XIX. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES

### 1. Scope of application of corporate governance rules

The document stipulating corporate governance rules and the statement of the Management Board of ZUE on the compliance with such corporate governance rules are available on ZUE's website: [www.grupazue.pl](http://www.grupazue.pl); tab: Investor Relations > Legal Acts > Corporate Governance.

ZUE is subject to the Corporate Governance Rules contained in the Appendix to the Resolution no. 19/1307/2012 of the Warsaw Stock Exchange Supervisory Board dated 21 November 2012 – "Code of Best Practice for WSE Listed Companies" (the amendments made under this Resolution came into force on 1 January 2013).

The Management Board of ZUE state that in the financial year 2013, the Company complied with all the Corporate Governance Rules specified in the Appendix to the Resolution no. 19/1307/2012 of the Warsaw Stock Exchange Supervisory Board dated 21 November 2012 – "Code of Best Practice for WSE Listed Companies," except for the following rules.

#### Chapter I – Recommendations for Best Practice for Listed Companies

##### Item 1) – Content

*"A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and the latest communication tools ensuring fast, secure and effective access to information.*

*Using such methods to the greatest extent possible, the company should, in particular:*

- maintain its website whose scope and presentation method should be based on the model investor relations service available at <http://naszmodel.gpw.pl/>;*
- ensure adequate communication with investors and analysts using modern methods of Internet communication;*
- enable on-line broadcasts of general meetings over the Internet, record general meetings, and publish the recordings on its website."*

##### Item 1) – Statement of the Issuer

The Issuer will not keep a detailed record (in print or in electronic form) of general meetings. Minutes prepared by a notary public pursuant to Art. 421 of the Act are the basic record of a general meeting. A register of minutes may be reviewed by shareholders who may demand their copies certified by the Management Board be issued. According to Art. 421.4 of the Act, the Issuer is obliged to publish the results of voting on particular resolutions on its website. Under the Act, the general meeting participants may submit their written statements that are attached to the minutes. The Issuer believes that the rights and obligations stipulated by the law guarantee the transparency of general meetings.

##### Item 5) - Content

*"A company should have a remuneration policy and rules of defining the policy. The remuneration policy should define, in particular, the form, structure and level of remuneration of members of supervisory and managing bodies. The Commission Recommendation of 14 December 2004 on fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and the Commission Recommendation of 30 April 2009 complementing that Recommendation*

*(2009/385/EC) should apply in defining the remuneration policy for members of supervisory and managing bodies of the company.”*

Item 5) – Statement of the Issuer

The remuneration of members of the Issuer’s supervisory and managing bodies is defined according to the scope of their tasks, responsibility, the size of the Company and the Company’s economic results. The Issuer does not intend to introduce any remuneration policy in order to have a greater freedom to decide.

Item 9) – Content

*“The WSE recommends that public companies and their shareholders should have a balanced proportion of women and men in management and supervisory functions in companies to reinforce the creativity and innovation of the companies’ business activity.”*

Item 9) – Statement of the Issuer

The proportion of women and men in management and supervisory functions depends on their competence, skills and effectiveness. Sex is not used as a criterion in the appointment to the Issuer’s supervisory or management bodies. Thus, the Issuer cannot guarantee a balanced proportion of women and men in management and supervisory functions.

Item 10) – Content

*“If a company supports different forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, it is good practice to publish, in a mode adopted by the company, the rules of its activity in this area.”*

Item 10) – Statement of the Issuer

ZUE S.A. supports a number of social activities, however the Company does not treat them as an important element of its mission or development strategy. These activities have no impact on the Company’s innovativeness.

Item 11) – Content

*“As part of a listed company’s due care for the adequate quality of reporting practice, the company should take a position, expressed in a communication published on its website, unless the company considers other measures to be more adequate, wherever with regard to the company:*

*- published information is untrue or partly untrue from the beginning or at a later time;*

*-publicly expressed opinions are not based on material objective grounds from the beginning or as a result of later circumstances.*

*This rule concerns opinions and information expressed publicly by company representatives in the broad sense or by other persons whose statements may have an opinion-making effect, whether such information or opinions contain suggestions advantageous or disadvantageous to the company.”*

Item 11) – Statement of the Issuer

The Company publishes all important information relating to the Company using the Electronic Information Processing (ESPI) and Electronic Information Database (EBI) systems and on its website immediately after an event takes place. In addition, the Company’s representatives make authorized statements. Full monitoring by ZUE S.A. of all opinions concerning the Company or its activities or the events relating to the Company as well as the speed of transfer and the receipt by the Company of information on opinion-making effects of statements made by other persons unrelated to the

Company is in many cases hampered or even impossible. Consequently, the Company is not able to observe the foregoing rule.

#### Item 12) – Content

*“A company should enable its shareholders to participate in a general meeting using electronic communication means through:*

- 1) real-life broadcast of a general meetings;*
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;*
- 3) exercise of voting rights at a general meeting personally or through a proxy.”*

#### Item 12) – Statement of the Issuer

According to Art. 406[5] of the Act, the participation in a general meeting with the use of electronic communication means is not mandatory and the Issuer’s Articles of Association do not provide for it. The Issuer believes that the Company’s Articles of Association, the provisions of the Act and the Company’s Regulations of the General Meeting govern the course of and the participation in the general meetings in a comprehensive and sufficient manner.

### Chapter II – Best Practice for Management Boards of Listed Companies

#### Item 1) - Content

*“A company should operate a corporate website and publish on it, in addition to information required by legal regulations:*

- 1) basic corporate regulations, in particular the articles of association and internal regulations of its governing bodies;*
- 2) professional CVs of the members of its governing bodies;*
  - 2a) on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the management board and in the supervisory board of the company in the last two years;*
- 3) current and periodic reports;*
- 4) (deleted);*
- 5) where members of the company’s governing body are elected by the general meeting – the basis for proposed candidates for the company’s management board and supervisory board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution;*
- 6) annual reports on the activity of the supervisory board taking account of the work of its committees together with the evaluation of the work of the supervisory board and the internal control system and the significant risk management system submitted by the supervisory board;*
- 7) shareholders’ questions on issues on the agenda submitted before and during a general meeting together with answers those questions;*
- 8) information about the reasons for cancellation of a general meeting, change of its date or agenda together with grounds;*
- 9) information about breaks in a general meeting and the grounds for those breaks;*
- 10) information about corporate events such as payment of the dividend or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such*

*operations. Such information should be published within a timeframe enabling investors to make investment decisions;*

*11) information known to the management board based on a statement by a member of the supervisory board of any relationship of a member of the supervisory board with a shareholder that holds shares representing not less than 5% of all votes at the company's general meeting;*

*12) where the company has introduced an employee incentive scheme based on shares or similar instruments – information about the projected cost to be incurred by the company in connection with such introduction;*

*13) a statement of compliance with the corporate governance rules contained in the last published annual report, as well as the report referred to in § 29.5 of the Exchange Rules, if published;*

*14) information about the content of the company's internal rules of changing an entity authorized to audit financial statements or information about the absence of such rule."*

#### Item 1) – Statement of the Issuer

Given the fact the only record of a general meeting is the minutes prepared by a notary public pursuant to Art. 421 of the Act, the Issuer will not publish on its website any information referred to in the Rule II.1.7.

#### Item 2) – Content

*"A company should ensure that its website is also available in English, at least to the extent described in section II.1."*

#### Item 2) – Statement of the Issuer

Given the size of the Issuer and the expected market capitalization, the Company believes the exposure to foreign investors will be small. Consequently, the costs of preparing and updating the website in English to be incurred by the Issuer would be disproportionate to benefits.

### Chapter IV – Best Practice of Shareholders

#### Item 10) - Content

*"A company should enable its shareholders to participate in a general meeting using electronic communication means through:*

*1) real-life broadcast of a general meetings;*

*2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;*

*3) exercise of voting rights at a general meeting personally or through a proxy."*

#### Item 10) – Statement of the Issuer

According to Art. 406[5] of the Act, the participation in a general meeting with the use of electronic communication means is not mandatory and the Issuer's Articles of Association do not provide for it. The Issuer believes that the Company's Articles of Association, the provisions of the Act and the Company's Regulations of the General Meeting govern the course of and the participation in the general meetings in a comprehensive and sufficient manner.

## 2. Key characteristics of ZUE's internal audit and risk management systems related to the preparation of financial statements

Separate / consolidated financial statements of ZUE are prepared in accordance with the International Financial Reporting Standards, as approved by the European Union.

The responsibility for the implementation of an internal control system in the Company rests with the Management Board of ZUE. Supervision over the preparation of financial statements is entrusted to a person holding the position of Chief Accountant, who is charged with ongoing monitoring of the work through all its stages. Risks are identified and mitigated by qualified staff of the Company's financial unit. To guarantee an adequate level of security in the preparation of financial statements, accounting books are maintained with the use of the Microsoft Dynamics AX system, which can be accessed by authorised personnel only. The financial reporting process is controlled on an ongoing basis, through its successive stages. The Company's complete separate / consolidated financial statements are submitted to the Management Board for final approval.

The entire process ends with an audit of the financial statements by a duly appointed independent auditor who works directly with, and provides comments to, the Supervisory Board.

Responsibility for the overall monitoring of the control system and its final assessment lies with the Supervisory Board. Pursuant to Art. 86.3 of the Act on Auditors, the Supervisory Board also performs the function of an Audit Committee responsible, *inter alia*, for:

- the internal audit function;
- monitoring the external auditor's independence;
- monitoring the process of preparation of financial statements; and
- monitoring the effectiveness of the risk management system.

## 3. Shareholders directly or indirectly holding substantial blocks of shares

Shareholders holding at least 5% of the total vote at the General Meeting (according to the information held by the Management Board of ZUE on this document publication date).

Shareholder	Number of shares	Number of votes at the GM	% share
Wiesław Nowak	14,400,320	14,400,320	62.53
AMPLICO OFE	1,461,659	1,461,659	6.35 <sup>5</sup>
PKO Bankowy OFE	1,126,144	1,126,144	4.89
Other	6,041,960	6,041,960	26.23
Total	23,030,083	23,030,083	100.00

<sup>5</sup> On 24 December 2013, the Company received a notice from AMPLICO PTE S.A. according to which AMPLICO Otwarty Fundusz Emerytalny, an entity managed by AMPLICO PTE S.A., had increased its shareholding and held more than 5% of the total vote at the Company's General Meeting. The increase was a result of the acquisition of the Company's shares on 12 December 2013.

Prior to the transaction, AMPLICO held 661,659 shares representing 3.01% of the Company's share capital. After the transaction, AMPLICO held 1,461,659 shares representing 6.64% of the Company's share capital.

Holdings of ZUE shares by members of the management and supervisory bodies (according to the information held by the Management Board of ZUE (on this document publication date)).

Shareholder	Position	Number of shares	Number of votes at the GM	% share
Wiesław Nowak	Management Board President	14,400,320	14,400,320	62.53 <sup>6</sup>
Maciej Nowak	Management Board Member	7,706	7,706	0.03
Marcin Wiśniewski	Management Board Vice-President	969	969	0.00
Jerzy Czeremuga	Management Board Vice-President	136	136	0.00
Magdalena Lis	Supervisory Board Member	6,502	6,502	0.03
Michał Lis	Supervisory Board Member	661	661	0.00

<sup>6</sup> On 13 December 2013, ZUE learnt from Mr. Wiesław Nowak of his sale on 12 December 2013, via IPOPEMA Securities S.A., of 1,600,000 class A shares of the Company with the average sales price of PLN 9.60 per share. The shares were sold in the regular trading session of the Warsaw Stock Exchange. As a result of the transaction, the share of Mr. Wiesław Nowak in the total vote at the Company's General Meeting decreased from 72.73% to 65.45%. On 2 January 2014, the agreement for the acquisition of non-allotted merger shares was concluded. The shares were offered by ZUE to the shareholders of PRK as part of the merger effected in 2013 (Chapter V item 2 of this report contains detailed information about the merger of ZUE and PRK). Under the said agreement, Mr. Wiesław Nowak acquired all 320 shares at the issue price of PLN 10.20. The offered shares were allotted on 2 January 2014. On 3 February 2014, ZUE learnt from Mr. Wiesław Nowak that as a result of the registration of ordinary class C bearer shares with the Central Securities Depository of Poland on 30 January 2014, a share of Mr. Wiesław Nowak in the total number of votes at the Company's General Meeting decreased to 62.53%.

#### 4. Holders of securities conferring special control powers

The Company did not issue any securities conferring special control powers.

#### 5. Restrictions on exercise of voting rights

There are no restrictions on the exercise of voting rights at the Company.

#### 6. Restrictions on transferability of securities

There are no restrictions on the transferability of the Company's securities.



## **7. Rules governing appointment and removal from office of managing persons and the managing persons' powers, including authority to decide on share issues or buybacks**

Members of the Management Board of ZUE are appointed for a joint term of three years and removed from the office by the Supervisory Board. The Management Board of ZUE is not authorised to make decisions to issue shares. The only body authorised to make such decisions is the General Meeting. Powers of the Management Board of ZUE to make decisions concerning share buybacks are as stipulated in the Act.

## **8. Amendments to ZUE's Articles of Association**

Pursuant to the Polish Companies Act, the Company's Articles of Association may be amended by a resolution adopted by the General Meeting.

The amendment is reported by the Management Board to the registry court.

The General Meeting may authorise the Supervisory Board to prepare a uniform text of the amended Articles of Association or to make other editorial amendments as specified in a resolution of the General Meeting.

The Company's Articles of Association changed in connection with the merger of ZUE and PRK effected in 2013 and the issue by ZUE of class C shares as a result of which the Company's share capital increased.

On 20 December 2013, the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register registered the amendments to the Company's Articles of Association made on the basis of the Resolution no. 5 passed by the Extraordinary General Meeting of ZUE on 6 December 2013 as well as a change in the Company's share capital which amounted to PLN 5,757,520.75 and was divided into 23,030,083 shares with a par value of PLN 0.25 each divided into:

- 16,000,000 not preferred class A shares;
- 6,000,000 not preferred class B shares;
- 1,030,083 not preferred class C shares.

The following § 3, § 7 and § 10 of ZUE's Articles of Association were amended:

### **The existing reading of § 3:**

"The Company's core business is:

1. Manufacture of concrete construction products /PKD 23.61.Z/,
2. Manufacture of mortar /PKD 23.64.Z/,
3. Manufacture of metal structures and their components /PKD 25.11.Z/,
4. Manufacture of metal elements of joinery /PKD 25.12.Z/,
5. Manufacture of other ready-made metal products, n.e.c. /PKD 25.99.Z/,
6. Manufacture of electronic components /PKD 26.11.Z/,
7. Manufacture of (tele)communications equipment /PKD 26.30.Z/,
8. Manufacture of electric motors, generators and transformers /PKD 27.11.Z/,
9. Manufacture of electricity distribution and control apparatus /PKD 27.12.Z/,
10. Manufacture of wiring devices /PKD 27.33.Z/,
11. Manufacture of other electrical equipment /PKD 27.90.Z/,
12. Manufacture of railway engines and rolling stock /PKD 30.20.Z/,

13. Repair and maintenance of ready-made metal products /PKD 33.11.Z/,
14. Repair and maintenance of machines /PKD 33.12.Z/,
15. Repair and maintenance of electronic and optical equipment /PKD 33.13.Z/,
16. Repair and maintenance of electrical equipment /PKD 33.14.Z/,
17. Repair and maintenance of other transport equipment /PKD 33.17.Z/,
18. Repair and maintenance of other equipment and appliances /PKD 33.19.Z/,
19. Installation of industrial machinery, fittings and equipment /PKD 33.20.Z/,
20. Disassembly of used products /PKD 38.31.Z/,
21. Execution of construction projects related to the erection of buildings /PKD 41.10.Z/,
22. Construction of residential and non-residential buildings /PKD 41.20.Z/,
23. Construction of roads and motorways /PKD 42.11.Z/,
24. Construction of railways and underground railways /PKD 42.12.Z/,
25. Construction of bridges and tunnels /PKD 42.13.Z/,
26. Construction of transmission pipelines and power distribution systems /PKD 42.21.Z/,
27. Construction of telecommunications and power lines /PKD 42.22.Z/,
28. Construction of water engineering facilities /PKD 42.91.Z/,
29. Construction of other civil engineering structures, n.e.c /PKD 42.99.Z/,
30. Wrecking and demolition of buildings /PKD 43.11.Z/,
31. Site preparation /PKD 43.12.Z/,
32. Test drilling and boring /PKD 43.13.Z/,
33. Installation of electrical wiring and fittings /PKD 43.21.Z/,
34. Assembly of plumbing, heating, gas and air conditioning systems /PKD 43.22.Z/,
35. Other construction systems /PKD 43.29.Z/,
36. Plastering /PKD 43.31.Z/,
37. Joinery installation /PKD 43.32.Z/,
38. Floor finishing; paper-hanging and wall facing /PKD 43.33.Z/,
39. Painting and glazing /PKD 43.34.Z/,
40. Other building completion works /PKD 43.39.Z/,
41. Roofing activities /PKD 43.91.Z/,
42. Other specialized construction works, n.e.c. /PKD 43.99.Z/,
43. Wholesale and retail sale of cars and vans /PKD 45.11.Z/,
44. Wholesale and retail sale of other motor vehicles, excluding motorcycles /PKD 45.19.Z/,
45. Maintenance and repair of motor vehicles, excluding motorcycles /PKD 45.20.Z/,
46. Wholesale of waste and scrap /PKD 46.77.Z/,
47. Urban and suburban land passenger transport /PKD 49.31.Z/,
48. Other land passenger transport, n.e.c. /PKD 49.39.Z/,
49. Freight transport by road /PKD 49.41.Z/,
50. Warehousing and storage of other goods /PKD 52.10.B/,
51. Services supporting land transport /PKD 52.21.Z/,
52. Wireless telecommunications activities, excluding satellite communications /PKD 61.20.Z/,
53. Software activities /PKD 62.01.Z/,
54. IT consultancy activities /PKD 62.02.Z/,
55. IT equipment management activities /PKD 62.03.Z/,
56. Other information technology and computer service activities /PKD 62.09.Z/,
57. Buying and selling of real estate on own account /PKD 68.10.Z/,
58. Rental and management of own or leased real estate /PKD 68.20.Z/,
59. Architectural activities /PKD 71.11.Z/,

60. Engineering activities and related technical consultancy /PKD 71.12.Z/,
61. Other technical research and analyses /PKD 71.20.B/,
62. Research and development in the field of other natural and technical sciences /PKD 72.19.Z/,
63. Specialized design activities /PKD 74.10.Z/,
64. Other professional, scientific and technical activities, n.e.c. /PKD 74.90.Z/,
65. Rental and lease of cars and vans /PKD 77.11.Z/,
66. Rental and lease of other motor vehicles, excluding motorcycles /PKD 77.12.Z/,
67. Rental and lease of construction machinery and equipment /PKD 77.32.Z/,
68. Rental and lease of office machinery and equipment, including computers /PKD 77.33.Z/,
69. Rental and lease of other machinery, equipment and goods, n.e.c. /PKD 77.39.Z/,
70. Lease of intellectual property and similar products, excluding copyrighted works /PKD 77.40.Z/,
71. Other activities related to the provision of employees /PKD 78.30.Z/,
72. Security systems service activities /PKD 80.20.Z/,
73. Repair and maintenance of computers and peripherals /PKD 95.11.Z/,
74. Repair and maintenance of (tele)communications equipment /PKD 95.12.Z/."

### The new reading of § 3:

"The Company's core business is:

1. 23.20.Z – Manufacture of fireproof products;
2. 23.61.Z – Manufacture of concrete construction products;
3. 23.63.Z – Manufacture of prefabricated concrete mass;
4. 23.64.Z – Manufacture of mortar;
5. 23.70.Z – Cutting, shaping and finishing of stones;
6. 24.20.Z – Manufacture pipes, ducts, closed sections and connectors of steel;
7. 24.31.Z – Manufacture of cold-rolled rods;
8. 24.32.Z – Manufacture of flat cold-rolled products;
9. 24.33.Z – Manufacture of cold formed products;
10. 24.34.Z – Manufacture of wire;
11. 25.11.Z – Manufacture of metal structures and their components;
12. 25.12.Z – Manufacture of metal elements of joinery;
13. 25.61.Z – Treatment and coating of metals;
14. 25.62.Z – Mechanical processing of metal elements;
15. 25.71.Z – Manufacture of knives and cutlery;
16. 25.93.Z – Manufacture of wire products, chains and springs;
17. 25.94.Z – Manufacture of joints and bolts;
18. 25.99.Z – Manufacture of other ready-made metal products, n.e.c.;
19. 26.11.Z – Manufacture of electronic components;
20. 26.30.Z – Manufacture of (tele)communications equipment;
21. 27.11.Z – Manufacture of electric motors, generators and transformers;
22. 27.12.Z – Manufacture of electricity distribution and control apparatus;
23. 27.33.Z – Manufacture of wiring devices;
24. 27.90.Z – Manufacture of other electrical equipment;
25. 30.20.Z – Manufacture of railway engines and rolling stock;
26. 33.11.Z – Repair and maintenance of ready-made metal products;
27. 33.12.Z – Repair and maintenance of machines;
28. 33.13.Z – Repair and maintenance of electronic and optical equipment;
29. 33.14.Z – Repair and maintenance of electrical equipment;
30. 33.17.Z – Repair and maintenance of other transport equipment;
31. 33.19.Z – Repair and maintenance of other equipment and appliances;

- 32. 33.20.Z – Installation of industrial machinery, fittings and equipment;
- 33. 38.31.Z – Disassembly of used products;
- 34. 38.32.Z – Recovery of raw materials from sorted materials;
- 35. 41.10.Z – Execution of construction projects related to the erection of buildings;
- 36. 41.20.Z – Construction of residential and non-residential buildings;
- 37. 42.11.Z – Construction of roads and motorways;
- 38. 42.12.Z – Construction of railways and underground railways;
- 39. 42.13.Z – Construction of bridges and tunnels;
- 40. 42.21.Z – Construction of transmission pipelines and power distribution systems;
- 41. 42.22.Z – Construction of telecommunications and power lines;
- 42. 42.91.Z – Construction of water engineering facilities;
- 43. 42.99.Z – Construction of other civil engineering structures, n.e.c;
- 44. 43.11.Z – Wrecking and demolition of buildings;
- 45. 43.12.Z – Site preparation;
- 46. 43.13.Z – Test drilling and boring;
- 47. 43.21.Z – Installation of electrical wiring and fittings;
- 48. 43.22.Z – Assembly of plumbing, heating, gas and air conditioning systems;
- 49. 43.29.Z – Other construction systems;
- 50. 43.31.Z – Plastering;
- 51. 43.32.Z – Joinery installation;
- 52. 43.33.Z – Floor finishing; paper-hanging and wall facing;
- 53. 43.34.Z – Painting and glazing;
- 54. 43.39.Z – Other building completion works;
- 55. 43.91.Z – Roofing activities;
- 56. 43.99.Z – Other specialized construction works, n.e.c.;
- 57. 45.11.Z – Wholesale and retail sale of cars and vans;
- 58. 45.19.Z – Wholesale and retail sale of other motor vehicles, excluding motorcycles;
- 59. 45.20.Z – Maintenance and repair of motor vehicles, excluding motorcycles;
- 60. 45.32.Z – Retail sale of automotive parts and accessories, excluding motorcycles;
- 61. 46.44.Z – Wholesale of porcelain, ceramic and glass products and cleansers;
- 62. 46.71.Z – Wholesale of fuels and derivative products;
- 63. 46.73.Z – Wholesale of wood, building materials and sanitary equipment;
- 64. 46.77.Z – Wholesale of waste and scrap;
- 65. 47.19.Z – Other retail sale in non-specialized stores;
- 66. 47.30.Z – Retail sale of automotive fuels at fuelling stations;
- 67. 49.20.Z – Rail goods transport;
- 68. 49.31.Z – Urban and suburban land passenger transport;
- 69. 49.31.Z – Urban and suburban land passenger transport;
- 70. 49.39.Z – Other land passenger transport, n.e.c.;
- 71. 49.41.Z – Freight transport by road;
- 72. 49.42.Z – Removal services;
- 73. 52.10.A – Warehousing and storage of gas fuels;
- 74. 52.10.B – Warehousing and storage of other goods;
- 75. 52.21.Z – Services supporting land transport;
- 76. 55.10.Z – Hotels and similar accommodation;
- 77. 55.20.Z – Tourist and short-stay accommodation;

- 78. 61.20.Z – Wireless telecommunications activities, excluding satellite communications;
- 79. 62.01.Z – Software activities;
- 80. 62.02.Z – IT consultancy activities;
- 81. 62.03.Z – IT equipment management activities;
- 82. 62.09.Z – Other information technology and computer service activities;
- 83. 64.20.Z – Activities of financial holding companies;
- 84. 68.10.Z – Buying and selling of real estate on own account;
- 85. 68.20.Z – Rental and management of own or leased real estate;
- 86. 68.32.Z – Management of real estate on a fee or contract basis;
- 87. 70.10.Z – Activities of head offices and holding companies, excluding financial holding companies;
- 88. 71.11.Z – Architectural activities;
- 89. 71.12.Z – Engineering activities and related technical consultancy;
- 90. 71.20.B – Other technical research and analyses;
- 91. 72.19.Z – Research and development in the field of other natural and technical sciences;
- 92. 73.11.Z – Activities of advertising agencies;
- 93. 74.10.Z – Specialized design activities;
- 94. 74.90.Z – Other professional, scientific and technical activities, n.e.c.;
- 95. 77.11.Z – Rental and lease of cars and vans;
- 96. 77.12.Z – Rental and lease of other motor vehicles, excluding motorcycles;
- 97. 77.32.Z – Rental and lease of construction machinery and equipment;
- 98. 77.33.Z – Rental and lease of office machinery and equipment, including computers;
- 99. 77.39.Z – Rental and lease of other machinery, equipment and goods, n.e.c.;
- 100. 77.40.Z – Lease of intellectual property and similar products, excluding copyrighted works;
- 101. 78.30.Z – Other activities related to the provision of employees;
- 102. 80.20.Z – Security systems service activities;
- 103. 81.10.Z – Activities related to keeping buildings tidy;
- 104. 81.22.Z – Specialist cleaning of buildings and industrial units;
- 105. 81.29.Z – Other cleaning;
- 106. 81.30.Z – Landscape service activities;
- 107. 82.11.Z – Services related to office administration;
- 108. 82.19.Z – Photocopying, preparing documents and other specialized office support activities;
- 109. 82.30.Z – Activities related to fairs, exhibitions and congress organization;
- 110. 95.11.Z – Repair and maintenance of computers and peripherals;
- 111. 95.12.Z – Repair and maintenance of (tele)communications equipment.”

**The existing reading of § 7:**

2. “The Company’s share capital shall amount to PLN 5,500,000 (five million and five hundred thousand złoty) and be divided into 22,000,000 (twenty two million) shares with a par value of PLN 0.25 (twenty five grosz) each, including:
  - a. 16,000,000 (sixteen million) Class A bearer shares;
  - b. 6,000,000 (six million) Class B bearer shares.
2. Class A shares were paid up in full prior to the registration of the Company. Class B shares were paid up in full prior to the registration of the Company. Class B shares were paid up in full prior to the registration of the increase of the Company’s share capital through the

issue of Class B shares.”

**The new reading of § 7:**

1. “The Company’s share capital shall amount to PLN 5,757,520.75 (five million seven hundred and fifty seven thousand five hundred and twenty 75/100 złoty) and be divided into 23,030,083 (twenty three million thirty thousand and eighty three) shares with a par value of PLN 0.25 (twenty five grosz) each, including:
  - 1) 16,000,000 (sixteen million) Class A bearer shares;
  - 2) 6,000,000 (six million) Class B bearer shares;
  - 3) 1,030,083 (one million thirty thousand and eighty three) Class C bearer shares.
2. Class A shares were paid up in full prior to the registration of the Company. Class B shares were paid up in full prior to the registration of the Company. Class B shares were paid up in full prior to the registration of the increase of the Company’s share capital through the issue of Class B shares. Class C shares were issued in connection with the Company’s merger with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. of Cracow pursuant to Art. 492 § 1.1 of the Act.”

**The existing reading of § 10:**

1. “The Management Board shall comprise from 1 (one) to 5 (five) members including the Management Board President.
2. Members of the Management Board shall be appointed and dismissed by the Supervisory Board for a common three-year term.
3. The Supervisory Board shall define a number of the Management Board members.”

**The new reading of § 10:**

1. “The Management Board shall comprise one or more members.
2. Members of the Management Board shall be appointed and dismissed by the Supervisory Board for a common three-year term.
3. The Supervisory Board shall appoint one member of the Management Board to the position of Management Board President and one or more members to the positions of Management Board Vice-Presidents.
4. The Supervisory Board shall define a number of the Management Board members for a given term.”

## **9. Operation of the General Meeting of ZUE**

Pursuant to the Act and the Articles of Association of ZUE, the General Meeting is convened by the Company’s Management Board.

General Meetings are held in the Company’s registered office or in Warsaw.

The powers of the General Meeting include:

- review and approval of the Management Board Report on the Company's operations and financial statements for the preceding financial year;
- distribution of profit or coverage of loss and appropriation of funds established by the Company;
- granting discharge to members of the Company's governing bodies in respect of performance of their duties;
- amendments to the Company's Articles of Association;
- issue of bonds, including convertible bonds or bonds with pre-emptive rights, or issue of subscription warrants;
- sale or lease of the Company's business or any organised part thereof and creation of a limited right *in rem* over them;
- adoption of resolutions on the Company's merger or transformation;
- dissolution and liquidation of the Company; and
- other matters reserved for the General Meeting according to the law or the Articles of Association.

General Meetings may be held as Ordinary or Extraordinary General Meetings. Ordinary General Meetings are held within six months of the end of each financial year. The Ordinary General Meeting may be convened by the Supervisory Board if the Management Board fails to do so by the date stipulated by the law. Extraordinary General Meetings are convened by the Supervisory Board as it sees fit. The Company's shareholders representing at least a half of the Company's share capital are also entitled to convene an Extraordinary General Meeting.

Moreover, shareholders representing at least one twentieth of the Company's share capital may request that an Extraordinary General Meeting be convened and certain items be put on its agenda.

The notice of the General Meeting is published at least twenty six days before the date scheduled for the General Meeting on the Company's corporate website and in a current report in accordance with the Ordinance by the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent (Dz.U. no. 33, item 259, as amended).

A request by a shareholder or shareholders representing at least one twentieth of the share capital to put certain matters on the agenda of the General Meeting should be submitted to the Management Board at least twenty one days before the date of the General Meeting. The request should state the grounds for and a draft resolution pertaining to the proposed item of the agenda. The request may be sent in electronic form.

Any changes to the agenda requested by a shareholder or shareholders representing at least one twentieth of the share capital are announced by the Management Board promptly and in any case within eighteen days prior the scheduled date of the General Meeting. The announcement is published as prescribed for convening the General Meeting.

The General Meeting may only be attended by persons that are the Company's shareholders sixteen days before the date scheduled for the General Meeting.

A person entitled to participate in the General Meeting may obtain a full text of documents to be submitted to the Extraordinary General Meeting and draft resolutions or comments of the Management and Supervisory Boards from the Company's registered office. Also a list of shareholders entitled to participate in the General Meeting is available in the Company's registered office for three weekdays before the date of the General Meeting.



During the General Meeting, each shareholder may propose draft resolutions concerning items put on the agenda.

Shareholders may participate in the General Meeting in person or by proxy. A power of attorney to participate in the general shareholders meeting of a public company and to exercise voting rights must be granted in written or electronic form.

A General Meeting is opened by the Chairperson of the Supervisory Board or a person appointed by them. Failing them, a General Meeting is opened by the President of the Management Board or a person appointed by the Management Board.

The person opening the General Meeting ensures that a ballot is properly conducted, announces a winner and passes the chairing of the General Meeting to the elected Chairperson.

The Chairperson of the General Meeting is elected from among persons entitled to participate in the General Meeting that are recommended by persons entitled to participate in the General Meeting upon their consent, subject to the Extraordinary General Meeting being convened by shareholders representing at least a half of the Company's share capital or at least a half of the total vote at the Company. In such a case, the Chairperson of the General Meeting is elected by such shareholders.

The Chairperson of the General Meeting is elected in a secret ballot and the candidatures are voted on separately. A person who scores the most votes becomes the Chairperson.

The Chairperson presides over the General Meeting in line with the adopted agenda and in compliance with the applicable laws, the Code of Best Practice for WSE Listed Companies, the Articles of Association and the Regulations of the General Meeting.

Upon the election, the Chairperson of the General Meeting signs the attendance list containing the names of all participants of the General Meeting, the number of shares they represent and the number of votes conferred by those shares and then – either in person or through designated secretaries of the General Meeting – prepares the attendance list based on the list of shareholders entitled to participate in the General Meeting.

Any appeals, objections, comments and other matters pertaining to the participation in the General Meeting are submitted to the Chairperson of the General Meeting who resolves them at his/her discretion. Decisions of the Chairperson of the General Meeting may be appealed against to the General Meeting.

A Ballot Counting Committee composed of three members is appointed, unless the General Meeting decides otherwise.

Members of the Ballot Counting Committee are elected from among candidates proposed by the Chairperson or persons entitled to participate in the General Meeting and each shareholder of the Company may propose one candidate.

Members of the Ballot Counting Committee are elected by the General Meeting in a secret ballot and the candidatures are voted on separately in alphabetical order. The Ballot Counting Committee is composed of persons who score the most votes.

Once the attendance list is signed and checked, the Chairperson of the General Meeting puts to vote the agenda determined by the Management Board.

The General Meeting may adopt the proposed agenda as it is, rearrange items placed on the agenda or remove certain matters from the agenda. A resolution not to consider an item included in the agenda may only be adopted for important reasons. A motion not to consider an item included in the agenda should be justified to the extent ensuring that a resolution in this respect is well informed. A decision to remove an item from the agenda or not to consider an item placed on the agenda at the request of a shareholder of the Company requires a resolution of the General Meeting, subject to prior consent of all the shareholders present who submitted the request.



The Chairperson of the General Meeting may not at their sole discretion remove items from the agenda, rearrange items on the agenda or add any substantive matters to the agenda. Upon presentation of each agenda item, the Chairperson of the General Meeting prepares a list of persons who have registered for discussion and – when the list is closed – opens the discussion giving the floor to speakers in the order in which they registered for discussion.

A decision to close the discussion is made by the Chairperson of the General Meeting.

Once all items on the agenda have been dealt with, the General Meeting is closed by the Chairperson.

## **10. Composition and rules governing the operation of the Company's managing and supervisory bodies and their committees**

### **Management Board of ZUE**

Pursuant to the Articles of Association and the Regulations of the Management Board of ZUE, members of the Management Board are appointed and dismissed by the Company's Supervisory Board. Management Board members are appointed for a joint term of three years.

The Management Board is composed of one or more members and the number of members is defined by the Supervisory Board. The Supervisory Board appoints one member of the Management Board to the position of Management Board President and may appoint one or more members to the positions of Management Board Vice-Presidents.

The Management Board manages the affairs of the Company and represents the Company, subject to the powers vested in the General Meeting or the Supervisory Board under applicable laws or the Articles of Association.

The Management Board makes its decisions independently, subject to the activities which require the approval of the Company's other bodies under applicable laws or the Articles of Association.

The President of the Management Board supervises all employees and organisational units of the Company.

The President of the Management Board has the right to individually make final decisions with regard to internal relations including, in particular, employee relations, including the right to reverse the decision of another Management Board member (unless otherwise stated in a resolution previously adopted by the Management Board or applicable laws).

During his/her absence, the President of the Management Board may appoint another Management Board member. The appointed member has all the powers of the President of the Management Board.

Statements of will on behalf of the Company can be made by the President of the Management Board acting individually, two Management Board members acting jointly or one Management Board member together with a commercial proxy.

Members of the Management Board of ZUE were appointed for a new three-year term under the resolutions of the Supervisory Board of ZUE of 27 May 2013.

On 23 December 2013, the Supervisory Board of ZUE resolved to appoint Ms. Anna Mroczek as member of the Management Board as of 24 December 2013.

At the end of the reporting period, the Management Board was composed of:

**Wiesław Nowak** – Management Board President – Chief Executive Officer

**Marcin Wiśniewski** – Management Board Vice-President – Director of the Urban Investments Unit

**Maciej Nowak** – Management Board Vice-President – Legal Proxy

**Jerzy Czeremuga** – Management Board Vice-President – Director of the Power Investments Unit

**Anna Mroczek** – Management Board Member – Financial Director

#### Supervisory Board of ZUE

Pursuant to the Articles of Association and the Regulations of the Supervisory Board of ZUE, the Company's Supervisory Board is composed of five to seven members appointed and dismissed by the General Meeting for a joint term of three years.

Members of the Supervisory Board cannot include members of the Management Board, proxies, liquidators, branch or facility managers, the chief accountant, legal counsel or attorney employed by the Company, other employees directly reporting to a member of the Management Board or a liquidator, as well as members of the management board or liquidators of the Company subsidiaries.

Meetings of the Supervisory Board are convened as needed at least three times in a financial year.

The Supervisory Board meetings are held in the Company's office or another venue specified in the notice of the Supervisory Board meeting.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In the event of a tied vote, the Chairperson of the Supervisory Board has the casting vote.

The Supervisory Board performs its duties: 1/ at the Supervisory Board meetings, 2/ through the on-going and *ad hoc* supervisory activities as part of which it is entitled to:

- review the scope of responsibilities of each of the Company departments;
- request the Management Board and employees to provide relevant reports and clarifications;
- review the Company's assets;
- monitor the Company's financial standing;
- inspect accounts and documents;
- oblige the Management Board to engage an expert to prepare an assessment or opinion to be used by the Supervisory Board if a given matter requires specialist knowledge, qualifications, activities or an independent expert's assessment.

Members of the Supervisory Board of ZUE were appointed for a new three-year term under the resolutions of the Ordinary General Meeting of 27 May 2013. The composition of the Supervisory Board remained unchanged and at the end of the reporting period, it was composed of:

**Mariusz Szubra** – Supervisory Board Chairman

**Magdalena Lis** – Supervisory Board Member

**Bogusław Lipiński** – Supervisory Board Member

**Piotr Korzeniowski** – Supervisory Board Member

**Michał Lis** – Supervisory Board Member

## 11. Audit Committee

As the Supervisory Board is composed of five members, pursuant to Art. 86.3 of the Act on Auditors and Their Self-Government, Entities Authorized to Audit Financial Statements and Public Supervision (Dz. U. of 2009, no. 77, item 649), it also performs the duties of an Audit Committee.

The person satisfying requirements of Art. 86.4 of the Act on Auditors and Their Self-Government, Entities Authorized to Audit Financial Statements and Public Supervision (i.e. qualifications in accounting or financial auditing) and independence criteria specified in the Code of Best Practice for the Warsaw Stock Exchange Listed Companies and the Articles of Association is Mariusz Szubra. The second independent member of the Supervisory Board satisfying the abovementioned independence criteria is Piotr Korzeniowski.

There is no Remuneration Committee in the Supervisory Board.

## **XX. INFORMATION ON EMPLOYEE SHARE SCHEME CONTROL SYSTEM**

ZUE has no employee share scheme control system.

Wiesław Nowak – Management Board President .....

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

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

Maciej Nowak – Management Board Member .....

Anna Mroczek – Management Board Member .....

Arkadiusz Wierciński – Management Board  
Member .....

Cracow, 14 March 2014