



GRUPA ZUE

ZUE CAPITAL GROUP 2014 REPORT ON ACTIVITIES

Cracow, 12 March 2015

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Abbreviations and definitions:

ZUE, Company	<p>ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full.</p> <p>Parent company of the ZUE Capital Group.</p>
PRK	<p>Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. with registered office in Cracow entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000150723, share capital of PLN 9,500,000 paid up in full.</p> <p>On 20 December 2013, PRK was removed from the register as a result of merger with ZUE.</p>
BIUP	<p>Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 1,269,400 paid up in full.</p> <p>Subsidiary of ZUE.</p>
RTI	<p>Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full.</p> <p>Subsidiary of ZUE.</p>
RTI Germany	<p>Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full.</p> <p>Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.</p>
BPK Poznań	<p>Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 2,170,000 paid up in full.</p> <p>Subsidiary of ZUE.</p>
BPK Gdańsk	<p>Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji with registered office in Gdańsk, entered into the National Court Register maintained by the District Court Gdańsk-Północ, VII Commercial Division of the National Court Register, under entry no. KRS 0000273363, share capital of PLN 1,000,000 paid up in full.</p> <p>Associate.</p>
ZUE Group, Group, Capital Group	ZUE Capital Group including 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).

Share capital details as at 31 December 2014.

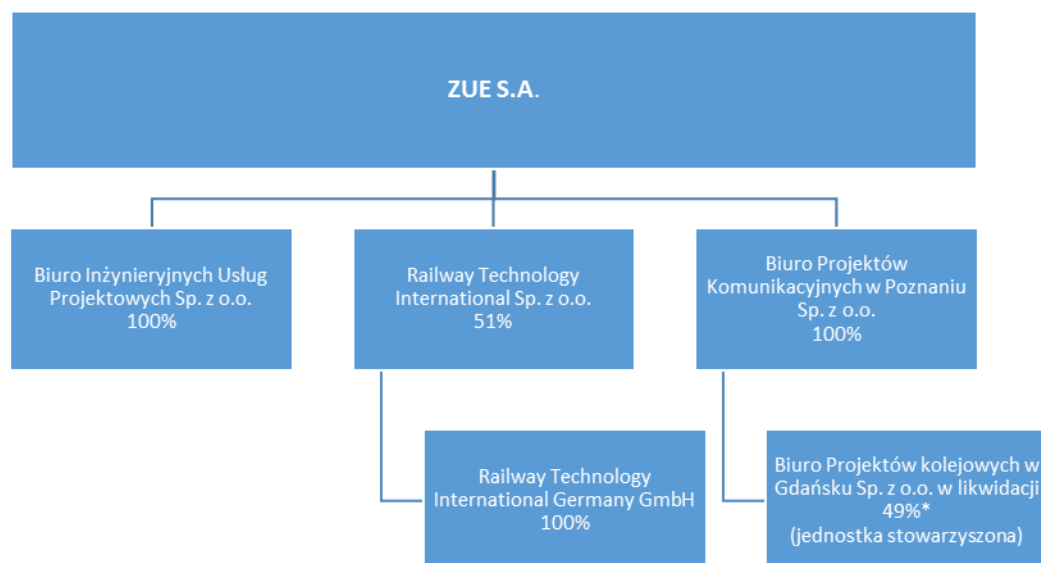
1. ORGANISATION

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

Composition of the ZUE Group:

- ZUE S.A. with registered office in Cracow (the parent);
- Biuro Inżynierskich Usług Projektowych Sp. z o.o. (subsidiary – a 100% interest);
- Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (subsidiary – a 100% interest);
- Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji (associated with BPK – a 49.06% interest);
- Railway Technology International Sp. z o.o. (subsidiary – a 51.00% interest), the company is not operating; and
- Railway Technology International Germany GmbH (subsidiary of RTI – 100.00% of shares) whose core business is the winning and execution of foreign projects.

ZUE Group at 31 December 2014



* Do wykresu: Jednostka stowarzyszona - associate

*Direct interest of BPK Poznań in the share capital of BPK Gdańsk.

ZUE is authorised to manage the financial and operating policy of BIUP and BPK Poznań because it holds 100% of shares in the companies.

ZUE holds 51% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's assets and financial position, Railway Technology International Sp. z o.o. was not consolidated as at 31 December 2014.

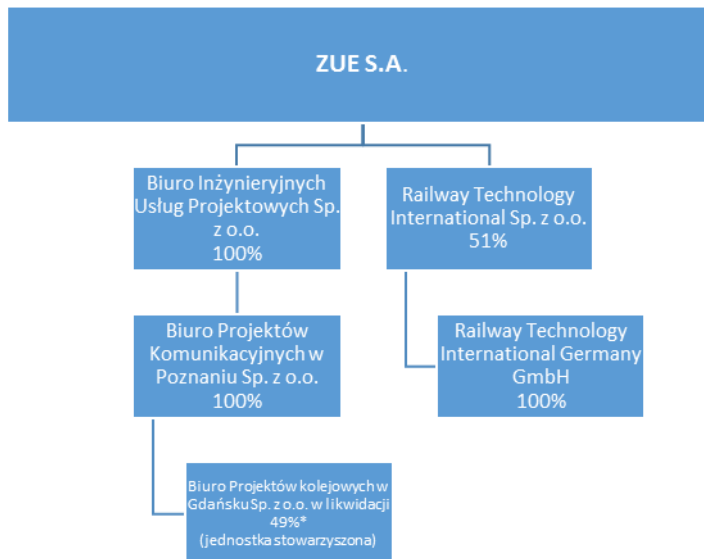
Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the Group's assets and financial position, Railway Technology International Germany GmbH was not consolidated as at 31 December 2014.

At 31 December 2014, Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. held 964 shares in Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji; i.e. a 49.06% interest in the company. The only aim of Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji is to liquidate its assets to satisfy its liabilities. Thus, ZUE does not exercise control within the meaning of IFRS 10 "Consolidated Financial Statements" and, consequently, the financial data of BPK Gdańsk was not consolidated.

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

The increase of the share capital of BIUP was registered on 30 January 2015 by the District Court for Cracow – Śródmieście in Cracow XI Commercial Division of the National Court Register.

Structure of the Capital Group at this Report approval date:



Do wykresu: Jednostka stowarzyszona - associate

* Direct interest of BPK Poznań in the share capital of BPK Gdańsk.

2. SCOPE OF OPERATIONS

The Group is a major player in the urban and railway transport infrastructure sector.

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

As part of its core business, the Group provides comprehensive development, upgrade and maintenance services for OCL (OCL substations) power supply systems and offers development and upgrade services for tram and railway OCL networks. The machinery, vehicles and specialist equipment held by the Group enable it to perform any OCL-related project in basically any city/rail infrastructure conditions.

The Group has adequate technical potential and human resources to deliver high voltage transmission networks. The Group executes such a project for PSE.

The Group also builds complete medium and low-voltage power networks, in particular for tram and railway power systems.

The activities of the Group include:

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

Other activities of the Group include the manufacture of steel and aluminium structures, land surveying services, construction equipment services (excavators, bulldozers, cranes, loaders), automotive equipment services (tractors with trailers, dump trucks), rail equipment services (tamping machines, wagons, locomotives) and services in the field of repair and diagnostics of vehicles at the inspection station in the service and repair centre.

Design, construction and comprehensive modernisation of urban transport systems

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

As regards the construction and comprehensive upgrade of tram tracks, the Group offers comprehensive solutions based on different technologies covering all track widths. Track design and construction technologies include classic tracks on wooden and prestressed concrete sleepers, tracks on grass (green), gravel or asphalt/concrete subgrade, embedded in the roadway and tracks with a reduced noise level - damping by means of vibration isolation padding or appropriately selected track fasteners.

All the projects, including delivery and assembly at the site, are executed by a team of competent employees and the cooperation with recognised suppliers combined with the specialty equipment and machinery owned by the Group guarantee the timely delivery and high quality of the service, as demonstrated by ISO 9001 certificate awarded for those operations.

As regards the construction and modernisation of tramway tracks, the Group offers comprehensive development and maintenance of infrastructure elements including the delivery and assembly of tram point switches, crossings, safe-locking of point mechanisms, state-of-the-art point mechanisms, track drainage systems and rail lubrication system.

As part of OCL development and upgrade, the Group offers comprehensive development and maintenance of tram OCL, development, upgrade and maintenance of OCL substations and related design services.

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

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

Design, construction and comprehensive modernisation of railway lines

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

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

Services in the field of power networks and power electronic services

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

- design and construction of high voltage cable and overhead lines;
- design and construction of fixed and overhead transformer stations;
- design and construction of MV power cable lines;
- design and construction of LV cable lines;
- construction of road traffic signalling from design to implementation and commissioning of the entire system;
- design, installation and maintenance of street lighting; and
- telecommunications technology.

The Group's key activities include:

- *Construction and maintenance of street lighting*

In the field of street lighting, the Group performs both construction works (from design to completion) and ongoing maintenance of lighting lines using specialized equipment and means of communication allowing thorough maintenance of the lighting system. High competence of the Group in this field is confirmed by the routine maintenance of street lighting in the City of Cracow (covering a total of more than 65,000 lighting points).

- *Construction of cable lines and fault location*

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

- *Construction of traffic signalling*

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

- *Telecommunications technology*

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

- *Traffic light controllers for public transport rail vehicles*

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

In 2014, the Group extended its activities to include the design and construction of high voltage cable and overhead lines. To this end, the Power Infrastructure Unit was established. The Power Infrastructure Unit includes the Power Project Preparation Office, which deals with comprehensive preparation of power line projects; i.e. the preparation of technical and legal documentation, design supervision and other tasks required by the Contracting Authority.

BIUP and BPK complement the Group's comprehensive activities by developing the following rail transport engineering projects:

- tram infrastructure – design of new OCL networks and tram depots, upgrade of existing tracks;
- rail infrastructure – preparation of upgrade documentation – repair of railway lines, stations and sidings (with drainage), OCL networks, bridges, tunnels and passages;
- power engineering – electric installations and systems – street lighting development and maintenance design and high-, medium- and low-voltage power systems; and
- water, gas and air systems – water supply, sewerage, heat and gas networks.

3. GOVERNING BODIES

3.1. MANAGEMENT BOARD

At the date of this Report approval, the Management Board of ZUE was composed of:

Wiesław Nowak	Management Board President – Chief Executive Officer
Marcin Wiśniewski	Management Board Vice-President – Director of the City Infrastructure Unit
Jerzy Czeremuga	Management Board Vice-President – Director of the Power Infrastructure Unit
Maciej Nowak	Management Board Member – Legal and Corporate Director
Anna Mroczek	Management Board Member – Financial Director
Arkadiusz Wierciński	Management Board Member – Strategy and Investor Relations Director

3.2. SUPERVISORY BOARD

At the date of this Report approval, the Supervisory Board of ZUE was composed of:

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

4. MAJOR EVENTS

4.1. Contracts

Major contracts signed in 2014 include:

21 February 2014 ZUE entered into the contract for a part of the construction works concerning the OCL and track services as part of the following project executed by Mota – Engil Central Europe S.A. of Cracow: “Extension of a tramway under the KST project Stage II B including the road system (the Lipska Street – the Wielicka Street) in Cracow.” The contracting authority: Mota – Engil Central Europe S.A. of Cracow.

Net value of the contract: PLN 26,650,000.00.

Completion date: 15 August 2015.

Term of warranty: 60 months.

Performance bond: Standard bond provided by the Company at 5% of the contract gross value.

28 February 2014 ZUE and Tramwaje Warszawskie Sp. z o.o. of Warsaw signed the contract for the construction of the tramway to Tarchomin in Warsaw.

Net value of the contract: PLN 52,195,121.13.

Completion date: 10 months of the contract date.

Term of warranty: 36 months.

Performance bond: Standard bond provided by the Company at 5% of the contract gross value.

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

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

substructure and reconstruction of the track layout at the Pruszków station, the Pruszków – Grodzisk Mazowiecki route, the Grodzisk Mazowiecki station, the Żyrardów station and power engineering works at the Pruszków station, the Żyrardów station, line no. 1 Warszawa Centralna–Katowice, as part of the POIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – Warszawa Zachodnia – (Miedniewice) Skierniewice section.”

On 8 May 2014, an inventory of works was made according to section 1.10 of the Contract as a result of which the remuneration was reduced to PLN 71,086,130.42. /Annex 1/2014 of 2 June 2014.

Completion date: 30 September 2015.

Term of warranty: 12 months.

Performance bond: Standard bond provided by the Company at 5% of the contract gross value.

21 March 2014

ZUE and PKP Polskie Linie Kolejowe S.A. of Warsaw, the contracting authority, entered into the contract for the following project: “Upgrade of the Wrocław Zgorzelec railway line no. 274 on the Wrocław-Jelenia Góra section - upgrade of the railroad surface with auxiliary works, Smolec junction signal box, track no. 1, the Smolec – Kąty Wrocławskie route, track no. 1, the Kąty Wrocławskie – Mietków route and track no. 3 in the Boguszów Gorce Zachód station.”

Net value of the contract: PLN 42,436,450.00.

Completion date: 30 October 2015.

Term of warranty: 36 months.

Performance bond: Standard bond provided by the Company set at 10% of the contract gross value.

25 March 2014

The consortium including ZUE (the Consortium Leader) and Polskie Sieci Elektroenergetyczne S.A. of Konstancin – Jeziorna (the Contracting Authority) signed the contract for the following project: “Construction of the double track 400 kV Kozienice – Ołtarzew.”

Net value of the contract: PLN 469,000,000 (gross value: PLN 576,870,000).

Completion date: 30 June 2019.

In connection with the abovementioned contract, ZUE (the Consortium Leader) provided the Contracting Authority with a standard performance bond. The performance bond set at 10% of the contract gross value was provided in the form of the three bonds of approx. ten, twenty five and sixty five percent, respectively, of the abovementioned performance

4 July 2014

bond provided by the insurance companies cooperating with the Company (TU Euler Hermes S.A. Česká Pojišťovna a.s and Powszechny Zakład Ubezpieczeń S.A.) as part of the bond limit agreements. The bonds were provided for seven years for the double track 400 kV Kozienice – Ołtarzew and five years for the 400/220/110 kV Kozienice Świerże Górne 26-900 Kozienice station and the 400/220/110 kV Ołtarzew station. The contractor would be liable under warranty for the same period.

DÚHA a.s. of Prešov, leader of the consortium of:

- 1) DÚHA a.s. of Prešov, Slovakia (consortium leader); and
 - 2) ZUE S.A. of Cracow, Poland (consortium partner);
- signed a contract (the “Contract”) with Košice (Mesto Košice) (the “Contracting Authority”).

The Contract provides for comprehensive construction works as part of the following project: “Construction of IKD Košice, Maratónu Mieru Square – Station Yard” in Košice, Slovakia.

Net value of the Contract was EUR 33,284,447.25 and the amount was the equivalent of PLN 138,037,259.64 at the mid-exchange rate quoted by the National Bank of Poland on 7 July 2014. The Company’s share was at least 30% of the project (including all the specialist works relating to the construction of tramway track and OCL network) and this corresponded to the net amount of approx. PLN 41.4m.

Completion date: 31 July 2015.

The warranty given by the consortium to the contracting authority was 60 months of the acceptance protocol date.

9 September 2014

ZUE entered into the contract with Kolejowe Zakłady Automatyki Katowice S.A. of Katowice (the “Contracting Authority”) for the following project:

“Improvement of safety and elimination of risks at selected railway crossings – part IV I POLIŚ 7.1 – 59.”

Net value of the contract: PLN 1,552,900.00.

Completion date: 31 August 2015.

Term of warranty: 60 months.

4.2. Corporate events

9 January 2014	The Supervisory Board of the Company resolved to dismiss Mr. Maciej Nowak from the position of the Vice-President of the Management Board of ZUE S.A. and to appoint him as Member of the Management Board of ZUE S.A. Changes in the Company's organisational structure in connection with the merger of ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. were the reason for the dismissal.
9 January 2014	The Supervisory Board of the Company resolved to appoint Mr. Arkadiusz Wierciński as Member of the Management Board of ZUE S.A.
5 June 2014	The Supervisory Board of ZUE resolved to appoint Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, 00-854, to review the separate and consolidated semi-annual financial statements and to audit the separate and consolidated annual financial statements of the Company for the financial years 2014-2016.
18 June 2014	The Ordinary General Meeting of ZUE resolved to allocate the net profit of PLN 7,641,695.79 generated by the Company in the financial year 2013 to reserve funds.
8 December 2014	The Extraordinary General Meeting of ZUE resolved to authorise the Company's Management Board to buy back own shares from the eligible employees of former PRK in the total number of up to 381,217 at the unit price of PLN 10.05 per share and create the reserve capital of PLN 3,950,000. In addition, the Extraordinary General Meeting of ZUE resolved to amend the Regulations of the Supervisory Board of ZUE. Under the resolution no. 6, §8 of the Regulations of the Supervisory Board of ZUE reading: "The Supervisory Board shall ensure that the entity authorised to audit the Company's financial statements is changed at least once in seven financial years" was replaced with: "The Supervisory Board shall ensure that the entity authorised to audit the Company's financial statements is changed at least once in five financial years."

5. EVENTS AFTER THE REPORTING PERIOD

27 January 2015	<p>The Management Board of ZUE S.A. entered into the Contract with ThyssenKrupp GfT Polska Sp. z o.o. of Cracow. Under the Contract, the Company bought from the Seller the track structure materials such as tram and railway rails, track accessories, sleepers etc. for PLN 19,534,850.98 plus VAT. The said amount would be paid in the following manner:</p> <ul style="list-style-type: none"> • I instalment of PLN 9,767,425.49 plus VAT – by 31 March 2015; • II instalment of PLN 9,767,425.49 plus VAT – by 30 April 2015. <p>The Contract was concluded under the condition precedent that the Company provided the Seller by 4 February 2015 with two irrevocable bank guarantees (the "Guarantees") of up to PLN 9,900,000.00 each</p>
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payable on first demand. The Guarantee equivalent to the amount of the first instalment would expire on 15 April 2015 and the Seller would not be able to draw any amounts under the said Guarantee before 3 April 2015. The Guarantee equivalent to the amount of the second instalment would expire on 15 May 2015 and the Seller would not be able draw any amounts under the said Guarantee before 4 May 2015. In addition, the Company was obliged under the conditions precedent to buy the sleepers of the total value of PLN 265,149.02 by 31 December 2015 and other track structure materials of the total value of approx. PLN 40.4m, whose purchase would be paid for in instalments, by 31 January 2016.

3 February 2015

The agreement was concluded by and between the Management Board of ZUE and mBank S.A. The Agreement provided for the issue by the Bank, at the Company's request, of the two irrevocable bank guarantees (the "Guarantees") of up to PLN 9,900,000.00 each payable on first demand to Thyssenkrupp GfT Polska Sp. z o.o. with registered office in Cracow (the "Seller").

The first Guarantee was valid until 15 April 2015 and the Seller was not able to draw any amounts under the said Guarantee before 3 April 2015. The second Guarantee was valid until 15 May 2015 and the Seller was not able to draw any amounts under the said Guarantee before 4 May 2015. The amount of the fees the Company was obliged to pay in connection with the Guarantees issued by the Bank had been determined at arm's length.

16 February 2015

ZUE signed a letter of intent concerning the acquisition of 70% of shares in RAILWAY gft Polska sp. z o.o. of Cracow ("RAILWAY"). RAILWAY acquired rights and obligations under the contracts and agreements signed by ThyssenKrupp GfT Polska Spółka z o.o. of Cracow ("ThyssenKrupp GfT Polska"), a member of the German ThyssenKrupp AG as part of which it was responsible for the sale of the materials for the construction and repair of tram and railway tracks in the entire Poland and the provision of services and know-how concerning rail communication and construction techniques. In September 2014, ThyssenKrupp AG decided to stop rail infrastructure trade activities in Poland. Previously it had decided to discontinue these activities in Germany. The intended acquisition would enable the Group to continue, through RAILWAY, the activities conducted by ThyssenKrupp GfT Polska in Poland. RAILWAY would conduct its activities in the same scope as ThyssenKrupp GfT Polska – it would continue the supply of rails, sleepers, accessories, aggregate, etc. The transaction was under the condition precedent that the consent was given by the President of the Office of Competition and Consumer Protection ("UCCP") or there were circumstances in which the consent was not required. The process of obtaining the consent was pending.

The Company intends to acquire the majority stake in RAILWAY to pursue its strategic goals and enable the Group's development in the area of trade and production activities.

6 March 2015

ZUE learnt that the tender submitted by the Company by open tender for the upgrade of the railway line no. 137 on the Katowice – Chorzów Batory section as part of the following project: “Upgrade of the railway lines no. 134, 137 and 138 on the Gliwice Łabędy - Katowice - Sosnowiec Jęzor section” had been selected by PKP Polskie Linie Kolejowe S.A. Centrum Realizacji Inwestycji – Wrocław Branch (the “Contracting Authority”) as the most economically advantageous offer.

Net value of the tender submitted by ZUE: PLN 42,499,713.00.

Gross value of the tender submitted by ZUE: PLN 52,274,646.99.

Completion date: 30 November 2015.

Tender selection criteria:

- 1) Total gross price – 90%;
- 2) Term of warranty – 10%.

The Company achieved the best score in both cases.

The tender was yet to become final and binding.

6. LIST OF SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTE AT THE GENERAL MEETING OF ZUE AT THE REPORT APPROVAL DATE

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

Shareholder	Number of shares	Number of votes at the GM	% share
Wiesław Nowak	14,400,320	14,400,320	62.53
METLIFE OFE ⁵	1,400,000	1,400,000	6.08 ⁶
PKO Bankowy OFE	1,500,000	1,500,000	6.51 ⁷
Other	6,041,960	6,041,960	24.88
Total	23,030,083	23,030,083	100.00

⁵ Previously Amplico OFE.

⁶ Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of ZUE held on 8 December 2014 provided in the current report 41/2014 of 8 December 2014.

⁷ Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Ordinary General Meeting of ZUE held on 18 June 2014 provided in the current report 31/2014 of 18 June 2014.

7. HOLDINGS OF ZUE SHARES BY MEMBERS OF THE ISSUER'S MANAGEMENT AND SUPERVISORY BODIES

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

Shareholder	Position	Number of shares	Number of votes at the GM	% share
Wiesław Nowak	Management Board President	14,400,320	14,400,320	62.53 ⁸
Maciej Nowak	Management Board Member	7,706	7,706	0.03
Marcin Wiśniewski	Management Board Vice-President	2,300	2,300	0.01
Jerzy Czeremuga	Management Board Vice-President	136	136	<0.01
Magdalena Lis	Supervisory Board Member	7,190	7,190	0.03
Michał Lis	Supervisory Board Member	661	661	< 0.01

⁸ On 2 January 2014, the agreement for the acquisition of non-allotted merger shares was concluded. The shares were offered by ZUE to the shareholders of PRK as part of the merger effected in 2013 (Chapter V item 2 of ZUE 2014 Report on Activities contains detailed information about the merger of ZUE and PRK). Under the said agreement, Mr. Wiesław Nowak acquired all 320 shares at the issue price of PLN 10.20. The offered shares were allotted on 2 January 2014. On 3 February 2014, ZUE learnt from Mr. Wiesław Nowak that as a result of the registration of ordinary class C bearer shares with the Central Securities Depository of Poland on 30 January 2014, a share of Mr. Wiesław Nowak in the total number of votes at the Company's General Meeting decreased to 62.53%.

8. ANALYSIS OF THE GROUP'S FINANCIAL RESULTS FOR 2014

8.1. Consolidated statement of financial position

Item (PLN '000)	31.12.2014	31.12.2013	Change	% change
NON-CURRENT ASSETS				
Property, plant and equipment	73,148	68,980	4,168	6.0%
Investment property	7,823	8,660	-837	-9.7%
Intangible assets	11,683	12,202	-519	-4.2%
Goodwill	32,646	32,646	0	0.0%
Investments in non-consolidated subsidiaries	29	29	0	0.0%
Advance payments for investments in subsidiaries	0	0	0	0.0%
Non-current receivables	0	0	0	0.0%
Retentions on construction contracts	3,197	2,311	886	38.4%
Deferred tax assets	30,854	22,392	8,462	37.8%
Other assets	135	152	-17	-11.3%
Total non-current assets	159,515	147,370	12,145	8.2%
CURRENT ASSETS				
Inventories	17,921	18,011	-91	-0.5%
Trade and other receivables	180,429	175,820	4,609	2.6%
Retentions on construction contracts	1,525	5,538	-4,013	-72.5%
Current tax assets	1,913	43	1,870	4316.7%
Other financial receivables	0	0	0	0.0%
Other assets	1,878	2,286	-408	-17.9%
Loans advanced	135	109	26	23.7%
Cash and cash equivalents	71,405	49,729	21,676	43.6%
Total current assets	275,206	251,537	23,669	9.4%
TOTAL ASSETS	434,721	398,907	35,814	9.0%

Item (PLN '000)	31.12.2014	31.12.2013	Change	% change
EQUITY AND LIABILITIES				
Share capital	5,758	5,758	0	0.0%
Share premium account	93,837	93,837	0	0.0%
Retained earnings	101,856	91,802	10,054	11.0%
Equity attributable to shareholders of ZUE	201,450	191,396	10,054	5.3%
Equity attributable to non-controlling interests	0	-342	342	-100.0%
Total equity	201,450	191,055	10,396	5.4%
NON-CURRENT LIABILITIES				
Long-term bank borrowings and other debt instruments and other financing sources	5,255	9,764,99	-4,510	-46.2%
Retentions on construction contracts	8,796	8,968	-172	-1.9%
Other financial liabilities	1,190	1,470	-280	-19.0%
Liabilities under employee benefits	2,485	2,511	-26	-1.0%
Deferred tax liability	24,935	21,347	3,587	16.8%
Long-term provisions	8,410	6,643	1,767	26.6%
Deferred income	0	0	0	0.0%
Other liabilities	0	0	0	0.0%
Total non-current liabilities	51,071	50,705	366	0.7%
CURRENT LIABILITIES				
Trade and other payables	132,587	91,206	41,382	45.4%
Retentions on construction contracts	18,180	6,793	11,387	167.6%
Short-term bank borrowings and other debt instruments and other financing sources	10,269	40,570	-30,301	-74.7%
Other financial liabilities	283	280	3	1.0%
Liabilities under employee benefits	14,199	8,044	6,155	76.5%
Current tax liabilities	67	3038	-2,971	-97.8%
Short-term provisions	6,615	7,217	-602	-8.3%
Total current liabilities	182,200	157,148	25,052	15.9%
Total liabilities	233,271	207,852	25,418	12.2%
TOTAL EQUITY AND LIABILITIES				
	434,721	398,907	35,814	9.0%

Debt ratio

Ratio	31.12.2014	31.12.2013
Debt ratio	0.5	0.6
Debt to equity ratio	1.2	1.1
Equity to assets ratio	0.5	0.5
Fixed capital to non-current assets ratio	1.6	1.6
Short-term debt ratio	0.4	0.4
Long-term debt ratio	0.1	0.1
Interest coverage ratio	18.3	3.7

Formulas used to calculate the ratios:

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

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

Equity to assets ratio = equity / total assets

Fixed capital to non-current assets ratio = (equity + non-current liabilities) / non-current assets

Short-term debt ratio = current liabilities / total assets

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

Interest coverage ratio = EBIT / interest

Liquidity ratios

Item	31.12.2014	31.12.2013
Working capital	93,006	94,389
Current ratio	1.5	1.6
Quick ratio	1.4	1.5
Cash ratio	0.4	0.3

Formulas used to calculate the ratios:

Working capital = current assets – current liabilities

Current ratio = current assets / current liabilities

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

Cash ratio = cash and cash equivalents / current liabilities

At 31 December 2014, total non-current assets increased by 8.2% compared to 31 December 2013 and amounted to 159,515 thousand. The greatest increase was reported from deferred tax assets, which increased year-on-year by 8,462 thousand to PLN 30,854 thousand. The increase by more than 37.8% was related to the production growth and, consequently, measurement of long-term contracts and cost provisions. A similar growth trend was seen in retentions on construction contracts – an increase by PLN 886 thousand over the figure reported at the end of 2013. Property, plant and equipment increased by 6% to PLN 73,148 thousand. The increases were strongly connected with investments aimed adjusting the equipment to the market needs. Current assets increased by PLN 23,669 thousand in the period under analysis and was PLN 275,206 thousand – up by 9.4% compared to 2013. Cash and cash equivalents increased on a year-on-year basis by more than 43.6%. Trade and other receivables increased by PLN 4,609 thousand and reached PLN 180,429 thousand at the end of the reporting period. As regards current assets, the greatest drop was reported for retentions on construction contracts (by more than 72.5%) and other assets (by PLN 409 thousand). The Group's equity increased when compared with the analogous period of 2013 and was

PLN 201,450 thousand. This increase was mainly fuelled by the net profit of PLN 10,659 thousand. Total liabilities increased year-on-year by 12.2% to PLN 233,271 thousand. This was a result of greater turnover and financing the Group's operation with trade credit. Compared to 31 December 2013, the Group's non-current liabilities increased by 0.7% to PLN 51,071 thousand. The biggest change was seen in deferred tax liability, which increased by PLN 3,587 thousand; i.e. 16.8%, and long-term provisions created mainly for warranty repairs. These provisions increased by 26.6% to reach PLN 8,410 thousand at the end of 2014. Long-term bank borrowings and other debt instruments and other financing sources decreased by 46.2%. This was connected with the transfer of the investment credit to short-term liabilities given its repayment date (December 2015). A decrease was also reported for financial liabilities. At the end of the reporting period, other financial liabilities amounted to PLN 1,190 thousand. Compared to the end of 2013, current liabilities increased by 15.9% to PLN 182,200 thousand. Short-term bank borrowings and other debt instruments decreased by 74.7% in connection with the repayment of credits. Trade and other payables increased year-on-year by 45.4%. Current retentions on constructions contracts increased as a result of greater turnover in 2014 by PLN 11,387 thousand to reach PLN 18,180 thousand.

8.2. Consolidated statement of comprehensive income

Item (PLN '000)	31.12.2014	31.12.2013	Change	% change
Revenue	644,131	410,547	233,583	56.9%
Cost of sales	609,958	387,853	222,105	57.3%
Gross profit (loss)	34,173	22,695	11,478	50.6%
General and administrative expenses	17,625	19,735	-2,110	-10.7%
Other operating income	4,607	8,357	-3,750	-44.9%
Other operating expenses	7,164	7,292	-128	-1.8%
EBITDA	22,673	14,518	8,156	56.2%
Operating profit (loss)	13,991	6,977	7,014	100.5%
Financial income	1,328	3,353	-2,025	-60.4%
Financial expenses	1,217	2,857	-1,640	
Pre-tax profit (loss)	14,102	7,473	6,630	88.7%
Corporate income tax	3,444	1,866	1,578	84.6%
Consolidated net profit (loss)	10,659	5,607	5,052	90.1%
Total other comprehensive net income	-94	-9	-84	934.2%
Total comprehensive income	10,565	5,607	4,958	88.4%
<i>Attributable to shareholders of the parent</i>	10,659	5,607	5,052	90.1%
<i>Attributable to non-controlling interests</i>	0	0	0	
<i>Consolidated net profit (loss) per share (PLN)</i>	0.46	0.33	0.13	39.4%

Profitability ratios

Item	31.12.2014	31.12.2013
Gross margin	5.31%	5.50%
EBITDA margin	3.52%	3.50%
EBIT margin	2.17%	1.70%
Gross margin	2.17%	1.80%
Net margin	1.65%	1.40%
ROA	2.45%	1.40%
ROE	5.59%	2.90%

Formulas used to calculate the ratios:

Gross margin = gross profit / revenue

EBITDA = operating profit + depreciation / amortisation

EBITDA margin = EBITDA / revenue

EBIT margin = EBIT / revenue

Gross margin = gross profit / (revenue + other operating income + other financial income)

Net margin = net profit / revenue

ROA = net profit / assets

ROE = net profit / equity

Revenue generated by the Group in the period 1 January 2014 – 31 December 2014 was PLN 644,131 thousand. Compared with the analogous period of 2013, revenue increased by 56.9%. Cost of sales grew by 57.3% to amount to PLN 609,958 thousand at the end of the reporting period. Gross profit was PLN 34,173 thousand.

General and administrative expenses in the period under analysis stood at PLN 17,625 thousand and declined year-on-year by PLN 2,110 thousand. Other operating income for 2014 dropped by 44.9% to PLN 4,607 thousand. Other operating income was mainly fuelled by the proceeds from accident compensations and re-invoicing of shared costs to subcontractors and consortium members. When compared with the analogous figure of 2013, other operating expenses decreased by 1.8% to PLN 7,163 thousand. Other operating expenses were incurred in connection with the payment of compensations and write-downs of receivables. The Group's EBITDA in 2014 was PLN 22,673 thousand. The Group's consolidated net profit in 2014 was PLN 10,659 thousand.

Compared to 2013, the Group's gross margin dropped slightly by 0.19 p.p. and was 5.31%. Increase was reported for EBITDA and EBIT margins and ROA. ROE increased by 2.69 p.p. and reached 5.59%.

8.3. Consolidated statement of cash flows

Item (PLN '000)	31.12.2014	31.12.2013	Change
Cash flows from operating activities	68,600	9,707	58,893
Cash flows from investing activities	-3,710	-6,696	2,986
Cash flows from financing activities	-43,210	-23,054	-20,156
Total net cash flows	21,680	-20,043	41,723
Foreign exchange gains / (losses)	-3	11	-14
Cash and cash equivalents at the beginning of the year	49,729	69,761	-20,032
Cash and cash equivalents at the end of the year	71,405	49,729	21,676
Depreciation and amortisation	8,682	7,541	1,141

The Group closed 2014 with positive cash flows. Greater sales volumes entirely financed with own funds and trade credit generated cash flows from operating activities, which enabled the repayment of short-term credit facilities, financing of investing activities and total cash flows of more than PLN 21.6m greater than in 2013. The negative cash flows from investing activities resulted from greater capital expenditure in 2014. The expenditure will enable the Group to generate revenue in the future. Negative cash flows from financing activities was a result of the repayment of credit facilities, expenditures connected with the buy-back of own shares and decrease in lease payments.

9. FUNDAMENTAL RISKS

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

The Group's operation on the urban and rail infrastructure construction market as well as the power market is conditional on Poland's macroeconomic situation including, in particular, GDP growth rate, investments, inflation and unemployment rates and the level of the budget deficit. Negative changes in Poland's macroeconomic situation, if any, may create a risk to the Group's business activity and, consequently, influence its financial results.

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

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

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

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

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

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

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

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

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

Construction contracts concluded by the Group companies provide for the obligation to provide performance bonds and defects liability bonds in the form of deposits, or bank or insurance guarantees. Moreover, contracting authorities expect longer warranty periods. These contracts also provide for contractual penalties if a deadline for the completion of the tasks specified therein is missed. The Group cannot exclude the risk of missing a deadline for the completion of construction contracts or the completion of warranty works connected with the removal of defects. Thus, an

investor may exercise its right to use the bonds or demand contractual penalties. In addition, the Group cannot exclude the risk of disputes related to the failure to duly or timely perform the contracts. The factors could have a negative impact on the Group's financial results

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

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

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

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

- **Risk related winning of new contracts**

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

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

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

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

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

- **Interest rate risk**

The Group is exposed to interest rate risk mainly because it uses such instruments as bank borrowings and leases. These instruments are issued at variable interest rates and expose the Group to financial risk.

- **Credit risk**

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

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

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

The credit risk increased recently for the Group 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.

- **Risk related to atmospheric conditions**

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

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

- **Risk related to greater employment costs**

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

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

10. FACTORS WITH A BEARING ON GROUP RESULTS IN REMAINING MONTHS OF FINANCIAL YEAR

Factors believed to have a bearing on the Group's financial results in the remaining months of the financial year:

- **Untimely settlement of liabilities to the Group**

Given the nature of construction activities, the Group must use a considerable part of its working capital to execute contracts due to their relatively high value and long time of their performance. Thus, a failure of the Group's customers to timely settle their liabilities to the Group directly influences the Group's financial results.

- **Delays or unfavourable outcome of tenders the Group participates in**

A risk related to the terms and procedures of public tenders is specific to the industry the Group operates in. Tender participants have the right to appeal against illegal appointment of a contractor by a contracting authority or to appeal to the court against the decision issued by the authority hearing the appeal made in public procurement proceedings. The date of signing a contract with an investor both on the urban and rail transport market may be substantially postponed.

Not only do the lengthy procurement procedures produce additional costs of the appeal but they also entail a risk of growth in prices of goods and services. Signing a contract at a later date may make a project execution conditional on weather conditions because certain projects must not be executed in low temperatures or heavy snow or rain fall. For these reasons, a part of the Group's planned 2014 revenue may be transferred to 2015.

- **Higher prices of raw materials and liquid fuels**

The Group's construction activities involve the use of products and raw materials such as concrete, aggregates, steel elements (including traction posts, lamp posts, tracks or crossovers) and copper and aluminium elements (including power cables, lines and contact wires) and, given a big number of machines, liquid fuels (including diesel oil and petrol). Given the growing prices of these materials, the Company is exposed to a price risk.

- **Higher fees charged by subcontractors**

When executing its contracts, the Group subcontracts certain construction and assembly tasks. Growing prices of raw materials and liquid fuels contribute to the growth of operating costs incurred by construction companies and directly influence the price of services provided by subcontractors. This has a negative impact on the Group's financial results.

- **Unstable EUR/PLN exchange rate**

The Group purchases certain imported products in EUR, which entails a foreign exchange risk. This may have a positive or negative impact on the Group's financial results. In addition, although PLN-denominated, certain products purchased from entities operating in Poland are also indirectly exposed to a foreign exchange risk given the transfer of the risk from a supplier-importer to the Group entities.

- **Outcome of court proceedings**

The Group companies are parties to the court proceedings concerning both their claims and liabilities. The outcome of these proceedings may have an effect on the Group's financial results.

11. MANAGEMENT BOARD STATEMENT ON FORECAST FINANCIAL RESULTS

The Company did not publish any forecast financial results for the financial year 2015.

12. COURT PROCEEDINGS

The court proceedings are discussed in section 38: “Proceedings before court, arbitration court or public administration authority at the date of this report publication” of the consolidated financial statements for the financial year ended 31 December 2014.

13. OFF-BALANCE SHEET ITEMS OF THE GROUP

13.1. Contingent liabilities

Item (PLN '000)	31.12.2014	31.12.2013
Bonds and guarantees	196,926	191,812
Sureties	2,100	2,105
Bills of exchange	126,865	130,137
Mortgages	54,348	38,151
Pledges	0	11,035
Total contingent liabilities	380,239	373,239

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.

13.2. Contingent assets

Item (PLN '000)	31.12.2014	31.12.2013
Bonds and guarantees	38,902	29,641
Bills of exchange	3,735	1,325
Sureties	0	0
Mortgages	0	0
Total contingent assets	42,637	30,966

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

14. TRANSACTIONS WITH RELATED ENTITIES

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

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

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

- Design services;
- Lease of rooms under the agreement and subsequent annexes;
- Printing services.

On 6 May 2014, the Company advanced the loan of PLN 10 thousand to RTI. The loan bore annual interest at 3M WIBOR + margin. An annex was signed whereby the repayment date was extended to 21 December 2015.

On 8 September 2014, the Company advanced the loan of PLN 800.0 thousand to Biuro Projektów Komunikacyjnych w Poznaniu. The loan was repaid in October 2014.

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

The transactions with Mr. Wiesław Nowak occurred as a result of the lease 28 December 2011 and subsequent annexes thereto whereby he leased the office and warehouse space of 160m² out to ZUE. The monthly rent was PLN 8 thousand. The lease was terminated on 10 September 2014.

The transactions with RTI Germany concerned market research services for future projects.

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, 12 March 2015