

ZUE Capital Group

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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



GRUPA ZUE

Cracow, 14 March 2014

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Abbreviations and definitions:

| | |
|---------------------------------|---|
| ZUE, Company | ZUE S. A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the ZUE Capital Group. |
| PRK | Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. with registered office in Cracow previously entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000150723, share capital of PLN 9,500,000 paid up in full. On 20 December 2013, PRK was removed from the register as a result of merger with ZUE. |
| BIUP | Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 19,400 paid up in full. Subsidiary of ZUE. |
| RTI | Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full. Subsidiary of ZUE. |
| RTI Germany | Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow. |
| BPK Poznań | Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 1,747,500 paid up in full. Subsidiary of ZUE. |
| BPK Gdańsk | Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji with registered office in Gdańsk, entered into the National Court Register maintained by the District Court Gdańsk-Północ, VII Commercial Division of the National Court Register, under entry no. KRS 0000273363, share capital of PLN 1,000,000 paid up in full. Associate. |
| ZUE Group, Group, Capital Group | ZUE Capital Group comprising: ZUE, Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. 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. SELECTED FINANCIAL DATA OF ZUE CAPITAL GROUP

Rules adopted to translate selected financial data into EUR:

| Items | Exchange rate | Exchange rate on 31 Dec 2013 | Exchange rate on 31 Dec 2012 | Exchange rate on 31 Dec 2011 |
|--|---|------------------------------------|------------------------------------|------------------------------------|
| Items of assets, equity and liabilities | Mid exchange rate prevailing at the end of the reporting period | 4.1472 | 4.0882 | n/a |
| Items of statement of profit or loss and statement of cash flows | Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period | 4.2110 | 4.1736 | n/a |
| "Cash at the beginning of the year" and "Cash at the end of the year" items in the statement of cash flows | Mid exchange rate prevailing at the end of the reporting period | 4.1472 | 4.0882 | 4.4168 |

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

| | As at 31.12.2013 | | As at 31.12.2012 | |
|-------------------------------------|------------------|---------------|------------------|----------------|
| | PLN '000 | EUR '000 | PLN '000 | EUR '000 |
| Non-current assets | 147,370 | 35,535 | 180,758 | 44,215 |
| Current assets | 251,537 | 60,652 | 287,493 | 70,322 |
| Total assets | 398,907 | 96,187 | 468,251 | 114,537 |
| Equity | 191,055 | 46,068 | 187,826 | 45,943 |
| Non-current liabilities | 50,705 | 12,226 | 62,257 | 15,228 |
| Current liabilities | 157,147 | 37,893 | 218,168 | 53,366 |
| Total equity and liabilities | 398,907 | 96,187 | 468,251 | 114,537 |

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

| | Year ended 31.12.2013 | | Year ended 31.12.2012 | |
|--|-----------------------|--------------|-----------------------|--------------|
| | PLN '000 | EUR '000 | PLN '000 | EUR '000 |
| Revenue | 410,547 | 97,494 | 518,140 | 124,147 |
| Cost of sales | 387,852 | 92,105 | 495,932 | 118,826 |
| Gross profit (loss) on sales | 22,695 | 5,389 | 22,208 | 5,321 |
| Profit (loss) on operating activities | 6,977 | 1,657 | 2,849 | 683 |
| Gross profit (loss) | 7,473 | 1,775 | 3,603 | 863 |
| Net profit (loss) on operations | 5,607 | 1,332 | 2,405 | 576 |
| Total comprehensive income | 5,598 | 1,329 | 2,405 | 576 |

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

| | Year ended 31.12.2013 | | Year ended 31.12.2012 | |
|--------------------------------------|-----------------------|---------------|-----------------------|--------------|
| | PLN '000 | EUR '000 | PLN '000 | EUR '000 |
| Cash flows from operating activities | 9,707 | 2,305 | 12,828 | 3,074 |
| Cash flows from investing activities | -6,696 | -1,590 | 2,816 | 675 |
| Cash flows from financing activities | -23,054 | -5,475 | 5,712 | 1,369 |
| Total net cash flows | -20,043 | -4,760 | 21,356 | 5,118 |
| Cash at the beginning of the year | 69,761 | 17,064 | 48,392 | 10,956 |
| Cash at the end of the year | 49,729 | 11,991 | 69,761 | 17,064 |

II. CONSOLIDATED FINANCIAL STATEMENTS OF ZUE CAPITAL GROUP

Consolidated statement of comprehensive income

(PLN)

| Item | Notes | Year ended 31/12/2013 | Year ended 31/12/2012 |
|---|-------|--------------------------|--------------------------|
| Revenue | 5 | 410,547,397.98 | 518,139,562.15 |
| Cost of sales | 7 | 387,852,562.52 | 495,932,130.52 |
| Gross profit (loss) on sales | | 22,694,835.46 | 22,207,431.63 |
| General and administrative expenses | 7 | 19,734,871.30 | 17,604,987.76 |
| Other operating income | 8 | 8,357,192.85 | 3,950,293.59 |
| Other operating expenses | 9 | 7,291,631.03 | 5,704,097.80 |
| Loss of control of subsidiary | | 2,951,192.14 | 0.00 |
| Profit (loss) on operating activities | | 6,976,718.12 | 2,848,639.66 |
| Financial income | 10 | 3,352,959.74 | 4,994,688.16 |
| Financial expenses | 11 | 2,857,094.31 | 4,240,333.46 |
| Pre-tax profit (loss) | | 7,472,583.55 | 3,602,994.36 |
| Corporate income tax | 12 | 1,865,585.31 | 1,198,220.18 |
| Consolidated net profit (loss) | | 5,606,998.24 | 2,404,774.18 |
| Other net comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurement of liabilities under employee benefits | | -9,044.20 | 0.00 |
| Other total net comprehensive income | | -9,044.20 | 0.00 |
| TOTAL COMPREHENSIVE INCOME | | 5,597,954.04 | 2,404,774.18 |

Consolidated net profit attributable to:

| | | | |
|---|----|---------------|--------------|
| Shareholders of the parent | | 7,348,416.21 | 1,596,611.00 |
| Minority shareholders | | -1,741,417.97 | 808,163.18 |
| Net profit (loss) per share (PLN) (basic and diluted) | 13 | 0.33 | 0.07 |
| Total comprehensive income attributable to: | | | |
| Shareholders of the parent | | 7,339,372.01 | 1,596,611.00 |
| Minority shareholders | | -1,741,417.97 | 808,163.18 |
| Total comprehensive income per share (PLN) | 13 | 0.33 | 0.07 |

Consolidated statement of financial position

| | | (PLN) | |
|---|-------|-----------------------|-----------------------|
| Item | Notes | As at 31/12/2013 | As at 31/12/2012 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 68,979,663.58 | 66,142,103.59 |
| Investment property | 15 | 8,659,761.20 | 9,008,522.80 |
| Intangible assets | 18 | 12,201,698.30 | 11,381,088.72 |
| Goodwill | 17 | 32,646,001.12 | 32,646,001.13 |
| Investments in non-consolidated subsidiaries | 19 | 28,585.50 | 28,585.50 |
| Advance payments for investments in subsidiaries | 19 | 0.00 | 0.00 |
| Long-term receivables | 22.2 | 0.00 | 37,956,720.03 |
| Retentions on construction contracts | 30 | 2,310,835.90 | 1,392,475.42 |
| Deferred tax assets | 12 | 22,391,922.46 | 21,963,309.53 |
| Other assets | 20 | 151,851.89 | 239,174.22 |
| Total non-current assets | | 147,370,319.95 | 180,757,980.94 |
| Current assets | | | |
| Inventories | 21 | 18,011,288.26 | 20,328,245.18 |
| Trade and other receivables | 22 | 175,819,984.95 | 190,327,717.89 |
| Retentions on construction contracts | 30 | 5,537,856.90 | 3,676,826.70 |
| Current tax assets | 12 | 43,318.00 | 584,961.00 |
| Other assets | 20 | 2,286,315.14 | 2,710,845.84 |
| Loans advanced | 36 | 108,844.38 | 103,448.11 |
| Cash and cash equivalents | 38 | 49,729,062.27 | 69,760,750.22 |
| Current assets | | 251,536,669.90 | 287,492,794.94 |
| Assets held for sale | 16 | 0.00 | 0.00 |
| Total current assets | | 251,536,669.90 | 287,492,794.94 |
| Total assets | | 398,906,989.85 | 468,250,775.88 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 23 | 5,757,520.75 | 5,500,000.00 |
| Share premium account | 25 | 93,836,665.29 | 85,360,680.68 |
| Retained earnings | 24 | 91,802,270.33 | 87,803,580.88 |
| Equity attributable to shareholders of ZUE | | 191,396,456.37 | 178,664,261.56 |
| Equity attributable to non-controlling interests | | -341,924.05 | 9,161,874.21 |
| Total equity | | 191,054,532.32 | 187,826,135.77 |
| Non-current liabilities | | | |
| Long-term bank borrowings and other debt instruments and other financing sources | 26 | 9,764,987.42 | 25,090,420.37 |
| Retentions on construction contracts | 30 | 8,968,405.41 | 4,464,483.84 |
| Other financial liabilities | 27 | 1,470,000.00 | 1,750,000.00 |
| Liabilities under employee benefits | 33 | 2,510,868.06 | 2,323,605.01 |
| Deferred tax liabilities | 12 | 21,347,313.57 | 23,276,393.08 |
| Long-term provisions | 28 | 6,643,223.83 | 5,351,853.35 |
| Deferred revenue | | 0.00 | 0.00 |
| Other liabilities | | 0.00 | 0.00 |
| Total non-current liabilities | | 50,704,798.29 | 62,256,755.65 |
| Current liabilities | | | |
| Trade and other payables | 31 | 91,205,685.02 | 151,651,925.54 |
| Retentions on construction contracts | 30 | 6,793,208.08 | 8,201,466.56 |
| Short-term bank borrowings and other debt instruments and other financing sources | 26 | 40,570,393.01 | 41,184,811.96 |
| Other financial liabilities | 27 | 280,000.00 | 280,000.00 |
| Liabilities under employee benefits | 33 | 8,043,673.95 | 8,499,620.88 |
| Current tax liabilities | 12 | 3,037,568.00 | 123,731.00 |
| Short-term provisions | 28 | 7,217,131.18 | 8,226,328.52 |
| Total current liabilities | | 157,147,659.24 | 218,167,884.46 |
| Total liabilities | | 207,852,457.53 | 280,424,640.11 |
| Total equity and liabilities | | 398,906,989.85 | 468,250,775.88 |

Consolidated statement of changes in equity

| | Equity attributable to the Group shareholders | | | | (PLN) | |
|---|---|-----------------------|----------------------|-----------------------|--|-----------------------|
| | Share capital | Share premium account | Retained earnings | Total | Equity attributable to non-controlling interests | Total equity |
| Balance at 1 Jan 2013 – ZUE Group | 5,500,000.00 | 85,360,680.68 | 88,824,353.59 | 179,685,034.27 | 9,161,874.21 | 188,846,908.48 |
| Correction of errors | 0.00 | 0.00 | -1,020,772.71 | -1,020,772.71 | 0.00 | -1,020,772.71 |
| Balance at 1 Jan 2013 – ZUE Group | 5,500,000.00 | 85,360,680.68 | 87,803,580.88 | 178,664,261.56 | 9,161,874.21 | 187,826,135.77 |
| Change of interest in subsidiaries | 0.00 | 0.00 | 5,679,396.95 | 5,679,396.95 | -6,798,932.02 | -1,119,535.07 |
| Other corrections | 0.00 | 0.00 | 3,447.57 | 3,447.57 | -331,308.97 | -327,861.40 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | -632,139.30 | -632,139.30 |
| Issue of shares | 257,520.75 | 9,023,527.08 | -9,023,527.08 | 257,520.75 | 0.00 | 257,520.75 |
| Issue costs | 0.00 | -547,542.47 | 0.00 | -547,542.47 | 0.00 | -547,542.47 |
| Profit (loss) for the year | 0.00 | 0.00 | 7,348,416.21 | 7,348,416.21 | -1,741,417.97 | 5,606,998.24 |
| Other net comprehensive income | 0.00 | 0.00 | -9,044.20 | -9,044.20 | 0.00 | -9,044.20 |
| Balance at 31 Dec 2013 – ZUE Group | 5,757,520.75 | 93,836,665.29 | 91,802,270.33 | 191,396,456.37 | -341,924.05 | 191,054,532.32 |
| Balance at 1 Jan 2012 – ZUE Group | 5,500,000.00 | 85,360,680.68 | 85,550,781.44 | 176,411,462.12 | 8,941,250.04 | 185,352,712.16 |
| Change of interest in subsidiaries | 0.00 | 0.00 | 656,188.44 | 656,188.44 | -943,330.41 | -287,141.97 |
| Taking control of subsidiary | 0.00 | 0.00 | 0.00 | 0.00 | 355,791.40 | 355,791.40 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Profit (loss) for the year | 0.00 | 0.00 | 1,596,611.00 | 1,596,611.00 | 808,163.18 | 2,404,774.18 |
| Other net comprehensive income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance at 31 Dec 2012 – ZUE Group | 5,500,000.00 | 85,360,680.68 | 87,803,580.88 | 178,664,261.56 | 9,161,874.21 | 187,826,135.77 |

Consolidated statement of cash flows

(PLN)

| Item | Year ended 31/12/2013 | Year ended 31/12/2012 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit before tax | 7,472,583.55 | 3,602,994.36 |
| Adjustments: | | |
| Depreciation and amortisation | 7,540,790.26 | 7,252,374.02 |
| Foreign exchange gains / (losses) | -13,795.91 | -115,754.12 |
| Interest and share in profit (dividends) | -715,022.34 | 2,370,135.00 |
| (Gain) / loss on disposal of investments | 534,562.87 | 246,717.26 |
| Accrued expenses under commission on loans | 208,125.00 | 208,125.00 |
| (Gain) / loss on realisation of derivative financial instruments | 0.00 | 0.00 |
| Remeasurement of derivative financial instruments | 0.00 | 0.00 |
| Operating profit before changes in working capital | 15,027,243.43 | 13,564,591.52 |
| Change in receivables and retentions on construction contracts | 50,273,613.06 | -3,015,458.11 |
| Change in inventories | 2,317,264.92 | -1,434,872.69 |
| Change in provisions and liabilities under employee benefits | 178,332.39 | 1,893,715.00 |
| Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources | -58,038,474.80 | 11,546,344.57 |
| Change in accrued expenses | 645,454.92 | 957,755.35 |
| Change in amounts payable to customers under construction contracts | 0.00 | 0.00 |
| Change in received advance payments | 0.00 | 0.00 |
| Change in funds of limited availability | 0.00 | 0.00 |
| Other adjustments | 0.00 | -25,029.76 |
| Income tax paid / tax refund | -696,055.00 | -10,659,216.00 |
| NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES | 9,707,378.92 | 12,827,829.88 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of property, plant and equipment and intangible assets | 3,053,786.86 | 4,293,769.73 |
| Purchase of property, plant and equipment and intangible assets | -10,177,523.51 | -3,777,930.14 |
| Sale of investments in real property and intangible assets | 0.00 | 0.00 |
| Sale of assets for sale | 0.00 | 2,000,000.00 |
| Investments in real property and intangible assets | 0.00 | 0.00 |
| Sale / (purchase) of financial assets in non-consolidated subsidiaries | 0.00 | -22,950.00 |
| Sale / (purchase) of financial assets in consolidated subsidiaries | -1,150,857.32 | -1,622,047.07 |
| Purchase of financial assets available for sale | 0.00 | 0.00 |
| Loans advanced | 0.00 | -106,261.26 |
| Dividends received | 0.00 | 0.00 |
| Interest received | 1,578,402.89 | 1,910,810.76 |
| Settlement of financial instruments – expenses | 0.00 | 0.00 |
| Cash from acquisition of subsidiary | 0.00 | 0.00 |
| Sale of financial assets in associates | 0.00 | 0.00 |
| Other investment income / (expenses) | 0.00 | 140,418.37 |
| NET CASH FROM INVESTING ACTIVITIES | -6,696,191.08 | 2,815,810.39 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings and other debt instruments received | 75,514,468.07 | 79,943,875.95 |
| Repayment of borrowings and other debt instruments | -91,587,644.11 | -66,296,935.09 |
| Decrease in finance lease liabilities | -3,997,461.39 | -4,711,137.90 |
| Interest paid | -1,860,780.31 | -3,223,882.54 |
| Other cash provided by / (used in) financing activities – dividends | -575,406.00 | 0.00 |
| Cash provided by / (used in) issue of shares | -547,542.47 | 0.00 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | -23,054,366.21 | 5,711,920.42 |
| TOTAL NET CASH FLOWS | -20,043,178.37 | 21,355,560.69 |
| Net foreign exchange gains / (losses) | 11,490.42 | 13,053.09 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 69,760,750.22 | 48,392,136.44 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 49,729,062.27 | 69,760,750.22 |

III. NOTES TO THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2013

1. General information

1.1. Capital Group composition and core business

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

On 20 December 2013, ZUE (the “Acquiring Company”) merged with z Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (the “Acquired Company”) as a result of entry in the relevant register. The merger took place

pursuant to Art. 492 § 1.1 of the Act; i.e. by a transfer of all the assets of the Acquired Company to the Acquiring Company in exchange for the Acquiring Company shares issued to the shareholders of the Acquired Company taking account of Art. 514 of the Act whereby the Acquiring Company was excluded as a shareholder of the Acquired Company.

According to Art. 493 § 1 and Art. 493 § 2 of the Act, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. was dissolved upon the removal from the register; i.e. on 20 December 2013. According to Art. 494 § 1 of the Act, ZUE acquired on that date all the rights and obligations of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., including the parties to the contracts performed by Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. prior to the merger. The Management Board of ZUE confirmed all the powers of attorney granted to the employees of PRK w Krakowie S.A. for the purposes of the contracts performed by the company.

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

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

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

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

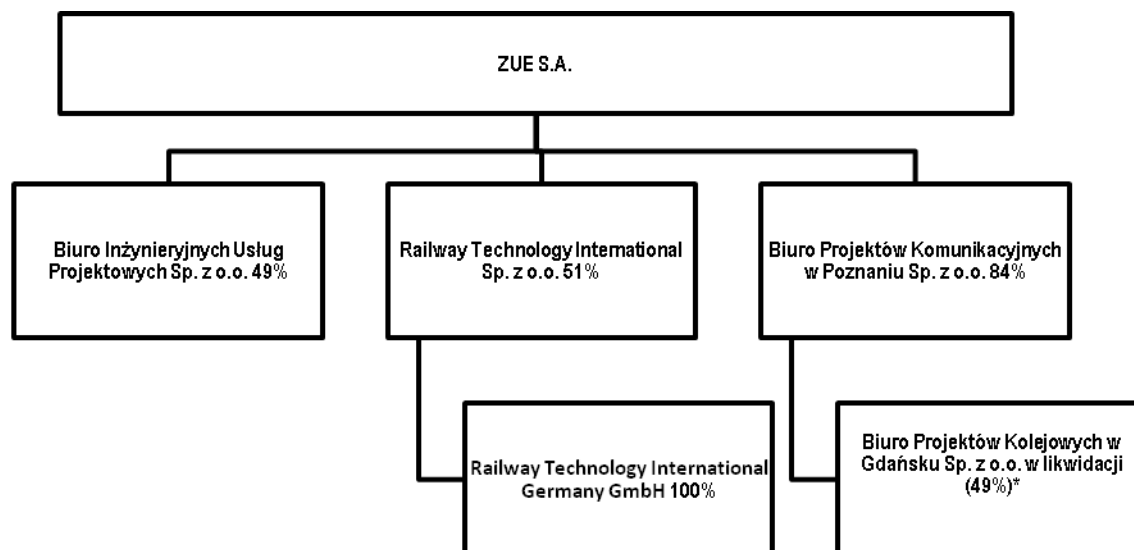
Management Board:

| | |
|----------------------|---|
| Wiesław Nowak | President of the Management Board |
| Marcin Wiśniewski | Vice-President of the Management Board |
| Jerzy Czeremuga | Vice-President of the Management Board |
| Maciej Nowak | Member of the Management Board |
| Anna Mroczek | Member of the Management Board |
| Arkadiusz Wierciński | Member of the Management Board (appointed on 9 January 2014) |

Supervisory Board:

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

ZUE Capital Group shareholding structure as at 31 December 2013.



*Direct interest of BPK Poznań in BPK Gdańsk. Indirect interest of ZUE in BPK Gdańsk as at 31 December 2013 was 41%.

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

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

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

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH has been established under the notarial deed of 8 May 2012 in the Notary's Office in Radebeul, Rathenaustrasse 6, Germany (no. 1090/2012). Hamburg (Germany) is the company's registered office.

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

The activities of the ZUE Capital Group consist of:

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

Associates:

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

On 30 December 2013, BPK Poznań sold 32.32% 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 of subsidiary item (PLN 2,951,192.14). 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 at the end of the reporting period was zero.

The direct interest of BPK Poznań in BPK Gdańsk as at 31 December 2013 was 49%.

The indirect interest of ZUE in BPK Gdańsk as at 31 December 2013 was 41%.

1.2. Merger of ZUE and PRK

Legal aspect

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 took place pursuant to Art. 492 § 1.1 of the Act; i.e. by a transfer of all the assets of the Acquired Company to the Acquiring Company in exchange for the Acquiring Company shares issued to the shareholders of the Acquired Company taking account of Art. 514 of the Act whereby the Acquiring Company was excluded as a shareholder of the Acquired Company.

According to Art. 493 § 1 and Art. 493 § 2 of the Act, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. was dissolved upon the removal from the register; i.e. on 20 December 2013. According to Art. 494 § 1 of the Act, ZUE acquired on that date all the rights and obligations of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., including the parties to the contracts performed by Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. prior to the merger. The Management Board of ZUE confirmed all the powers of attorney granted to the employees of PRK w Krakowie S.A. for the purposes of the contracts performed by the company.

Changes in the Group's organisational structure related to the merger effected in 2013 influenced its activities. The merger was 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 would 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.

Accounting aspect

ZUE merged with PRK on 20 December 2013. The control of PRK was acquired by ZUE in 2010.

The merger of ZUE and PRK did not affect the calculation of PRK's goodwill or the assessment of the fair value of the acquired company's net assets.

The goodwill of PLN 31,171,913.65 and the leasehold value (difference in the fair value of the net assets at acquisition) of PLN 15,956,312.00 (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 in 2010 and follow from the consolidated financial statements. Changes in interests resulting from the merger were accounted for as changes in equity.

1.3. Functional and reporting currency

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

1.4. Consolidated entities

Consolidated entities as at 31 December 2013:

| Name | Registered office | Interests as at | | Consolidation method |
|--|-------------------|-----------------|----------------|----------------------|
| | | 31 Dec 2013 | 31 Dec 2012 | |
| ZUE S.A. | Cracow | Parent company | Parent company | |
| Biuro Inżynierskich Usług Projektowych Sp. z o.o. | Cracow | 49% | 49% | Full |
| Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. | Poznań | 84% | 62% | Full |
| Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji | Gdańsk | 41% | - | Equity |

*Direct interest of BPK Poznań in BPK Gdańsk. Indirect interest of ZUE in BPK Gdańsk as at 31 December 2013 was 41%.

Biuro Inżynierskich Usług Projektowych Sp. z o.o. has been a member of the Capital Group since its creation. Given an insignificant impact of the subsidiary's financial data on the assets and financial position, it was not consolidated until the end of 2011. The Management Board of ZUE decided to consolidate the company as of 1 January 2012.

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

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

ZUE holds a 51% interest in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the assets and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 31 December 2013.

Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the assets and financial condition, Railway Technology International Germany GmbH was not consolidated as at 31 December 2013.

As at 31 December 2013, Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. held 964 shares in Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji; i.e. a 49.06% interest in the company. At the end of the reporting period, ZUE did not control Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. as a result of which the company was not consolidated with the full method as at 31 December 2013. BPK Gdańsk was presented as an associate.

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

PRK

In 2013, ZUE bought the employee shares of PRK. As at 20 December 2013 (the merger date) ZUE held 842,138 shares; i.e. 88.65% of the share capital of PRK.

BPK Gdańsk

As at 1 January 2013, BPK Poznań held 533 shares in BPK Gdańsk. Given the financial standing of BPK Gdańsk, the value of the shares was entirely written off by BPK Poznań. On 16 January 2013, BPK Poznań purchased another 533 shares in BPK Gdańsk and held the total of 1,066 shares; i.e. a 54.25% interest in 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.

The following table sets out the calculation of the goodwill of BPK Gdańsk.

| | (PLN) Acquisition settlement as at 31 March 2013 |
|---|--|
| Acquisitions of BPK Gdańsk | |
| % of shares | 33.67% |
| Fair value of the consideration | 90,000.00 |
| Fair value of the consideration attributable to ZUE (62.1%) | 55,854.00 |
| Assets of BPK Gdańsk according to the IFRS | 3,045,821.61 |
| Liabilities of BPK Gdańsk | 5,363,488.76 |
| Net assets | -2,317,667.15 |
| Net assets attributable to ZUE | -780,292.60 |
| Minority interest | -1,571,520.55 |
| Goodwill | 836,146.60 |

Given the events identified after the transaction date, it became necessary to remeasure the initial goodwill. During the measurement, ZUE (the acquirer) learnt of the new facts and circumstances that existed at the acquisition date and, consequently, recognised additional assets and liabilities. Consequently, the original goodwill presented in the abbreviated consolidated financial statements as at 31 March 2013 (PLN 0.00) was changed and amounted to PLN 836,146.60 as at 30 June 2013.

Given the circumstances referred to in IAS 36, the goodwill was written off in full.

On 19 July 2013, BPK Poznań acquired another 533 shares in BPK Gdańsk. Consequently, it held 1,599 shares and an 81.37% interest in the company's share capital.

On 30 December 2013, BPK Poznań sold 635 shares in BPK Gdańsk. Following the transaction, BPK Poznań held 964 shares (49.06%). Consequently, BPK Poznań (and the ZUE Group) lost control of BPK Gdańsk.

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 at the end of the reporting period was zero.

BPK Poznań

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

1.6. Shareholders of the Parent Company

According to the information held, the Parent Company had the following shareholder structure as at 14 March 2014:

| Shareholder | Type of shares | Number of shares | Ownership interest | Number of votes at the GM | % of votes at the GM |
|------------------|----------------|-------------------|--------------------|---------------------------|----------------------|
| Wiesław Nowak | Ordinary | 14,400,320 | 62.53% | 14,400,320 | 62.53 |
| PKO Bankowy OFE | Ordinary | 1,126,144 | 4.89% | 1,126,144 | 4.89 |
| AMPLICO PTE S.A. | Ordinary | 1,461,659 | 6.35% | 1,461,659 | 6.35 |
| Other | Ordinary | 6,041,960 | 26.23% | 6,041,960 | 26.23 |
| Total | | 23,030,083 | 100% | 23,030,083 | 100 |

2. Use of International Financial Reporting Standards

2.1. Statement of compliance

The consolidated financial statements of the ZUE Capital Group for the year ended 31 December 2013 and the comparative data for the financial year ended 31 December 2012 have been drawn up in accordance with the requirements of the International Financial Reporting Standards as endorsed by the European Union (EU).

2.2. Standards and interpretations used for the first time in 2013

The following standards, amendments to the standards and interpretations published by the International Accounting Standards Board and approved of by the European Union came into force in 2013:

- **IFRS 13 "Fair Value Measurement"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards"** – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards"** – Government Loans approved of in the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – Offsetting Financial Assets and Financial Liabilities approved of in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"** – interim provisions explanation (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 12 "Income Tax"** – Deferred Tax: Recovery of Underlying Assets approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 19 "Employee Benefits"** – amendments to post-employment benefits approved of in the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to different standards "Amendments to IFRS (2009-2011)"** – amendments made as part of making annual amendments to IFRS approved of in the EU on 27 March 2013 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (effective for annual periods beginning on or after 1 January 2013).

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

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

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

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

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

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

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 14 March 2014:

- **IFRS 9 "Financial Instruments," Amendments to IFRS 9** (effective date removed for indefinite period);
- **Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements"** – investment units (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 19 "Employee Benefits"** – employee premiums (effective date: 1 July 2014);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 "Public Fees"** (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS (2010-2012)** – amendments made as part of making annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), (effective for annual periods beginning on or after 1 July 2014).
- **Amendments to IFRS (2011-2013)** – amendments made as part of making annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40), (effective for annual periods beginning on or after 1 July 2014).

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

3. Adopted accounting principles

3.1. Preparation basis and comparability of data

The financial statements have been prepared assuming that the Group will continue in operational existence for the foreseeable future. No going concern risks exist at the end of the reporting period.

Comparability of financial data and adjustments to the financial statements:

- a) In the financial statements for 2013 and the comparative data for 2012, the company presented Liabilities under employee benefits of PLN 727 thousand.

| | Presentation in the financial statements as at 31/12/2012 | Comparative data as at 31/12/2012 |
|-------------------------------------|---|---|
| Trade and other payables | 726,562.06 | 0.00 |
| Liabilities under employee benefits | 0.00 | 726,562.06 |

The foregoing adjustment concerned 2012.

- b) In 2012, ZUE incorrectly capitalized the cost of consultancy of PLN 1,021 thousand.
In 2013, the Company adjusted the result and wrote it off as expenses.

The adjustment concerned 2012. The adjustment as at 31 December 2013 reduced the retained earnings by PLN 1,021 thousand and the prepaid expenses.

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

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

3.2. Consolidation rules

3.2.1. Investments in subsidiaries

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

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

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

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

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

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

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

3.2.2. Investments in subsidiaries

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

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

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

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

3.2.3. Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2.4. Transactions with minority shareholders that do not result in a change of control

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

3.2.5. Goodwill

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

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

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

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

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

3.2.6. Segment reporting

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

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

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

- construction; and
- design.

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

3.3. Measurement of sales revenue

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

3.3.1. Sales of goods of materials

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

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

3.3.2. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs, including financial expenses, are recognised by reference to the stage of completion of the contract activity at the end of the

reporting period. Variations in contract works and claims are included to the extent that they have been agreed on with a customer.

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

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

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

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

3.4. Foreign currencies

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

3.5. Borrowing costs

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

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

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

3.6. Government grants

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

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

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

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

3.7. Employee benefits

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

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

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

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

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

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

The Company recognises actuarial gains and losses in the period in which they arise. All actuarial gains and losses are recognised in the statement of comprehensive income.

3.8. Taxation

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

3.8.1. Current tax

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

3.8.2. Deferred tax

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

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

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

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

3.8.3. Current and deferred tax for the year

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

3.9. Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

3.10. Investment property

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

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

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

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

3.11. Intangible assets

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

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

The expenses associated with the purchase of leasehold are also recognised by the Group as intangible assets. The expenses associated with the purchase of such rights on the secondary market (from other entities) and the expenses associated with conferring such rights by relevant state authorities are recognised as intangible assets and amortised over the period in which such rights may be exercised by the Company. The leasehold fees are recognised as operating expenses.

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

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

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

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

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

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

3.12. Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

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

3.14. Leasing

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

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

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

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

3.15. Inventories

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

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

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

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

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

3.16. Non-current assets held for sale

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

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

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

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

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

3.17. Financial assets

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

3.17.1. Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is a part of the group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis in accordance with the Group's

documented risk management or investment strategy, and the information on the grouping is provided internally on that basis; or

- the financial asset is a part of the contract containing one or more embedded derivatives and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

3.17.2. Assets held to maturity

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

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

3.17.3. Loans and receivables

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

3.17.4. Impairment of financial assets

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

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

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

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

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

3.17.5. Derecognition of financial assets

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

3.18. Financial liabilities and equity instruments issued by the Group

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

3.18.1. Equity instruments

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

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

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

3.18.2. Financial liabilities

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

3.18.3. Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

3.18.4. Other financial liabilities

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

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

3.18.5. Derecognition of financial liabilities

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

3.19. Provisions

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

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

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

3.19.1. Onerous contracts

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

3.20. Derivative instruments

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

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

4. Key accounting principles and sources of estimation uncertainty

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

4.1. Key sources of estimation uncertainty

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

4.1.1. Impairment of goodwill

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

4.1.2. Useful economic lives of fixed assets

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

4.1.3. Fair value of derivatives and other financial instruments

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

4.1.4. Provisions for litigations

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

4.1.5. Provisions for warranty claims

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

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

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

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

Revenues from a construction service that has not been completed are recognised by the Company under the percentage-of-completion method. Contract budgets are prepared for each construction contract. Budgets are updated twice a year on the basis of month-end closes for April and October. The stage of completion of a contract is determined on the basis of contract budgets by calculating the proportion that contract costs incurred for the work performed to date bear to the estimated total costs of the contract. When contracts are signed but their budgets not approved, the contracts are measured using the zero-profit method.

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

4.1.7. Deferred tax assets

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

5. Revenue

The following table presents the Company's sales revenue:

| | Year ended 31/12/2013 | (PLN) Year ended 31/12/2012 |
|--|--------------------------|-----------------------------------|
| Revenue from the sale of goods and raw materials | 17,846,158.65 | 12,574,365.11 |
| Revenue from the rendering of services | 31,409,897.39 | 18,451,128.24 |
| Revenue from construction contracts | 361,291,341.94 | 487,114,068.80 |
| Total | 410,547,397.98 | 518,139,562.15 |

The sales revenues in 2013 and 2012 were entirely generated from the domestic market. The Group executed projects in the entire territory of Poland. The largest portion of sales was contributed by the revenue from construction contracts. Sales volume depended on tenders announced for the urban and rail infrastructure construction industry.

6. Operating segments

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

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

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

- construction; and
- design.

These operating segments jointly meet the following rules:

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

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

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

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

Operating segments' results in 2013:

(PLN)

| | Construction | Design | Total |
|---------------------------------|--------------|--------|---------|
| Revenue | 402,565 | 7,982 | 410,547 |
| Including: | | | |
| Revenue from external customers | 402,339 | 5,378 | 407,717 |
| Inter-segment revenues | 226 | 2,604 | 2,830 |
| Gross profit | 23,751 | -1,056 | 22,695 |
| Financial income / expenses | 2,238 | -1,172 | 1,066 |
| Interest received | 0.00 | 0.00 | 0.00 |
| Interest paid | 0.00 | 0.00 | 0.00 |
| Pre-tax profit | 9,433 | -1,960 | 7,473 |
| Corporate income tax | 1,791 | 75 | 1,866 |
| Net profit | 7,642 | -2,035 | 5,607 |
| Depreciation and amortisation | 7,244 | 297 | 7,541 |
| Property, plant and equipment | 64,166 | 4,814 | 68,980 |
| Non-current assets | 141,907 | 5,463 | 147,370 |
| Total assets | 390,169 | 8,738 | 398,907 |

7. Operating expenses

(PLN)

| | Year ended 31/12/2013 | Year ended 31/12/2012 |
|---|--------------------------|--------------------------|
| Change in products | -11,491,401.37 | 1,689,940.51 |
| Cost of products manufactured for own use | -21,304,856.35 | -21,386,326.51 |
| Depreciation and amortization | 7,430,540.74 | 7,252,374.02 |
| Consumption of raw and other materials | 125,579,397.65 | 147,755,730.09 |
| Contracted services | 217,115,387.43 | 272,990,014.55 |
| Cost of employee benefits | 65,084,197.30 | 64,702,122.29 |
| Taxes and charges | 1,612,311.29 | 2,005,763.45 |

| | | |
|-----------------------------------|-----------------------|-----------------------|
| Other expenses | 12,388,694.91 | 27,910,404.00 |
| Value of goods and materials sold | 11,173,162.22 | 10,617,095.88 |
| Total | 407,587,433.82 | 513,537,118.28 |

7.1. Depreciation and amortisation

| | (PLN) | |
|---|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| | PLN | PLN |
| Depreciation of property, plant and equipment | 6,716,923.83 | 6,309,474.21 |
| Amortisation of intangible assets | 638,847.24 | 576,938.34 |
| Depreciation of investment in real property | 366,919.32 | 365,961.47 |
| Total depreciation and amortisation | 7,722,690.39 | 7,252,374.02 |

8. Other operating income

| | (PLN) | |
|---|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Gain on disposal of assets: | 1,500.00 | 0.00 |
| Gain on disposal of non-current assets | 1,500.00 | 0.00 |
| Other operating income: | 8,355,692.85 | 3,950,293.59 |
| Received damages and contractual penalties | 1,104,512.17 | 2,508,664.26 |
| Refund of costs of court proceedings | 4,115,953.32 | 95,861.34 |
| Surplus inventory | 74,306.18 | 22,424.70 |
| Revenue from the sale of scrap | 0.00 | 79,537.15 |
| Revenue from rental | 0.00 | 37,190.00 |
| Release of other provisions | 0.00 | 724,507.39 |
| Release of write-downs of receivables | 0.00 | 242,654.23 |
| Registration of liabilities to the State Treasury | 1,578,439.80 | 0.00 |
| Other | 1,482,481.38 | 239,454.52 |
| Total | 8,357,192.85 | 3,950,293.59 |

Other operating income includes revenues and gains indirectly related to the Group's operating activities. This category includes gain on disposal of property, plant and equipment, damages paid in connection with a refund of court costs, tax overpayment, except for corporate income tax, and damages paid in connection with a loss of the Group's insured assets.

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

9. Other operating expenses

(PLN)

| | Year ended 31/12/2013 | Year ended 31/12/2012 |
|---|--------------------------|--------------------------|
| Loss on disposal of assets: | 1,469,079.91 | 553,504.48 |
| Loss on disposal of non-current assets | 1,469,079.91 | 553,504.48 |
| Other operating expenses: | 5,822,551.12 | 5,150,593.32 |
| Donations | 1,557.49 | 200.00 |
| Provision for contractual penalties | 0.00 | 1,500,000.00 |
| Clearing of other future contract settlements relating to construction and assembly works | 0.00 | 669,694.85 |
| Damages | 621,210.35 | 1,413,934.95 |
| Costs of litigations | 107,735.91 | 380,827.80 |
| Costs of bonds and guarantees | 112,707.93 | 482,328.15 |
| Settlement of stock shortages | 0.00 | 17,359.67 |
| Creation of write-downs of receivables | 3,759,714.88 | 448,886.48 |
| Creation of write-downs of held-for-sale assets | 0.00 | 0.00 |
| Remission of debt | 0.00 | 14,928.64 |
| Penalties | 107,515.66 | 0.00 |
| Contributions to trade organisations | 17,780.00 | 12,100.01 |
| Other | 1,094,328.90 | 210,332.77 |
| Total | 7,291,631.03 | 5,704,097.80 |

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

10. Financial income

(PLN)

| | Year ended 31/12/2013 | Year ended 31/12/2012 |
|---|--------------------------|--------------------------|
| Interest income: | 1,492,026.68 | 3,161,186.37 |
| Interest on bank deposits | 1,467,686.03 | 1,910,010.41 |
| Income on interests in related entities | 0.00 | 0.00 |
| Interest on loan | 3,090.78 | 37,670.61 |
| Interest on receivables | 21,249.87 | 1,213,505.35 |
| Other | 0.00 | 0.00 |
| Foreign exchange gains | 55,751.17 | 0.00 |
| Gain on disposal of investments | 15,240.00 | 0.00 |
| Other | 1,789,941.89 | 1,833,501.79 |
| Discount of long-term items | 1,789,941.89 | 1,427,354.95 |
| Measurement of derivative instruments | 0.00 | 0.00 |
| Realisation of financial instruments | 0.00 | 0.00 |
| Prepayment discount | 0.00 | 404,481.21 |
| Sureties | 0.00 | 0.00 |
| Other | 0.0 | 1,665.63 |
| Total | 3,352,959.74 | 4,994,688.16 |

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

11. Financial expenses

(PLN)

| | Year ended 31/12/2013 | Year ended 31/12/2012 |
|---|-----------------------|-----------------------|
| Interest expenses: | 2,212,541.58 | 3,496,441.52 |
| Interest on bank overdrafts and borrowings | 1,467,571.86 | 2,599,988.01 |
| Interest on obligations under finance lease | 357,653.02 | 636,161.25 |
| Interest on loan | 238,166.78 | 0.00 |
| Interest on trade and other payables | 149,149.92 | 260,292.26 |
| Revaluation investment | 0.00 | 0.00 |
| Other financial expenses: | 644,552.73 | 743,891.94 |
| Foreign exchange losses | 539.21 | 320,167.11 |
| Discount of long-term items | 367,791.82 | 423,724.83 |
| Realisation of financial instruments | 0.00 | 0.00 |
| Cost of bank commission relating to capital expenditure | 0.00 | 0.00 |
| Other | 276,221.70 | 0.00 |
| Total | 2,857,094.31 | 4,240,333.46 |

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

12. Corporate income tax

12.1 Corporate income tax recognised in profit or loss

(PLN)

| | Year ended 31/12/2013 | Year ended 31/12/2012 |
|---|--------------------------|--------------------------|
| Current income tax: | 4,114,828.76 | 7,183,641.00 |
| Tax currently payable | 4,414,828.76 | 7,183,641.00 |
| Deferred income tax: | -2,249,243.45 | -5,985,420.82 |
| Deferred income tax related to the occurrence and reversal of temporary differences | -2,249,243.45 | -5,985,420.82 |
| Total tax expense/income | 1,865,585.31 | 1,198,220.18 |

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and items of income or expense that are never taxable. The Group's liability for current tax is calculated using tax rates applicable during the fiscal year in question. Since 2004, the rate applicable pursuant to amended regulations has been 19%. Current regulations do not provide for any differences in tax rates in future periods.

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

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

| | (PLN) | |
|---|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Profit from operations | 7,472,583.55 | 3,602,994.36 |
| Income tax expense calculated at 19% | 1,419,790.87 | 684,568.93 |
| Tax effect of expenses that are not tax-deductible under tax regulations and of revenue not classified as revenue under tax regulations | 445,794.44 | 665,675.10 |
| Tax effect of tax losses deducted in the period | 0.00 | 0.00 |
| Adjustments in the current year in relation to the current and deferred tax of prior years | 0.00 | -45,517.86 |
| Other | 0.00 | -106,505.99 |
| Income tax expense recognised in profit or loss | 1,865,585.31 | 1,198,220.18 |

12.2 Current tax assets and liabilities

| | (PLN) | |
|----------------------------------|---------------------|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Current tax assets | | |
| Tax refundable | 0.00 | 584,961.00 |
| Total | 0.00 | 584,961.00 |
| Current tax liabilities | | |
| Tax payable | 3,037,568.00 | 123,731.00 |
| Tax recognised in profit or loss | 0.00 | 0.00 |
| Total | 3,037,568.00 | 123,731.00 |

12.3 Deferred tax balance

| | (PLN) | |
|---|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Deferred tax balance at the beginning of the year | -1,313,083.55 | -6,125,867.14 |
| Temporary differences relating to deferred tax assets: | | |
| Provisions for expenses and accruals | 6,338,172.46 | 5,679,816.74 |
| Discount of receivables | 134,807.51 | 311,737.26 |
| Measurement of financial instruments | 0.00 | 0.00 |
| Other financial liabilities | 932,454.00 | 537,982.46 |
| Measurement of long-term contracts | 0.00 | 4,959,246.44 |
| Interest | 0.00 | 228,833.48 |
| Remuneration and insurance premiums that are not tax deductible | 0.00 | 64,388.42 |
| Costs of civil tax on acquired company | 0.00 | 150,384.05 |
| Other, including allowances for receivables | 348,139.18 | 0.00 |
| Other – measurement of settlements | 82,030.31 | 29,276.36 |
| Tax work in progress | 10,548,920.00 | 8,489,653.90 |
| Deferred tax transferred from equity | 0.00 | 0.00 |

Temporary differences relating to deferred tax liabilities:

| | | |
|--|---------------|---------------|
| Leasehold | 0.00 | 2,469,946.44 |
| Measurement of long-term contracts | 9,330,820.00 | 11,834,763.81 |
| Deferred revenue | 0.00 | 181,573.78 |
| Property, plant and equipment | 10,721,456.37 | 6,969,664.31 |
| Revaluation of property, plant and equipment | 0.00 | 0.00 |
| Finance lease | 0.00 | 1,201,496.37 |
| Discount of payables | 365,799.00 | 276,060.39 |
| Interest | 0.00 | 332,843.43 |
| Other | 929,238.20 | 10,044.55 |

Unused tax losses and other tax credits

| | | |
|-------------|--------------|--------------|
| Tax losses | 4,007,399.00 | 1,511,990.42 |
| Tax credits | 0.00 | 0.00 |
| Other | 0.00 | 0.00 |

Deferred tax balance at the end of the year

1,044,608.89 -1,313,083.55

Change in deferred tax

2,357,692.44 4,812,783.59

- recognised in income

2,249,243.45 4,812,783.59

- recognised in equity

108,448.99 0.00

13. Profit per share

(PLN)

| | Year ended 31/12/2013 | Year ended 31/12/2012 |
|---------------------------------|--------------------------|--------------------------|
| Basic profit per share | 0.33 | 0.07 |
| Total basic profit per share | 0.33 | 0.07 |
| Diluted profit per share | 0.33 | 0.07 |
| Total diluted profit per share | 0.33 | 0.07 |

13.2 Basic profit per share

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

(PLN)

| | Year ended 31/12/2013 | Year ended 31/12/2012 |
|--|--------------------------|--------------------------|
| Profit per share for the financial year attributable to the shareholders of the parent | 0.33 | 0.07 |
| Total profit used in the calculation of basic profit per share | 7,348,416.21 | 1,596,611.00 |
| Weighted average number of ordinary shares used in the calculation of profit per share | 22,033,866 | 22,000,000 |

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

13.3 Diluted profit per share

The profit used in the calculation of diluted profit per share does not differ from the profit used in the calculation of basic profit per share as at 31 December 2013.

14. Property, plant and equipment

(PLN)

| | Freehold land | Buildings | Plant and equipment | Vehicles | Other | Total fixed assets | Fixed assets under construction | Prepaid fixed assets under construction | TOTAL |
|------------------------------------|---------------|---------------|---------------------|---------------|--------------|--------------------|---------------------------------|---|---------------|
| Gross value | | | | | | | | | |
| Balance at 1 January 2013 | 12,287.67 | 27,675,670.29 | 27,616,727.21 | 32,256,942.97 | 2,248,971.67 | 89,810,599.81 | 1,274,289.61 | 0.00 | 91,084,889.42 |
| Additions | 0.00 | 790,748.98 | 659,633.03 | 12,225,362.37 | 105,256.98 | 13,781,001.36 | 2,562,351.67 | 0.00 | 16,343,353.03 |
| Liquidations | 0.00 | 2,730,302.64 | 259,504.71 | 4,743,362.03 | 241,163.91 | 7,974,333.29 | 2,428,165.01 | 0.00 | 10,402,498.30 |
| Loss of control | 0.00 | 0.00 | -88,182.71 | 0.00 | -427.20 | -88,609.91 | 0.00 | 0.00 | -88,609.91 |
| Balance at 31 December 2013 | 12,287.67 | 25,736,116.63 | 27,928,672.82 | 39,738,943.31 | 2,112,637.54 | 95,528,657.97 | 1,408,476.27 | 0.00 | 96,937,134.24 |
| | Freehold land | Buildings | Plant and equipment | Vehicles | Other | Total fixed assets | Fixed assets under construction | Prepaid fixed assets under construction | TOTAL |
| Depreciation and impairment | | | | | | | | | |
| Balance at 1 January 2013 | 0.00 | 4,035,605.15 | 9,866,327.91 | 9,858,124.20 | 1,182,728.57 | 24,942,785.83 | 0.00 | 0.00 | 24,942,785.83 |
| Elimination on disposal of assets | 0.00 | 1,122,867.35 | 220,328.01 | 2,235,419.57 | 35,498.57 | 3,614,113.50 | 0.00 | 0.00 | 3,614,113.50 |
| Depreciation expense | 0.00 | 1,054,155.44 | 2,608,412.21 | 2,886,647.09 | 167,942.87 | 6,717,157.61 | 0.00 | 0.00 | 6,717,157.61 |
| Loss of control | 0.00 | 0.00 | -87,932.08 | 0.00 | -427.20 | -88,359.28 | 0.00 | 0.00 | -88,359.28 |
| Balance at 31 December 2013 | 0.00 | 3,966,893.24 | 12,166,480.03 | 10,509,351.72 | 1,314,745.67 | 27,957,470.66 | 0.00 | 0.00 | 27,957,470.66 |
| Carrying amount | | | | | | | | | |
| Balance at 1 January 2013 | 12,287.67 | 23,640,065.14 | 17,750,399.30 | 22,398,818.77 | 1,066,243.10 | 64,867,813.98 | 1,274,289.61 | 0.00 | 66,142,103.59 |
| Balance at 31 December 2013 | 12,287.67 | 21,769,223.39 | 15,762,192.79 | 29,229,591.59 | 797,891.87 | 67,571,187.31 | 1,408,476.27 | 0.00 | 68,979,663.58 |

Total property, plant and equipment of the Group as at 31 December 2013 amounted to PLN 69.0m (compared to PLN 66.1m in 2012). No impairment losses were recognised by the Group.

As at 31 December 2013, the value of liabilities incurred to purchase property, plant and equipment was PLN 32.9 thousand. As at 31 December 2013, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 4.2m.

14.2 Assets pledged as security

The movables of ZUE (plant and equipment) with a net carrying amount of PLN 11m were pledged to secure the bank borrowing under the agreement no. WAR/2001/11/198/CB. The facility was intended for the financing and refinancing of a construction contract. The facility was repaid on 7 January 2014 and the security was released.

15. Investment property

| | Freehold land | Leasehold | Buildings | Plant and equipment | Vehicles | Other | (PLN) TOTAL |
|------------------------------------|---------------|--------------|--------------|---------------------|----------|-------|----------------|
| Gross value | | | | | | | |
| Balance at 1 January 2013 | 125,550.00 | 5,128,433.33 | 5,464,069.78 | 0.00 | 0.00 | 0.00 | 10,718,053.11 |
| Additions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Liquidations | 0.00 | 0.00 | 43,266.00 | 0.00 | 0.00 | 0.00 | 43,266.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance at 31 December 2013 | 125,550.00 | 5,128,433.33 | 5,420,803.78 | 0.00 | 0.00 | 0.00 | 10,674,787.11 |
| Depreciation and impairment | | | | | | | |
| Balance at 1 January 2013 | 11,550.00 | 762,670.73 | 935,309.58 | 0.00 | 0.00 | 0.00 | 1,709,530.31 |
| Elimination on disposal of assets | 0.00 | 0.00 | 61,423.72 | 0.00 | 0.00 | 0.00 | 61,423.72 |
| Depreciation expense | 0.00 | 165,648.36 | 201,270.96 | 0.00 | 0.00 | 0.00 | 366,919.32 |
| Balance at 31 December 2013 | 11,550.00 | 928,319.09 | 1,075,156.82 | 0.00 | 0.00 | 0.00 | 2,015,025.91 |
| Carrying amount | | | | | | | |
| Balance at 1 January 2013 | 114,000.00 | 4,365,762.60 | 4,528,760.20 | 0.00 | 0.00 | 0.00 | 9,008,522.80 |
| Balance at 31 December 2013 | 114,000.00 | 4,200,114.24 | 4,345,646.96 | 0.00 | 0.00 | 0.00 | 8,659,761.20 |

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

16. Non-current assets held for sale

As at 31.12.2013, the Group did not hold any non-current assets held for sale.

17. Goodwill

The goodwill of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A resulted from the acquisition of 85% of PRK shares and the control acquired in 2010. The acquisition of PRK was settled on the basis of data contained in the separate financial statements of PRK at 31 December 2009 and was recognised for the first time in 2010 in the Financial Statements of the Capital Group.

(PLN)

| | Goodwill at | |
|--------------|----------------------|----------------------|
| | 31.12.2013 | 31.12.2012 |
| PRK | 31,171,913.65 | 31,171,913.65 |
| BPK Poznań | 1,474,087.48 | 1,474,087.48 |
| Total | 32,646,001.13 | 32,646,001.13 |

17.2 Annual test for impairment

The Management Board of ZUE performed a test for the impairment of investments in PRK and BPK. The test revealed there were no grounds for the goodwill impairment losses at the end of the reporting period.

18. Intangible assets

Structure of intangible assets:

(PLN)

| Item | As at 31/12/2013 | As at 31/12/2012 |
|---|-----------------------------|-----------------------------|
| Acquired concessions, patents, licenses and similar assets, including: | 2,043,697.18 | 962,408.64 |
| - software | 2,043,697.18 | 962,408.64 |
| Other intangible assets, including: | 10,158,001.12 | 10,418,680.08 |
| - leasehold | 10,158,001.12 | 10,418,680.08 |
| Total | 12,201,698.30 | 11,381,088.72 |

Movements of intangible assets:

(PLN)

| | Leasehold | Other intangible assets – software | Total |
|--|----------------------|---|----------------------|
| Gross value | | | |
| Balance at 1 January 2013 | 10,976,832.53 | 2,672,494.46 | 13,649,326.99 |
| Additions | 133,988.57 | 1,844,365.73 | 1,978,354.30 |
| Disposals or classification as held for sale | 311,236.00 | 64,630.07 | 375,866.07 |
| Loss of control | 0.00 | -637,840.97 | -637,840.97 |
| Balance at 31 December 2013 | 10,799,585.10 | 3,814,389.15 | 14,613,974.25 |
| Amortisation and impairment | | | |
| Balance at 1 January 2013 | 558,152.45 | 1,710,085.82 | 2,268,238.27 |
| Amortisation expense | 182,435.23 | 457,904.13 | 640,339.36 |
| Revaluation intangible assets | | 304,560.26 | 304,560.26 |
| Disposals or classification as held for sale | 99,003.70 | 64,017.27 | 163,020.97 |
| Loss of control | 0.00 | -637,840.97 | -637,840.97 |
| Balance at 31 December 2013 | 641,583.98 | 1,770,691.97 | 2,412,275.95 |
| Carrying amount | | | |
| Balance at 1 January 2013 | 10,418,680.08 | 962,408.64 | 11,381,088.72 |
| Balance at 31 December 2013 | 10,158,001.12 | 2,043,697.18 | 12,201,698.30 |

No impairment losses were recognised by the Group.

19. Investments in and advances to subsidiaries

19.2 Information on non-consolidated subsidiaries

At the end of the reporting period, ZUE held 51% of shares in Railway Technology International Sp. z o.o. of Cracow. The subsidiary was not operating. RTI held a 100% interest in Railway Technology International Germany GmbH of Hamburg, Germany, whose core business consisted of winning and executing foreign projects.

| Name | Core business | Registered office and principal place of business | Shares | | Value at historical cost | |
|---|---------------|---|-----------------|-----------------|--------------------------|-------------------|
| | | | At 31/12/2013 % | At 31/12/2012 % | At 31/12/2013 PLN | At 31/12/2012 PLN |
| Railway Technology International Sp. z o.o. | Not operating | Cracow | 51% | 51% | 28,585.50 | 28,585.50 |
| Total investments in subsidiaries | | | | | 28,585.50 | 28,585.50 |

20. Other assets

(PLN)

| | Current | | Non-current | |
|--|---------------------|---------------------|-------------------|-------------------|
| | As at 31/12/2013 | As at 31/12/2012 | As at 31/12/2013 | As at 31/12/2012 |
| Prepaid expenses | 2,286,315.14 | 2,710,845.84 | 0.00 | 217,324.22 |
| Other long-term receivables | 0.00 | 0.00 | 151,851.89 | 0.00 |
| Long-term financial assets in other undertakings | 0.00 | 0.00 | 0.00 | 21,850.00 |
| Total | 2,286,315.14 | 2,710,845.84 | 151,851.89 | 239,174.22 |

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

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

21. Inventories

(PLN)

| | As at 31/12/2013 | As at 31/12/2012 |
|--------------------|----------------------|----------------------|
| Materials | 16,704,727.37 | 18,942,663.94 |
| Work in progress | 1,103,032.14 | 1,116,521.17 |
| Finished goods | 203,528.75 | 206,324.40 |
| Prepaid deliveries | 0.00 | 62,735.67 |
| Total | 18,011,288.26 | 20,328,245.18 |

At the end of the reporting period, inventories amounted to PLN 18.0m (compared to PLN 20.3m in 2012). High inventory level was related to advanced construction works.

22. Trade and other receivables

| | (PLN) | |
|---|-----------------------|-----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Trade receivables | 136,683,599.52 | 134,240,975.14 |
| Allowance for doubtful debts | -13,245,140.35 | -4,711,936.16 |
| Receivables under contracts (measurement) | 49,639,677.44 | 60,578,128.29 |
| Taxes, subsidies and social securities receivable | 0.00 | 0.00 |
| Receivables from the state budget other than corporate income tax | 0.00 | 0.00 |
| Advance payments | 2,526,025.56 | 0.00 |
| Other receivables | 215,822.78 | 220,550.62 |
| Receivables under court proceedings | 0.00 | 0.00 |
| Total trade and other receivables | 175,819,984.95 | 190,327,717.89 |

22.2 Ageing analysis of trade receivables

| | (PLN) | |
|--|-----------------------|-----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Not past due receivables, including: | 95,151,579.46 | 104,680,645.43 |
| Not past due receivables on which write-downs were recognised | 0.00 | 63,056.66 |
| Receivables that are past due but not impaired | 28,286,879.71 | 24,911,450.21 |
| 1-30 days | 23,695,165.76 | 17,893,017.60 |
| 31-60 days | 723,760.71 | 3,173,348.47 |
| 61-90 days | 31,015.03 | 244,068.07 |
| 91-180 days | 3,649,364.35 | 418,602.79 |
| 181-360 days | 54,715.15 | 2,773,922.03 |
| 360 + days | 132,858.71 | 408,491.25 |
| Past due receivables on which write-downs were recognised | 13,245,140.35 | 4,648,879.50 |
| 1-30 days | 457,089.07 | 0.00 |
| 31-60 days | 18,800.20 | 16,134.22 |
| 61-90 days | 3,177,395.06 | 3,600,923.27 |
| 91-180 days | 5,026,904.94 | 152,177.47 |
| 181-360 days | 4,564,951.08 | 293,194.44 |
| 360 + days | 0.00 | 586,450.10 |
| Total trade receivables (gross) | 136,683,599.52 | 134,240,975.14 |
| Write-downs of trade receivables | -13,245,140.35 | -4,711,936.16 |
| Total trade receivables (net) | 123,438,459.17 | 129,529,038.98 |

Change in allowances for doubtful debts

| | (PLN) | |
|---|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Balance at the beginning of the year | 4,711,936.16 | 1,021,975.42 |
| Impairment losses recognised on receivables | 856,859.10 | 5,992,524.76 |

| | | |
|---|----------------------|---------------------|
| Impairment losses not entered in profit or loss | 7,933,393.86 | 0.00 |
| Amounts written off as uncollectible | 0.00 | -128,130.49 |
| Amounts recovered during the year | -198,014.02 | -2,094,845.09 |
| Impairment losses reversed | -59,034.75 | -79,588.44 |
| Unwind of discount | 0.00 | 0.00 |
| Balance at the end of the year | 13,245,140.35 | 4,711,936.16 |

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

22.3 Long-term receivables

(PLN)

| | As at 31/12/2013 | As at 31/12/2012 |
|-----------------------------------|------------------|----------------------|
| Trade receivables | 0.00 | 39,577,093.78 |
| Allowance for doubtful debts | 0.00 | 0.00 |
| Discount of long-term receivables | 0.00 | -1,620,373.75 |
| Total | 0.00 | 37,956,720.03 |

Trade receivables

(PLN)

| | Gross value of long-term receivables |
|---|--------------------------------------|
| Balance at the beginning of the year | 37,956,720.03 |
| Increases | 0.00 |
| Decreases | 37,956,720.03 |
| Transfer to short-term receivables | 37,956,720.03 |
| Discount | 0.00 |
| Balance at the end of the year | 0.00 |

23. Share capital

(PLN)

| | Share capital | |
|--|------------------|------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Registered capital | 5,757,520.75 | 5,500,000.00 |
| Amount recognised in the financial statements | 5,757,520.75 | 5,500,000.00 |

Share capital as at 14.03.2014

| | | | | | | | | (PLN) |
|------------------|--------------------------------|-----------------------|---------------------------------|---------------------|---|--|-------------------|------------------------------|
| Class / issue | Type of shares | Type of preference | Limit on rights to shares | Number of shares | Value of class/issue at par value | Contribution | Registration date | Right to dividend (as of) |
| Class A | Ordinary bearer shares | - | - | 16,000,000 | 4,000,000.00 | Contribution in kind | 12 July 2002 | 12 July 2002 |
| Class B | Ordinary bearer shares | - | - | 6,000,000 | 1,500,000.00 | Fully paid up in cash by way of issue | 19 October 2010 | 19 October 2010 |
| Class C | Bearer – “Merger shares” | | | 1,030,083 | 257,520.75 | Fully paid up in cash by way of issue | 20 December 2013 | 20 December 2013 |
| Total | | | | 23,030,083 | 5,757,520.75 | | | |

24. Retained earnings

| | (PLN) | |
|---|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Balance at the beginning of the year | 88,824,353.59 | 85,550,781.44 |
| Opening balance adjustment | -1,020,772.71 | 0.00 |
| Opening balance restatement | 87,803,580.88 | 85,550,781.44 |
| Net profit distribution | 1,596,611.00 | 21,264,396.15 |
| Reserve funds | 1,596,611.00 | 21,264,396.15 |
| Capital reserve | 0.00 | 0.00 |
| Coverage of loss brought forward | 0.00 | 0.00 |
| Annual profit | 7,339,372.01 | 1,596,611.00 |
| Payment of dividend for prior year | 0.00 | 0.00 |
| Interim dividend for current year | 0.00 | 0.00 |
| Change in non-controlling interests | 5,679,396.95 | 656,188.44 |
| Other | 3,447.57 | 0.00 |
| Equity changes resulting from the merger | -9,023,527.08 | 0.00 |
| Change in net profit according to the IFRS | 0.00 | 0.00 |
| Balance at the end of the year | 91,802,270.33 | 87,803,580.88 |

The retained earnings of prior years entirely comprise the earnings retained at companies on the basis of the decision made by their shareholders and the consequences of the IFRS implementation.

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

According to the agreement no. 07/164/11/Z/IN concluded on 28 June 2011 with BRE Bank S.A., the Company must not pay dividends whose amount exceeds the net profit for the preceding financial year, make advance payments on dividends or allocate dividends to reserve funds.

25. Share premium account

| | (PLN) | |
|---------------------------------------|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Balance at the beginning of the year | 85,360,680.68 | 85,360,680.68 |
| Share issue | 9,023,527.08 | 0.00 |
| Share issue costs | 547,542.47 | 0.00 |
| Balance at the end of the year | 93,836,665.29 | 85,360,680.68 |

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

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

In 2013, the Company launched a new issue of class C shares. The agio generated by the Company on 6 December 2013 was PLN 9,023.5 thousand. The costs of class C shares issue in 2013 amounted to PLN 547.5 thousand.

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

(PLN)

| | As at 31/12/2013 | As at 31/12/2012 |
|---------------------------------------|----------------------|----------------------|
| Long-term | 9,764,987.42 | 25,090,420.37 |
| Bank borrowings (i) | 5,111,111.22 | 20,700,811.30 |
| Loans from: | 0.00 | 0.00 |
| related entities | 0.00 | 0.00 |
| other entities | 192,962.00 | 170,000.00 |
| Obligations under finance lease | 4,460,914.20 | 4,219,609.07 |
| Short-term | 40,570,393.01 | 41,184,811.96 |
| Overdrafts (ii) | 173,523.84 | 0.00 |
| Bank borrowings (i) | 38,011,357.48 | 39,065,577.84 |
| Loans from: | 0.00 | 0.00 |
| related entities | 0.00 | 0.00 |
| other entities | 0.00 | 0.00 |
| Obligations under finance lease | 2,801,761.69 | 2,743,609.12 |
| Settlement of commission on borrowing | -416,250.00 | -624,375.00 |
| Total | 50,335,380.43 | 66,275,232.33 |

26.2 Summary of credit facility agreements
As at 31 December 2013

(PLN)

| Bank / entity | Description | Principal according to the agreement | Outstanding amount as at 31.12.2013 | Interest rate | Rapayment date | Security |
|------------------------------|--|--------------------------------------|-------------------------------------|---|------------------|---|
| Overdrafts (ii) | | | | | | |
| mBank S.A. | Overdraft facility (agreement no. 07/183/04/Z/VV)(v) | 10,000,000.00 | 0.00 | O/N WIBOR for interbank credits + margin | 15 May 2014 | 1. Blanket capped mortgage up to PLN 1,000,000 on real property KR1P/00264688/9, KR1P/0017153/4, KR1P/00227028/4 2. Blank bill of exchange |
| Bank Millennium S.A. | Overdraft facility (agreement no. 5700/13/400/04) | 10,000,000.00 | 0.00 | WIBOR + margin | 22 May 2014 | |
| BNP Paribas Bank Polska S.A. | Overdraft facility (agreement no. WAR/2001/13/40/CB) | 200,000.00 | 61,978.07 | WIBOR + margin | 1 April 2014 | 1. Bill of exchange 2. Guarantee by ZUE |
| mBank S.A. | Overdraft facility (agreement no. 07/113/13/Z/VV) | 300,000.00 | 111,545.77 | O/N WIBOR for interbank credits + margin + margin | 12 June 2014 | 1. Guarantee by ZUE |
| Other facilities (i) | | | | | | |
| mBank S.A. | Investment facility (agreement no. 07/164/11/Z/IN) | 23,000,000.00 | 10,222,222.30 | WIBOR + margin | 11 December 2015 | 1. Blank bill of exchange with declaration 2. Blanket ordinary mortgage up to PLN 35,420,550 on real property KR1P/0026488/9, KR1P/0017153/4, KR1P/00227028/4, WA5M/00242445/1, KR1P/00333015/6, KR1P/00328817/0 |
| Bank Millennium S.A. | Revolving facility (agreement no. 2749/11/475/04)(v) | 35,000,000.00 | 22,421,657.40 | WIBOR + margin | 23 May 2014 | 1. Assignment of claims under the following contract: "Construction of the Franowo tram depot in Poznań" 2. Assignment of claims under the following contract no. DO 13/2013: "Upgrade of a separate tramway track at lines no. 15, 21, 24 and 27 along the 3-go Maja Street, an interchange in Sosnowiec, with platforms," "Upgrade of crossings in Sosnowiec: 3-go Maja Street, the intersection of Parkowa and Mościckiego Streets" (project no. 28)," "Upgrade of a tramway in the 3-go Maja Street in |

Sosnowiec – from the interchange to the Zagórze terminus (project no. 29),”
3. Bank enforcement order of PLN 52,500 thousand until 23 May 2017 .

| | | | | | | |
|------------------------------|--|---------------|----------------------|-------------------|--|--|
| BNP Paribas Bank Polska S.A. | Revolving facility (agreement no. WAR/2001/11/198/CB)(v) | 45,000,000.00 | 10,478,589.00 | 3M WIBOR + margin | Repayment on 7 January 2014 and security release | <p>1. Blank bill of exchange</p> <p>2. Registered pledge, assignment of rights under the insurance policy for plant and equipment</p> <p>3. Assignment of claims under the contract no. 90/132/284/00/11024955/10/I/I</p> <p>4. Borrower's statement on submission to enforcement pursuant to Art. 97 of the Banking Act of 29 August 1997</p> |
|------------------------------|--|---------------|----------------------|-------------------|--|--|

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

27. Other financial liabilities

(PLN)

| | Current | | Non-current | |
|---|---------------------|---------------------|---------------------|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 | As at 31/12/2013 | As at 31/12/2012 |
| Financial liabilities to the State Treasury | 280,000.00 | 280,000.00 | 1,470,000.00 | 1,750,000.00 |
| Total | 280,000.00 | 280,000.00 | 1,470,000.00 | 1,750,000.00 |

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

28. Provisions

The following table sets out the changes in provisions.

(PLN)

| | As at 01/01/2013 | Created | Released | Utilised | As at 31/12/2013 |
|----------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| Long-term provisions: | 7,675,458.36 | 3,452,532.76 | 1,732,042.77 | 241,856.46 | 9,154,091.89 |
| Provisions for employee benefits | 2,323,605.01 | 1,919,305.82 | 1,732,042.77 | 0.00 | 2,510,868.06 |
| Provisions for warranty repairs | 5,351,853.35 | 1,526,929.26 | 0.00 | 241,856.46 | 6,636,926.15 |
| Other provisions | 0.00 | 6,297.68 | 0.00 | 0.00 | 6,297.68 |
| Short-term provisions: | 15,392,572.12 | 5,964,031.80 | 3,587,890.86 | 6,745,661.67 | 11,023,051.39 |
| Provisions for employee benefits | 7,166,243.60 | 3,516,797.21 | 257,316.40 | 6,619,804.20 | 3,805,920.21 |
| Provisions for warranty repairs | 3,090,422.69 | 713,818.54 | 0.00 | 103,057.47 | 3,701,183.76 |
| Provision for contract losses | 0.00 | 600,000.03 | 0.00 | 0.00 | 600,000.03 |
| Other provisions | 5,135,905.83 | 1,133,416.02 | 3,330,574.46 | 22,800.00 | 2,915,947.39 |
| Total provisions: | 23,068,030.48 | 9,416,564.56 | 5,319,933.63 | 6,987,518.13 | 20,177,143.28 |

- (i) Provision for warranty repairs is created for the construction contracts in respect of which warranty has been given by the Group companies depending on the amount of revenues and taking account of subcontractors' liability for the work they have been entrusted with. In 2013, the ratio of provisions to revenues under contracts was 0.6%. The amount of provisions may decrease or increase on the basis of inspections of construction works in subsequent years of warranty.

29. Construction contracts

The following details relate to the contracts measured by the Group with the percentage-of-completion method. Certain construction contracts are measured using the zero-profit method.

Selected balance sheet data

| | (PLN) | |
|--|-----------------------|-----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Assets | 182,129,935.66 | 233,946,608.32 |
| including: | | |
| - measurement of contracts | 47,016,071.48 | 60,578,128.29 |
| - advance payments for contracts | 2,526,025.56 | 364,768.90 |
| Liabilities | 108,110,715.20 | 130,227,039.25 |
| including: | | |
| - measurement of contracts | 12,438,428.12 | 27,588,392.25 |
| - provision for subcontractors | 12,521,925.53 | 7,482,265.18 |
| Received advance payments for contracts | 0.00 | 1,441,723.91 |
| Revenue under construction contracts | 361,291,341.94 | 487,114,068.80 |
| Expenses under construction contracts | 346,048,630.75 | 465,943,062.06 |
| Gross result on construction contracts | 15,242,711.19 | 21,171,006.74 |

30. Retentions on construction contracts

| | (PLN) | |
|--|----------------------|----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Retained by customers – to be repaid after 12 months | 2,310,835.90 | 1,392,475.42 |
| Retained by customers – to be repaid within 12 months | 5,537,856.90 | 3,676,826.70 |
| Total retentions on construction contracts retained by customers | 7,848,692.80 | 5,069,302.12 |
| Retained for suppliers – to be repaid after 12 months | 8,968,405.41 | 4,464,483.84 |
| Retained for suppliers – to be repaid within 12 months | 6,793,208.08 | 8,201,466.56 |
| Total retentions on construction contracts retained for suppliers | 15,761,613.49 | 12,665,950.40 |

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

30.2 Discount recognised in profit or loss

| | (PLN) | |
|---|---------------------|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Discount of long-term retentions on construction contracts retained by customers | 80,096.86 | 6,924.09 |
| Discount of long-term retentions on construction contracts retained for suppliers | 1,066,254.26 | 611,709.70 |
| Adjustment of financial income | -84,605.38 | 382,031.69 |
| Adjustment of financial expenses | 1,098,270.47 | 0.00 |
| Deferred tax on above adjustments | 224,746.41 | -72,586.02 |
| Net effect on profit or loss | -958,129.44 | 309,445.67 |

30.3 Ageing analysis of past due retentions on construction contracts (nominal values before discount)

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

| | (PLN) | |
|---|---------------------|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Past due retentions on construction contracts: | | |
| – up to 1 month | 31,148.52 | 1,970.10 |
| – 1 - 3 months | 353,019.89 | 0.00 |
| – 3 - 6 months | 1,050.00 | 0.00 |
| – 6 months - 1 year | 145.87 | 19,369.00 |
| – over 1 year | 900.00 | 206,969.68 |
| Total | 386,264.28 | 228,308.78 |

30.4 Risk of interest rate fluctuations

The effective interest rate as at 31 December 2013 used to discount the retentions on construction contracts did not change when compared to 2012 and was 4%.

31. Trade and other payables

| | (PLN) | |
|---|----------------------|-----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Short-term payables: | | |
| Trade payables | 58,069,902.15 | 91,109,180.59 |
| Liabilities to the state budget other than corporate income tax | 6,478,933.02 | 18,972,566.95 |
| Accruals | 13,095,047.16 | 7,482,265.18 |
| Liabilities under contracts | 13,064,266.10 | 27,588,392.25 |
| Other payables | 497,536.59 | 6,499,520.57 |
| Total trade and other payables | 91,205,685.02 | 151,651,925.54 |

Total trade and other payables as at 31 December 2013 amounted to PLN 91.2m (PLN 151.7m for 2012).

Ageing analysis of trade payables

(PLN)

| | As at 31/12/2013 | As at 31/12/2012 |
|------------------------------|----------------------|----------------------|
| Not past due payables | 53,063,053.97 | 74,146,490.55 |
| Past due payables | 5,006,848.18 | 16,962,690.04 |
| 1-30 days | 3,511,616.23 | 5,039,571.08 |
| 31-60 days | 22,054.53 | 7,455,590.92 |
| 61-90 days | 656,190.70 | 105,022.20 |
| 91-180 days | 153,690.55 | 900,360.87 |
| 181-360 days | 38,303.94 | 1,123,341.15 |
| 360 + days | 624,992.23 | 2,338,803.82 |
| Total trade payables | 58,069,902.15 | 91,109,180.59 |

32. Obligations under finance lease

32.2 General terms of lease

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

32.3 Obligations under lease

(PLN)

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|------------------------|---------------------|---|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 | As at 31/12/2013 | As at 31/12/2012 |
| Not later than one year | 3,100,886.98 | 3,426,259.13 | 2,801,761.69 | 2,743,609.12 |
| Later than one year and not later than five years | 4,784,634.47 | 4,430,131.42 | 4,460,914.20 | 4,219,609.07 |
| Later than five years | 0.00 | 0.00 | 0.00 | 0.00 |
| Less: future finance charges | -622,845.56 | -893,172.36 | n/a | n/a |
| Present value of minimum lease payments | 7,262,675.89 | 6,963,218.19 | 7,262,675.89 | 6,963,218.19 |

Included in the financial statements as:

| | | |
|----------------------------------|--------------|--------------|
| current borrowings (note 26) | 2,801,761.69 | 2,743,609.12 |
| non-current borrowings (note 26) | 4,460,914.20 | 4,219,609.07 |

33. Obligations under retirement and other benefits

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

The table below sets out the obligations under employee benefits:

| | As at 31/12/2013 | (PLN) As at 31/12/2012 |
|--|-----------------------------|------------------------------|
| Pension and retirement gratuities, including: | 938,954.78 | 2,750,211.67 |
| – present amount of obligation at the end of the reporting period | 938,954.78 | 2,750,211.67 |
| – actuarial gains / (losses) unrecognised at the end of the reporting period | 0.00 | 0.00 |
| – past service cost unrecognised at the end of the reporting period | 0.00 | 0.00 |
| Obligations to employees | 1,761,490.29 | 606,839.22 |
| Other employee benefits | 7,854,096.94 | 7,466,175.00 |
| – provision for unused leaves | 3,131,284.88 | 3,272,180.98 |
| – provision for bonuses | 321,410.82 | 1,649,291.81 |
| – salaries | 2,104,929.94 | 0.00 |
| – social security and other benefits | 2,296,471.30 | 2,544,702.21 |
| Total obligations under retirement and other benefits | 10,554,542.01 | 10,823,225.89 |
| including: | | |
| – long-term | 2,510,868.06 | 2,323,605.01 |
| – short-term | 8,043,673.95 | 8,499,620.88 |
| | As at 31/12/2013 | As at 31/12/2012 |
| Discount rate | 4% | 4% |
| Expected inflation | 0% | 3% |
| Expected salary increase | 3% | 3% |

Pension and retirement gratuities

| | As at 31/12/2013 | As at 31/12/2012 |
|--|---------------------|---------------------|
| Present amount of obligation at the beginning of the year | 2,498,567.67 | 2,882,806.16 |
| Interest cost | 86,486.86 | 107,449.26 |
| Current service cost | 187,762.55 | -9,735.59 |
| Past service cost | -1,710,358.10 | -227,506.64 |
| Benefits paid | -114,460.00 | -477,069.68 |
| Actuarial (gains) / losses | -9,044.20 | 474,268.16 |
| Present amount of obligation at the end of the year | 938,954.78 | 2,750,211.67 |

Amounts recognised in the statement of comprehensive income in respect of future employee benefits are as follows:

| | As at 31/12/2013 | As at 31/12/2012 |
|--|----------------------|-------------------|
| Current service cost | 68,420.08 | -9,735.59 |
| Interest cost | 86,486.86 | 107,449.26 |
| Actuarial (gains)/ losses to be recognised in the period | -9,044.20 | 474,268.16 |
| Past service cost | -1,710,358.10 | -227,506.64 |
| Costs recognised in statement of comprehensive income | -1,564,495.36 | 344,475.19 |
| Amount recognised in profit or loss | -1,555,451.16 | 344,475.19 |
| Amount recognised in other comprehensive income | -9,044.20 | 0.00 |

The past service cost of PLN -1,710,358.10 mainly concerned the reversal of retirement gratuities posted in prior periods in connection with changes in the remuneration rules following the merger of PRK and ZUE.

34. Capital management

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

The gearing ratio at the end of the year:

| | (PLN) | |
|---------------------------------------|-----------------------|-----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Interest bearing loans and borrowings | 50,335,380.43 | 66,275,232.33 |
| Retentions on construction contracts | 15,761,613.49 | 12,665,950.40 |
| Obligations under employee benefits | 10,554,542.01 | 10,096,663.83 |
| Trade and other payables | 91,205,685.02 | 151,651,925.54 |
| Current tax liabilities | 3,037,568.00 | 123,731.00 |
| Debt | 170,894,788.95 | 240,813,503.10 |
| Cash and cash equivalents | 49,729,062.27 | 69,760,750.22 |
| Net debt | 121,165,726.68 | 171,052,752.88 |
| Equity | 191,054,532.32 | 187,826,135.77 |
| Net debt to equity ratio | 63.42% | 91.07% |

35. Financial risk management

The main financial instruments used by the Group include:

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

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

35.2 Foreign exchange risk

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

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

Foreign currency risk – sensitivity to changes

To analyse the sensitivity to exchange rate changes, the reasonably possible change in foreign exchange rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -5% / +5% for EUR/PLN exchange rate as at 31 December 2013.

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

| (PLN) | | | | |
|--|--|---|--|------------|
| Currency | Carrying amount at the end of the reporting period (PLN) | Sensitivity to changes as at 31 December 2013 | | |
| | | Depreciation of PLN against +5% (EUR/PLN) | Appreciation of other currencies -5% (EUR/PLN) | |
| Derivative instruments denominated in foreign currencies (net currency exposure) | EUR | 0.00 | 0.00 | 0.00 |
| Cash | EUR | 221,124.31 | 11,056.22 | -11,056.22 |
| Cash | RBL | 513.67 | 25.68 | -25.68 |
| Receivables | EUR | 787,831.06 | 39,391.55 | -39,391.55 |
| Lease obligations | EUR | 0.00 | 0.00 | 0.00 |
| Trade and other payables | EUR | 176,525.74 | -8,826.29 | 8,826.29 |
| Gross effect on the result of the period and net assets | | 41,647.16 | -41,647.16 | |
| Deferred tax | | -7,912.96 | 7,912.96 | |
| Total | | 33,734.20 | -33,734.20 | |

35.3 Interest rate risk

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

Interest rate risk – sensitivity to changes

To analyse the sensitivity to interest rate changes, the reasonably possible change in interest rates was assessed, on the basis of historical changes and the Group's experience and knowledge of financial markets, at -1% / +1% pp at 31 December 2013. A parallel shift of interest rate curve was assumed for the purpose of calculating the sensitivity to change in interest rates.

The following table sets out the effect on the result of the period and net assets as at 31 December 2013.

| (PLN) | | | |
|--|--|------------------|-------------------|
| | Carrying amount at the end of the reporting period | 31 December 2013 | |
| | | +100 bp | -100 bp |
| Long-term retentions on construction contracts (discount): | | | |
| – recognised in assets (present value) | 2,310,835.90 | -142,964.65 | 155,486.98 |
| – recognised in liabilities (present value) | 8,968,405.41 | 238,063.25 | -248,450.00 |
| Cash at banks (nominal value / interest) | 49,729,062.27 | 497,290.62 | -497,290.62 |
| Advanced loans (nominal value / interest) | 108,844.38 | 1,088.44 | -1,088.44 |
| Bank borrowings and loans (nominal value / interest) | 43,072,704.54 | -430,727.05 | 430,727.05 |
| Obligations under finance lease (present value / interest) | 7,262,675.89 | -72,626.76 | 72,626.76 |
| Gross effect on the result of the period and net assets | | 90,123.87 | -87,988.28 |
| Deferred tax | | -17,123.53 | 16,717.77 |
| Total | | 73,000.33 | -71,270.51 |

35.4 Price risk

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

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

35.5 Credit risk

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

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

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

The credit risk increased for the Group in 2013 as public sector entities more and more frequently expect the contractor to finance the entire project. Under the Public Procurement Act, contracting authorities are entitled to determine the terms of transaction, which provide for postponed dates of payment.

35.6 Liquidity risk

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

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

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

36. Financial instruments

The following table sets out the carrying amounts of all financial instruments of the Group with a breakdown into particular classes and categories of assets and liabilities as at 31 December 2013.

(PLN)

| Classes of financial instruments | Available-for-sale financial assets | Financial assets at fair value through profit or loss | Loans and receivables | Financial liabilities at fair value through profit or loss | Financial liabilities at amortised cost |
|---|-------------------------------------|---|-----------------------|--|---|
| Retentions on construction contracts | 0.00 | 0.00 | 7,848,692.80 | 0.00 | 15,761,613.49 |
| Long-term receivables | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Trade and other receivables | 0.00 | 0.00 | 175,819,984.95 | 0.00 | 0.00 |
| including: sums receivable from customers under construction contracts – advance payments | 0.00 | 0.00 | 2,526,025.56 | 0.00 | 0.00 |
| Derivative financial instruments and other financial liabilities | 0.00 | 0.00 | 0.00 | 0.00 | 1,750,000.00 |
| Advanced loans | 0.00 | 0.00 | 108,844.38 | 0.00 | 0.00 |
| Cash and cash equivalents | 0.00 | 49,729,062.27 | 0.00 | 0.00 | 0.00 |
| Bank borrowings and other debt instruments and other financing sources | 0.00 | 0.00 | 0.00 | 0.00 | 50,335,380.43 |
| Trade and other payables | 0.00 | 0.00 | 0.00 | 0.00 | 91,205,685.02 |
| including: sums payable to customers under construction contracts – advance payments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 49,729,062.27 | 183,777,522.13 | 0.00 | 159,052,678.94 |

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

Reclassifications of financial assets

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

36.2 Maturity profile of financial liabilities at fair value through profit or loss and at amortised cost

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

| | (PLN) | |
|----------------------|---------------------------|---------------------------|
| | As at 31 December 2013 | As at 31 December 2012 |
| Age structure | | |
| – less than 1 year | 140,319,286.11 | 222,893,068.67 |
| – 1 - 3 years | 14,590,090.67 | 5,985,953.01 |
| – 3 - 5 years | 3,828,395.18 | 2,875,272.90 |
| – 5 years + | 314,906.98 | 1,595,375.75 |
| Total | 159,052,678.94 | 233,349,670.33 |

36.3 Fair value of financial instruments

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

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

36.4 Derivative instruments

No derivative instrument transactions were entered into by the Group in 2012 or 2013.

37. Transactions with related entities

37.2 Trade transactions

The following transactions between the related entities were entered into during the financial year:

(PLN)

| | Receivables | | Payables | |
|---------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Wiesław Nowak | 0.00 | 0.00 | 0.00 | 0.00 |
| RTI | 4,320.78 | 3 690.00 | 0.00 | 0.00 |
| RTI Germany | 0.00 | 0.00 | 172,361.96 | 0.00 |
| Total | 4,320.78 | 3 690.00 | 172,361.96 | 0.00 |

| | Sales revenue | | Purchase cost | |
|---------------|---------------------|---------------------|---------------------|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 | As at 31/12/2013 | As at 31/12/2012 |
| Wiesław Nowak | 0.00 | 0.00 | 416,000.00 | 270,000.00 |
| RTI | 12,000.00 | 12,000.00 | 0.00 | 0.00 |
| RTI Germany | 0.00 | 0.00 | 768,422.51 | 0.00 |
| Total | 12,000.00 | 12,000.00 | 1,184,422.51 | 270,000.00 |

| | Advanced loans | | Financial income | |
|---------------|---------------------|---------------------|---------------------|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 | As at 31/12/2013 | As at 31/12/2012 |
| Wiesław Nowak | 0.00 | 0.00 | 0.00 | 0.00 |
| RTI | 108,844.38 | 103,448.11 | 3,090.78 | 0.00 |
| RTI Germany | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 108,844.38 | 103,448.11 | 3,090.78 | 0.00 |

| | Received loans | | Financial expenses | |
|---------------|---------------------|---------------------|---------------------|---------------------|
| | As at 31/12/2013 | As at 31/12/2012 | As at 31/12/2013 | As at 31/12/2012 |
| Wiesław Nowak | 0.00 | 0.00 | 0.00 | 0.00 |
| RTI | 0.00 | 0.00 | 0.00 | 0.00 |
| RTI Germany | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 0.00 | 0.00 | 0.00 |

In 2013, the transactions between the Group and the related entities were executed at market prices with discounts depending on the volume of purchase.

In 2013, RTI leased a business establishment on the basis of the lease of 16 November 2012.

The transactions with Mr. Wiesław Nowak occurred as a result of the lease 28 December 2011 whereby he leased the office and warehouse space of 800m² out to ZUE. The Annex no. 2 to the said lease was signed on 12 November 2013. Under the Annex, the rented space was reduced to 160m² and the monthly rent was reduced to PLN 8 thousand.

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

37.3 Remuneration of key management personnel

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

| | Period | Remuneration | Period | (PLN) Remuneration |
|-----------------------------|--------------------|---------------------|-----------------------|-----------------------|
| Management Board | | | | |
| Wiesław Nowak | 01.2013-12.2013 | 734,122.40 | 01.2012-12.2012 | 732,696.15 |
| Marcin Wiśniewski | 01.2013-12.2013 | 342,000.00 | 01.2012-12.2012 | 465,240.00 |
| Maciej Nowak | 01.2013-12.2013 | 264,000.00 | 01.2012-12.2012 | 362,000.00 |
| Jerzy Czeremuga | 01.2013-12.2013 | 263,245.75 | 01.2012-12.2012 | 331,895.14 |
| Anna Mroczek | 24-31.12.2013 | 5,500.00 | 01.2012-12.2012 | n/a |
| Proxy | | | | |
| Barbara Nowak | 01.2013-12.2013 | 284,395.20 | 01.2012-12.2012 | 300,033.88 |
| Supervisory Board | | | | |
| Beata Jaglarz | 01.2013-12.2013 | n/a | 01.01.2012–15.07.2012 | 68,057.66 |
| Bogusław Lipiński | 01.2013-12.2013 | 101,530.00 | 01.2012-12.2012 | 109,492.88 |
| Magdalena Lis | 01.2013-12.2013 | 59,409.82 | 01.2012-12.2012 | 44,991.28 |
| Michał Lis | 01.2013-12.2013 | 97,870.15 | 16.07.2012-31.12.2012 | 43,277.91 |
| Mariusz Szubra | 01.2013-12.2013 | 6,000.00 | 01.2012-12.2012 | 6,000.00 |
| Piotr Korzeniowski | 01.2013-12.2013 | 6,000.00 | 01.2012-12.2012 | 6,000.00 |
| PRK Management Board | 01.2013-20.12.2013 | 1,505,633.95 | 01.2012-12.2012 | n/a |
| Total | | 3,669,707.27 | | 2,469,684.90 |

The General Meeting decided not pay dividends for 2012.

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

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.

On 24 December 2013, the Company's Supervisory Board resolved under the resolution no. 19/2013 to appoint Ms. Anna Mroczek as member of the Management Board.

On 9 January 2014, the Company's Supervisory Board resolved under the resolution no. 2/2014 to appoint Mr. Arkadiusz Wierciński as member of the Management Board.

38. Cash and cash equivalents

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

| | (PLN) | |
|----------------------------------|----------------------|----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Cash on hand and at banks | 3,321,497.39 | 2,101,421.83 |
| Bank deposits up to three months | 46,407,564.88 | 67,659,328.39 |
| TOTAL | 49,729,062.27 | 69,760,750.22 |

39. Non-cash transactions and sources of finance

In 2013, the non-cash investing and financing activities which are not reflected in the statement of cash flows included only the acquisition of property, plant and equipment of PLN 3,975 thousand under a finance lease. In 2012, the non-cash investing and financing activities which are not reflected in the statement of cash flows included only the acquisition of property, plant and equipment of PLN 2,210 thousand under a finance lease.

40. Operating lease arrangements

40.1 The Company as lessee

Operating leases relate to the following leasehold property:

- Undeveloped real property in Cracow Podgórze – Jugowice, district 45, comprising the plots no. 36/2, 37/6, 37/11, 40/25 – Land and mortgage register no. KR1P/00333015/6.
- Undeveloped real property in Cracow, district 25, comprising the plots no. 121/1, 121/3, 121/4, 122/1, 122/2, 137/2, 162/1 and 162/5 – Land and mortgage register no. KR1P/00204399/8 and KR1P/00199773/5.
- Developed real property in Cracow, district 4, comprising the plot no. 527/26 – Land and mortgage register no. 185225.
- Undeveloped real property in Kościelisko, comprising the plots no. 2001 and 2491 – Land and mortgage register no. 10662 and 10740.

40.2 Leasing arrangements

The annual lease payment for the leasehold land in the Podgórze district 45 marked as the plots no. 36/2, 37/6, 37/11 and 40/25 is PLN 34,307.88. The leasehold is until 2089.

The annual lease payment for the leasehold land in the district 25 marked as the plots no. 121/1, 121/3, 121/4, 122/1, 122/2, 137/2, 162/1 and 162/5 is PLN 20,417.76. The leasehold is until 2089.

The annual lease payment for the leasehold land in the district 4 marked as the plot no. 527/26 is PLN 1,202.37. The leasehold is until 2089.

The annual lease payment for the leasehold land in Kościelisko marked as the plots no. 2001 and 2491 is PLN 83,840.00. The leasehold is until 2089.

40.3 Payments recognised as an expense

| | (PLN) | |
|------------------------|--------------------------|--------------------------|
| | Year ended 31/12/2013 | Year ended 31/12/2012 |
| Minimum lease payments | 142,425.29 | 189,334.47 |
| Total | 142,425.29 | 189,334.47 |

40.4 Operating lease commitments

| | (PLN) | |
|--|----------------------|----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Not later than 1 year | 162,821.51 | 189,334.47 |
| Later than 1 year and not later than 5 years | 651,286.04 | 757,337.88 |
| Later than 5 years | 11,560,327.21 | 16,623,023.99 |
| Total | 12,374,434.76 | 17,569,696.34 |

41. Contingent liabilities and contingent assets

40.5 Contingent liabilities

| | (PLN) | |
|----------------------|-----------------------|-----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Bonds and guarantees | 191,811,696.21 | 195,837,579.09 |
| Sureties | 2,105,028.42 | 10,120,414.37 |
| Bills of exchange | 130,136,815.31 | 157,754,220.79 |
| Mortgages | 38,150,550.00 | 38,150,550.00 |
| Pledges | 11,034,573.75 | 15,484,784.94 |
| Total | 373,238,663.69 | 417,347,549.19 |

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

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

40.6 Contingent assets

| | (PLN) | |
|----------------------|----------------------|----------------------|
| | As at 31/12/2013 | As at 31/12/2012 |
| Bonds and guarantees | 29,641,187.66 | 27,799,153.59 |
| Bills of exchange | 1,324,625.61 | 52,706.20 |
| Total | 30,965,813.27 | 27,851,859.79 |

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

42. Events after the reporting period

On 31 January 2014, the tender submitted by the consortium of ZUE of Cracow (Leader) and Dalekovod – Polska S.A. of Warsaw (Partner) in the tender procedure for "Construction of the double track 400 kV Kozienice – Ołtarzew" was selected by the contracting authority as the most advantageous offer. The contracting authority: Polskie Sieci Elektroenergetyczne S.A. Net value of the tender submitted by the Consortium: PLN 469,000,000. Completion date: 30 June 2019.

On 21 February 2014, ZUE signed the contract for a part of the construction works concerning the OCL and track services as part of the following project executed by Mota – Engil Central Europe S.A. of Cracow: "Extension of a tramway under the KST project Phase II B including the road system (the Lipska Street – the Wielicka Street) in Cracow." The contracting authority: Mota – Engil Central Europe S.A. of Cracow. Net value of the contract: PLN 26,650,000.00. Completion date: 15 August 2015.

On 25 February 2014, the tender submitted by ZUE for the following project: "Upgrade of the Wrocław Zgorzelec railway line no. 274 on the Wrocław – Jelenia Góra section" – upgrade of the railroad surface with auxiliary works, Smolec junction signal box, track no. 1, the Smolec – Kały Wrocławskie route, track no. 1, the Kały Wrocławskie – Mietków route and track no. 3 in the Boguszów Gorce Zachód station, was selected by the contracting authority as the most advantageous offer. The contracting authority: PKP Polskie Linie Kolejowe S.A. Investment Centre – Wrocław Branch. Net value of the tender submitted by the Company: PLN 42,436,450.00. Completion date: 30 October 2015.

On 28 February 2014, ZUE and Tramwaje Warszawskie Sp. z o.o. of Warsaw signed the contract for the construction of the tram line to Tarchomin in Warsaw. Net value of the contract: PLN 52,195,121.13. Completion date: 10 months of the contract conclusion.

On 28 February 2014, ZUE concluded the contract for the comprehensive works as part of the following project executed by Budimex S.A. of Warsaw: "Reconstruction of the tram line on the Mogiłskie Roundabout – Al. Jana

Pawła II – Plac Centralny section together with the traffic control system in Cracow.” Net value of the contract: PLN 11,930,000. Completion date: 10 months of the contract conclusion.

On 4 March 2014, ZUE concluded the contract with Pomorskie Przedsiębiorstwo Mechaniczno – Torowe Sp. z o.o. of Gdańsk for the provision of construction services on the section named V Grodzisk Mazowiecki station in connection with the following tasks performed by Pomorskie Przedsiębiorstwo Mechaniczno – Torowe Sp. z o.o. of Gdańsk for PKP Polskie Linie Kolejowe of Warsaw:

- Design and upgrade of the Warsaw – Łódź railway line, stage II, the Warszawa Zachodnia – Miedniewice (Skierniewice) section, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – the Warszawa Zachodnia – Skierniewice section;”
- Supplementary works related to civil structures, railway substructure and elements of telecommunications engineering on the 6,500km - 54,100km section, line no. 1 Warszawa Centralna – Katowice, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – the Warszawa Zachodnia – (Miedniewice) Skierniewice section;”
- Supplementary works related to the reinforcement of the track substructure and reconstruction of the track layout at the Pruszków station, the Pruszków – Grodzisk Mazowiecki route, the Grodzisk Mazowiecki station, the Żyrardów station and power engineering works at the Pruszków station, the Żyrardów station, line no. 1 Warszawa Centralna–Katowice, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – Warszawa Zachodnia – (Miedniewice) Skierniewice section.”

Net value of the contract: PLN 71,758,000. Completion date: 30 September 2015.

43. Approval of the financial statements

The financial statements were approved by the Management Board on 14 March 2014.

STATEMENT OF THE MANAGEMENT BOARD OF ZUE ON ANNUAL FINANCIAL STATEMENTS COMPLIANCE WITH APPLICABLE ACCOUNTING PRINCIPLES

The Management Board of ZUE state that according to their best knowledge, the annual consolidated financial statements of the Group for the period 1 January to 31 December 2013 have been prepared in accordance with applicable accounting principles and give a true and fair view of the financial position of the Group and its financial performance. 2013 Management Board Report contains a true view of the Group's development and achievements and the Group's standing, including the description of fundamental risks and threats.

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

.....

Wierciński Arkadiusz – Management Board Member

.....

Cracow, 14 March 2014

These consolidated financial statements of the ZUE Capital Group cover the period from 1 January to 31 December 2013. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant

The financial statements have been presented by the
Management Board:

Wiesław Nowak – Management Board President

Marcin Wiśniewski – Management Board Vice-
President

Jerzy Czeremuga – Management Board Vice-President

Maciej Nowak – Management Board Member

Anna Mroczek – Management Board Member

Arkadiusz Wierciński – Management Board Member

Cracow, 14 March 2014