

**ZUE S.A.**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

**Cracow, 12 March 2015**

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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 1,269,400 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 2,170,000 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 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.

Statement of comprehensive income

(PLN)

	Notes	Year ended 31-12-2014	Year ended 31-12-2013
Revenue	5	637,975,785.32	402,795,774.02
Cost of sales	6	602,543,190.03	379,044,824.46
<b>Gross profit (loss) on sales</b>		<b>35,432,595.29</b>	<b>23,750,949.56</b>
General and administrative expenses	6	17,067,362.54	17,866,771.37
Other operating income	7	3,806,033.91	5,326,989.30
Other operating expenses	8	6,387,538.21	2,957,539.00
<b>Operating profit (loss)</b>		<b>15,783,728.45</b>	<b>8,253,628.49</b>
Financial income	9	1,332,882.43	3,416,739.79
Financial expenses	10	3,127,268.52	2,237,594.48
<b>Pre-tax profit (loss)</b>		<b>13,989,342.36</b>	<b>9,432,773.80</b>
Corporate income tax	11	3,367,650.36	1,791,078.01
<b>Net profit (loss) on operations</b>		<b>10,621,692.00</b>	<b>7,641,695.79</b>
<b>Net profit (loss)</b>		10,621,692.00	7,641,695.79
Other net comprehensive income			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>-93,530.97</b>	<b>-9,044.20</b>
Remeasurement of liabilities under employee benefits		-93,530.97	-9,044.20
Other total net comprehensive income		<b>-93,530.97</b>	<b>-9,044.20</b>
<b>Total comprehensive income</b>		<b>10,528,161.03</b>	<b>7,632,651.59</b>
Weighted average number of shares		23,030,083.00	22,033,866.00
Net profit (loss) per share (PLN) (basic and diluted)	12	0.46	0.35
Total comprehensive income per share (PLN)	12	0.46	0.35

## Statement of financial position

		(PLN)	
	Notes	As at 31-12-2014	As at 31-12-2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	68,546,838.87	64,165,586.06
Investment property	14	7,822,850.34	8,659,761.20
Intangible assets	16	10,968,515.75	11,222,515.87
Goodwill	17.2	31,171,913.65	31,171,913.65
Investments in subsidiaries	17.1	2,942,271.06	3,100,292.38
Advance payments for investments in subsidiaries		0.00	0.00
Long-term receivables	20	0.00	0.00
Retentions on construction contracts	28	2,878,799.59	1,644,247.14
Deferred tax assets	11.3	30,322,003.00	21,915,295.86
Other assets	18	7,981.60	27,435.88
<b>Total non-current assets</b>		<b>154,661,173.86</b>	<b>141,907,048.04</b>
<b>Current assets</b>			
Inventories	19	17,920,760.21	18,010,068.74
Trade and other receivables	20	176,478,349.72	171,695,587.58
Retentions on construction contracts	28	844,047.06	5,219,036.44
Current tax assets	11.2	1,907,521.00	0.00
Other financial receivables		0.00	0.00
Other assets	18	1,771,723.90	1,938,211.90
Loans advanced	35	1,138,555.73	1,753,960.18
Cash and cash equivalents	38	71,116,102.58	49,645,210.98
<b>Total current assets</b>		<b>271,177,060.20</b>	<b>248,262,075.82</b>
<b>Total assets</b>		<b>425,838,234.06</b>	<b>390,169,123.86</b>

(PLN)

	Notes	As at 31-12-2014	As at 31-12-2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	5,757,520.75	5,757,520.75
Share premium account	23	93,836,665.29	93,836,665.29
Retained earnings	22	103,368,887.75	92,840,726.72
<b>Total equity</b>		<b>202,963,073.79</b>	<b>192,434,912.76</b>
<b>Non-current liabilities</b>			
Long-term bank borrowings and other debt instruments and other financing sources	24	5,223,987.77	9,550,685.66
Retentions on construction contracts	28	8,768,069.50	8,957,972.44
Other financial liabilities	25	0.00	0.00
Liabilities under employee benefits	31	765,808.21	704,984.88
Deferred tax liabilities	11.3	23,662,572.00	19,959,519.50
Long-term provisions	26	8,410,094.87	6,636,926.15
Deferred revenue		0.00	0.00
Other liabilities		0.00	0.00
<b>Total non-current liabilities</b>		<b>46,830,532.35</b>	<b>45,810,088.63</b>
<b>Current liabilities</b>			
Trade and other payables	29	130,020,755.10	88,317,908.85
Retentions on construction contracts	28	18,121,876.48	6,629,847.11
Short-term bank borrowings and other debt instruments and other financing sources	24	9,213,948.27	40,376,960.45
Other financial liabilities	25	2,791.69	0.00
Liabilities under employee benefits	31	13,049,852.41	7,321,351.22
Current tax liabilities	11.2	0.00	2,942,830.00
Short-term provisions	26	5,635,403.97	6,335,224.84
<b>Total current liabilities</b>		<b>176,044,627.92</b>	<b>151,924,122.47</b>
<b>Total liabilities</b>		<b>222,875,160.27</b>	<b>197,734,211.10</b>
<b>Total equity and liabilities</b>		<b>425,838,234.06</b>	<b>390,169,123.86</b>



Statement of changes in equity

(PLN)

	Share capital	Share premium account	Retained earnings	Total
<b>Balance as at 1 Jan 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>92,840,726.72</b>	<b>192,434,912.76</b>
Dividend paid	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	10,621,692.00	10,621,692.00
Other net comprehensive income	0.00	0.00	-93,530.97	-93,530.97
<b>Balance as at 31 Dec 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>103,368,887.75</b>	<b>202,963,073.79</b>

	Share capital	Share premium account	Retained earnings	Total
<b>Balance as at 1 Jan 2013</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>80,551,515.00</b>	<b>171,412,195.68</b>
Adjustment of errors	0.00	0.00	-1,020,772.71	-1,020,772.71
<b>Balance as at 1 Jan 2013</b>	<b>5,500,000.00</b>	<b>85,360,680.68</b>	<b>79,530,742.29</b>	<b>170,391,422.97</b>
Equity changes resulting from merger	0.00	0.00	5,677,332.84	5,677,332.84
Dividend paid	0.00	0.00	0.00	0.00
Issue of shares	257,520.75	9,023,527.08	0.00	9,281,047.83
Issue costs	0.00	-547,542.47	0.00	-547,542.47
Profit (loss) for the year	0.00	0.00	7,641,695.79	7,641,695.79
	0.00	0.00	-9,044.20	-9,044.20
<b>Balance as at 31 Dec 2013</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>92,840,726.72</b>	<b>192,434,912.76</b>

**Statement of cash flows**

	(PLN)	
	Year ended 31-12-2014	Year ended 31-12-2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>13,989,342.36</b>	<b>9,432,773.80</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	8,347,341.38	7,243,937.61
Foreign exchange gains / (losses)	132.68	-13,795.91
Interest and share in profit (dividends)	1,812,679.53	-776,119.22
(Gain) / loss on disposal of investments	469,332.34	525,920.57
Accrued expenses under commission on loans	208,125.00	208,125.00
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
<b>Operating profit before changes in working capital</b>	<b>24,826,953.29</b>	<b>16,620,841.85</b>
Change in receivables and retentions on construction contracts	9,041.68	55,992,897.90
Change in inventories	89,308.53	2,245,481.28
Change in provisions and liabilities under employee benefits	6,862,672.38	-1,032,789.33
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	53,387,133.43	-62,195,606.74
Change in accrued expenses	187,073.88	855,766.54
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	0.00
Income tax paid / tax refund	-12,921,656.00	-456,552.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>72,440,527.19</b>	<b>12,030,039.50</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	238,791.44	3,052,286.86
Purchase of property, plant and equipment and intangible assets	-4,950,640.54	-9,861,724.36
Sale of investments in real property and intangible assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	0.00	0.00
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,841,587.68	-2,060,857.32
Purchase of financial assets available for sale	0.00	0.00

Loans advanced	-1,820,000.00	-1,580,000.00
Dividends received	0.00	0.00
Interest received	942,853.45	1,578,402.89
Settlement of financial instruments – expenses	0.00	0.00
Other cash provided by / (used in) investing activities	0.00	0.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-7,430,583.33</b>	<b>-8,871,891.93</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments received	0.00	75,108,049.91
Repayment of borrowings and other debt instruments	-38,011,357.48	-90,769,030.99
Decrease in finance lease liabilities	-4,753,054.42	-3,702,536.34
Interest paid	-755,532.98	-1,785,223.03
Other cash provided by / (used in) financing activities	-15,958.87	-575,406.00
Net cash provided by / (used in) issue of shares	0.00	-547,542.47
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-43,535,903.75</b>	<b>-22,271,688.92</b>
<b>TOTAL NET CASH FLOWS</b>	<b>21,474,040.11</b>	<b>-19,113,541.35</b>
Cash acquired as a result of merger of business entities (as at 01.01.2013)	0.00	58,515,733.45
<b>TOTAL NET CASH FLOWS (including cash acquired as a result of merger)</b>	<b>21,474,040.11</b>	<b>39,402,192.10</b>
Net foreign exchange gains / (losses)	-3,148.51	11,490.42
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>49,645,210.98</b>	<b>10,231,528.46</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>71,116,102.58</b>	<b>49,645,210.98</b>

## Selected financial data translated into EUR

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 31 Dec 2014	Exchange rate on 31 Dec 2013	Exchange rate on 31 Dec 2012
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.2623	4.1472	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	4.1893	4.2110	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	4.2623	4.1472	4.0882

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

	As at 31-12-2014		As at 31-12-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	154,661	36,286	141,907	34,218
Current assets	271,177	63,622	248,262	59,862
<b>Total assets</b>	<b>425,838</b>	<b>99,908</b>	<b>390,169</b>	<b>94,080</b>
Equity	202,963	47,618	192,435	46,401
Non-current liabilities	46,831	10,987	45,810	11,046
Current liabilities	176,044	41,303	151,924	36,633
<b>Total equity and liabilities</b>	<b>425,838</b>	<b>99,908</b>	<b>390,169</b>	<b>94,080</b>

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

	Year ended 31-12-2014		Year ended 31-12-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	637,976	152,287	402,796	95,653
Cost of sales	602,543	143,829	379,045	90,013
Gross profit (loss) on sales	35,433	8,458	23,751	5,640
Profit (loss) on operating activities	15,784	3,768	8,254	1,960
Gross profit (loss)	13,989	3,339	9,433	2,240
Net profit (loss) on operations	10,622	2,535	7,642	1,815
Total comprehensive income	10,528	2,513	7,633	1,813

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

	Year ended 31-12-2014		Year ended 31-12-2013	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	72,441	17,292	12,030	2,857
Cash flows from investing activities	-7,431	-1,774	-8,872	-2,107
Cash flows from financing activities	-43,536	-10,392	-22,272	-5,289
<b>Total net cash flows</b>	<b>21,474</b>	<b>5,126</b>	<b>-19,114</b>	<b>-4,539</b>
Cash acquired as a result of merger of business entities (as at 01.01.2013)	<b>0,00</b>	0,00	<b>58,516</b>	<b>13,896</b>
<b>TOTAL NET CASH FLOWS (including cash acquired as a result of merger)</b>	<b>21,474</b>	5,126	<b>39,402</b>	<b>9,357</b>
Cash at the beginning of the year	49,645	11,971	10,232	2,503
Cash at the end of the year	71,116	16,685	49,645	11,971

## Notes to the financial statements prepared as at 31 December 2014

### 1. General information

#### 1.1. Information about the Company

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

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

#### 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

#### Supervisory Board:

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

#### 1.2 Functional and reporting currency

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

## 2. Use of International Financial Reporting Standards

### 2.1. Statement of compliance

The Company's financial statements for the year ended 31 December 2014 and the comparative data for the financial year ended 31 December 2013 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 2014

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 2014:

- **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 (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 (amended in 2011) "Investments in Associates and Joint Ventures"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"** – interim provisions explanation, approved of in the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements"** – Investment Entities, approved of in the EU on 20 November 2013 (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);
- **Amendments to IAS 36 "Impairment of Assets"** - Recoverable Amount Disclosures for Non-Financial Assets, approved of in the EU on 19 December 2013 (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, approved of in the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Management Board of ZUE believed that the abovementioned standards, amendments to the standards or interpretations did not have any significant influence on the financial statements of the Group.

### 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:

- **Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to various standards "Improvements to IFRSs (2011-2013 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);

- **Amendments to IAS 19 “Employee Benefits”** – Specific benefit programmes: employee benefits, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 “Public Fees”** approved of in the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

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

## 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 12 March 2015:

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

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

## 3. Adopted accounting principles

### 3.1. Preparation basis

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

### 3.2. Segment reporting

ZUE's reporting is based on operating segments.

The Company presented one aggregate operating segment as required by the IFRS 8.12: engineering construction and assembly services.

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



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

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

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

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

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

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

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

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

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

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

Included in liabilities are the amounts due and payable to suppliers 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, the Labour Fund and the Bridging Pension 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 non-current 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 properties (including properties under construction) held by the Company as their owner or lessee to earn rentals and/or for capital appreciation.

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, 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 those items and recognised in profit or loss.

### **3.11. Intangible assets**

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

At the end of each reporting period, the Company 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 Company 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 Company 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 subsidiaries**

Long-term financial assets, including investments in subsidiaries, 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 Company 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 presented in the statement of financial position as bank borrowings and other debt instruments and other financing sources.

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 Company'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 Company 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 Company'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 Company has the positive intention and ability to hold to maturity are classified as financial assets held to maturity. They are measured at amortized cost using the effective interest method, less any impairment with revenue recognised on an effective yield basis.

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

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

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company'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 Company but control is retained, the retained share in the asset and the related payment obligation is recognised. If the Company retains substantially all the risks and rewards of a transferred financial asset, the Company continues to recognise the transferred financial asset.

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

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



### **3.18.1. Equity instruments**

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

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

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

### **3.18.2. Financial liabilities**

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

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

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- it is a part of a portfolio of financial instruments that are managed together by the Company 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 Company'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 Company 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.

### **3.20. 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.

### **3.21. 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.

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. Useful economic lives of non-current assets**

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

### **4.2. 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.

### **4.3. Provisions for litigations**

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

### **4.4. Provisions for warranty claims**

Provisions for warranty claims are created for construction contracts in respect of which warranty has been given by the Company depending on the amount of revenue and taking account of subcontractors' liability for the scope of works they have been entrusted with. In 2014, the ratio of provisions to revenue under contracts was 0.5%. The amount of provisions may increase or decrease on the basis of inspection of performed construction works in subsequent years covered by warranty.

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.

#### 4.5. 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.

#### 4.6. 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 revenue:

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
Revenue from the sale of goods and raw materials	39,744,592.97	17,846,158.65
Revenue from the rendering of services	23,743,587.98	23,658,273.43
Revenue from construction contracts	574,487,604.37	361,291,341.94
<b>Total</b>	<b>637,975,785.32</b>	<b>402,795,774.02</b>

The entire 2013 revenue was generated from the domestic market. In 2014, revenue generated from the domestic market was PLN 635,414 thousand and revenue generated from the foreign market was PLN 2,562 thousand. The Company executed its 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 city and rail infrastructure construction industry. ZUE presented one aggregate operating segment: engineering construction and assembly services. The scope of activities includes:

- 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.

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

## 6. Operating expenses

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
Change in products	76,055,462.68	-12,010,073.52
Cost of products manufactured for own use	-76,055,462.68	-21,304,856.35
Depreciation and amortization	0.00	6,974,295.16
Consumption of raw and other materials	0.00	125,101,385.39

Contracted services	0.00	216,752,689.80
Cost of employee benefits	0.00	56,736,672.20
Taxes and charges	0.00	1,362,688.75
Other expenses	0.00	12,125,632.18
Value of goods and materials sold	0.00	11,173,162.22
<b>Total</b>	<b>0.00</b>	<b>396,911,595.83</b>

#### Depreciation and amortisation

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
Depreciation of property, plant and equipment	7,260,108.02	6,339,554.02
Amortisation of intangible assets	720,322.50	545,649.52
Depreciation of investment in real property	366,910.86	366,919.32
<b>Total depreciation and amortisation</b>	<b>8,347,341.38</b>	<b>7,252,122.86</b>

#### 7. Other operating income

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Gain on disposal of assets:</b>	<b>667.66</b>	<b>0.00</b>
Gain on disposal of non-current assets	667.66	0.00
<b>Other operating income:</b>	<b>3,805,366.25</b>	<b>5,326,989.30</b>
Guarantee and policy reinsurance	1,586,516.55	143,647.37
Received damages	1,446,780.91	1,092,200.17
Release of write-downs of receivables	494,322.54	3,573,634.24
Refund of costs of court proceedings	4,258.86	74,306.18
Surplus inventory	0.00	0.00
Measurement of non-current assets	0.00	0.00
Other	273,487.39	443,201.34
<b>Total</b>	<b>3,806,033.91</b>	<b>5,326,989.30</b>

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

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

## 8. Other operating expenses

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Loss on disposal of assets:</b>	<b>0.00</b>	<b>138,483.97</b>
Loss on disposal of non-current assets	0.00	138,483.97
<b>Other</b>	<b>6,387,538.21</b>	<b>2,819,055.03</b>
Donations	4,449.84	1,557.49
Paid damages	1,181,077.09	484,446.12
Costs of litigations	485,132.07	107,735.91
Costs of performance Bond	1,284,445.38	112,707.93
Revaluation of inventories	866,230.75	0.00
Creation of write-downs of receivables	1,925,808.44	1,547,596.97
Remission of debt	26,131.86	0.00
Penalties	62,114.07	83,801.69
Allowance for investment property	470,000.00	0.00
Other	82,148.71	481,208.92
<b>Total</b>	<b>6,387,538.21</b>	<b>2,957,539.00</b>

Other operating expenses include expenses and losses indirectly related to the Company'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.

## 9. Financial income

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Interest income:</b>	<b>908,367.44</b>	<b>1,525,138.01</b>
Interest on bank deposits	829,308.24	1,480,038.72
Interest on loan	35,200.68	35,648.39
Interest on receivables	43,858.52	9,450.90
<b>Foreign exchange gains</b>	<b>0.00</b>	<b>49,066.55</b>
<b>Gain on disposal of investments</b>	<b>0.00</b>	<b>0.00</b>
<b>Dividend income</b>	<b>0.00</b>	<b>0.00</b>
<b>Other</b>	<b>424,514.99</b>	<b>1,842,535.23</b>
Discount of long-term provisions	73,329.00	129,688.31
Discount of long-term payables	50,641.11	342,622.62
Discount of long-term receivables	0.00	1,317,630.96
Valuation of derivative instruments	0.00	0.00
Discount of long-term items	0.00	0.00
Prepayment discount	0.00	0.00
Sureties	0.00	0.00
Realisation of financial instruments	0.00	0.00
Other	300,544.88	52,593.34
<b>Total</b>	<b>1,332,882.43</b>	<b>3,416,739.79</b>

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

## 10. Financial expenses

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Interest expenses:</b>	<b>784,855.59</b>	<b>1,881,066.75</b>
Interest on bank overdrafts and borrowings	371,545.67	1,459,207.40
Interest on obligations under finance lease	383,987.31	356,098.77
Interest on loan	0.00	0.00
Interest on trade and other payables	29,322.61	65,760.58
<b>Other financial expenses:</b>	<b>2,342,412.93</b>	<b>356,527.73</b>
Foreign exchange losses	122,817.87	250.91
Discount of long-term provisions	0.00	0.00
Discount of long-term payables	0.00	0.00
Discount of long-term receivables	0.00	0.00
Discount of long-term items	219,160.03	344,911.34
Realisation of financial instruments	0.00	0.00
Cost of bank commission relating to capital expenditure	0.00	0.00
Allowance for investments in subsidiaries	2,000,000.00	0.00
Other	435.03	11,365.48
<b>Total</b>	<b>3,127,268.52</b>	<b>2,237,594.48</b>

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

## 11. Corporate income tax

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

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Current income tax:</b>	<b>8,071,305.00</b>	<b>3,983,958.00</b>
Tax currently payable	8,071,305.00	3,983,958.00
Tax brought forward	0.00	0.00
<b>Deferred income tax:</b>	<b>-4,703,654.64</b>	<b>-2,192,879.99</b>
Deferred income tax related to the occurrence and reversal of temporary differences	-4,703,654.64	-2,192,879.99
<b>Total tax expense/income</b>	<b>3,367,650.36</b>	<b>1,791,078.01</b>

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and items of income or expense that are never taxable. The Company'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 Company is subject to general regulations governing corporate income tax. The Company neither forms a tax capital group nor operates 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 31-12-2014	Year ended 31-12-2013
<b>Profit from operations</b>	<b>13,989,342.36</b>	<b>9,432,773.80</b>
Income tax expense calculated at 19%	2,657,975.05	1,792,227.02
Tax effect of expenses that are not tax-deductible under tax regulations and of revenue not classified as revenue under tax regulations	709,675.31	-1,149.01
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 from prior years	0.00	0.00
Other	0.00	0.00
<b>Income tax expense recognised in the statement of comprehensive income</b>	<b>3,367,650.36</b>	<b>1,791,078.01</b>

#### 11.2. Current tax assets and liabilities

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Current tax assets</b>		
Tax refundable	1,907,521.00	0.00
<b>Total</b>	<b>1,907,521.00</b>	<b>0.00</b>
<b>Current tax liabilities</b>		
Tax payable	0.00	2,942,830.00
<b>Total</b>	<b>0.00</b>	<b>2,942,830.00</b>

### 11.3. Deferred tax balance

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Deferred tax balance at the beginning of the year</b>	<b>1,955,776.36</b>	<b>-1,708,207.01</b>
<b>Merger opening balance</b>	<b>0.00</b>	<b>3,849,482.00</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>28,428,232.00</b>	<b>17,907,896.86</b>
Provisions for expenses and accruals	12,123,907.00	6,017,636.00
Discount of receivables	166,042.00	124,401.00
Measurement of financial instruments	0.00	0.00
Obligations under leases	713,846.00	932,454.00
Interest	0.00	0.00
Tax loss	0.00	0.00
Other, including allowances for receivables	6,135,093.00	345,473.86
Tax work in progress	9,289,344.00	10,487,932.00
Deferred tax reclassified from equity	0.00	0.00
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>23,662,572.00</b>	<b>19,959,519.50</b>
Measurement of long-term contracts	12,965,433.00	8,933,054.00
Tangible and intangible assets	10,306,013.00	10,721,355.00
Discount of payables	389,353.00	365,799.00
Interest charge	0.00	0.00
Other	1,773.00	-60,688.50
<b>Unused tax losses and other tax credits:</b>	<b>1,893,771.00</b>	<b>4,007,399.00</b>
Tax losses	1,893,771.00	4,007,399.00
Tax credits	0.00	0.00
Other	0.00	0.00
<b>Total temporary differences relating to deferred tax assets:</b>	<b>30,322,003.00</b>	<b>21,915,295.86</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>23,662,572.00</b>	<b>19,959,519.50</b>
<b>Deferred tax balance at the end of the year</b>	<b>6,659,431.00</b>	<b>1,955,776.36</b>
<b>Change in deferred tax, including:</b>	<b>4,703,654.64</b>	<b>-185,498.63</b>
- recognised in income	4,703,654.64	1,936,684.01
- recognised in equity	0.00	-2,122,182.64

Deferred tax recognised in equity is a result of the measurement of lease of the land measured at fair value in connection with recognising the merger in separate records.

## 12. Profit (loss) per share

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Basic profit (loss) per share</b>	<b>0.46</b>	<b>0.35</b>
Total basic profit (loss) per share	0.46	0.35
<b>Diluted profit (loss) per share</b>	<b>0.46</b>	<b>0.35</b>
Total diluted profit (loss) per share	0.46	0.35

### 12.1. Basic profit (loss) per share

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

	Year ended 31-12-2014	Year ended 31-12-2013
Profit (loss) per share for the financial year attributable to the shareholders of the parent	0.46	0.35
Total profit (loss) used in the calculation of basic profit per share	<b>10,621,692.00</b>	<b>7,641,695.79</b>
Weighted average number of ordinary shares used in the calculation of profit (loss) per share	23,030,083	22,033,866

### 12.2. Diluted profit (loss) per share

Profit (loss) used in the calculation of diluted profit (loss) per share does not differ from the profit used in the calculation of basic profit (loss) per share as at 31 December 2014.

### 13. Property, plant and equipment

									(PLN)
	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total fixed assets	Fixed assets under construction	Prepaid fixed assets under construction	TOTAL
<b>Gross value</b>									
<b>Balance at 1 January 2014</b>	<b>12,287.67</b>	<b>23,161,810.63</b>	<b>27,172,854.17</b>	<b>39,613,565.63</b>	<b>1,954,731.78</b>	<b>91,915,249.88</b>	<b>1,408,476.27</b>	<b>0.00</b>	<b>93,323,726.15</b>
Additions	0.00	923,620.44	6,599,437.43	5,105,660.10	126,044.15	12,754,762.12	925,697.76	0.00	13,680,459.88
Transfer to non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	1,927,960.23		1,927,960.23
Liquidations	0.00	0.00	244,948.50	310,534.41	12,852.50	568,335.41	0.00	0.00	568,335.41
<b>Balance at 31 December 2014</b>	<b>12,287.67</b>	<b>24,085,431.07</b>	<b>33,527,343.10</b>	<b>44,408,691.32</b>	<b>2,067,923.43</b>	<b>104,213.80</b>	<b>406,213.80</b>	<b>0.00</b>	<b>104,507,890.39</b>
	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total fixed assets	Fixed assets under construction	Prepaid fixed assets under construction	TOTAL
<b>Depreciation and impairment</b>									
<b>Balance at 1 January 2014</b>	<b>0.00</b>	<b>4,553,996.77</b>	<b>11,444,296.20</b>	<b>11,940,960.86</b>	<b>1,218,886.26</b>	<b>29,158,140.09</b>	<b>0.00</b>	<b>0.00</b>	<b>29,158,140.09</b>
Elimination on disposal of assets	0.00	0.00	199,876.65	244,490.24	12,829.70	457,196.59	0.00	0.00	457,196.59
Depreciation expense	0.00	788,950.52	2,778,987.49	3,480,217.00	211,953.01	7,260,108.02	0.00	0.00	7,260,108.02
<b>Balance at 31 December 2014</b>	<b>0.00</b>	<b>5,342,947.29</b>	<b>14,023,407.04</b>	<b>15,176,687.62</b>	<b>1,418,009.57</b>	<b>35,961,051.52</b>	<b>0.00</b>	<b>0.00</b>	<b>35,961,051.52</b>
<b>Carrying amount</b>									
<b>Balance at 1 January 2014</b>	<b>12,287.67</b>	<b>18,607,813.86</b>	<b>15,728,557.97</b>	<b>27,672,604.77</b>	<b>735,845.52</b>	<b>62,757,109.79</b>	<b>1,408,476.27</b>	<b>0.00</b>	<b>64,165,586.06</b>
<b>Balance at 31 December 2014</b>	<b>12,287.67</b>	<b>18,742,483.78</b>	<b>19,503,936.06</b>	<b>29,232,003.70</b>	<b>649,913.86</b>	<b>68,140,625.07</b>	<b>406,213.80</b>	<b>0.00</b>	<b>68,546,838.97</b>

Total property, plant and equipment of the Company as at 31 December 2014 amounted to PLN 68.5m (compared to PLN 64.2m in 2013). No impairment losses were recognised by the Company.

As at 31 December 2014, the value of liabilities incurred to purchase property, plant and equipment was PLN 237.6 thousand. As at 31 December 2014, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 5.1m.



**Assets pledged as security**

The Company had no assets pledged at 31 December 2014.

## 14. Investment property

(PLN)

	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Gross value</b>							
<b>Balance at 1 Jan 2014</b>	<b>125,550.00</b>	<b>5,032,658.77</b>	<b>5,420,803.78</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10,579,012.55</b>
Additions	0.00	0.00	43,266.00	0.00	0.00	0.00	43,266.00
Impairment	0.00	0.00	470,000.00	0.00	0.00	0.00	470,000.00
Liquidations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Balance at 31 Dec 2014</b>	<b>125,550.00</b>	<b>5,032,658.77</b>	<b>4,994,069.78</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10,152,278.55</b>
<b>Depreciation and impairment</b>							
<b>Balance at 1 Jan 2014</b>	<b>0.00</b>	<b>827,646.33</b>	<b>1,091,605.02</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,919,251.35</b>
Elimination on disposal of assets	0.00	0.00	43,266.00	0.00	0.00	0.00	43,266.00
Depreciation expense	0.00	165,648.36	201,262.50	0.00	0.00	0.00	366,910.86
<b>Balance at 31 Dec 2014</b>	<b>0.00</b>	<b>993,294.69</b>	<b>1,336,133.52</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,329,428.21</b>
<b>Carrying Mount</b>							
<b>Balance at 1 Jan 2014</b>	<b>125,550.00</b>	<b>4,205,012.44</b>	<b>4,329,198.76</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>8,659,761.20</b>
<b>Balance at 31 Dec 2014</b>	<b>125,550.00</b>	<b>4,039,364.08</b>	<b>3,657,936.26</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,822,850.34</b>

All of the Company's investment property is held either under freehold or leasehold interests.  
In 2014, the Company recognised an investment property impairment loss of PLN 470 thousand.

## 15. Non-current assets held for sale

At 31 December 2014, the Company did not hold any non-current assets held for sale.

## 16. Intangible assets

Structure of intangible assets:

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>1,751,834.53</b>	<b>1,846,496.73</b>
- software	1,751,834.53	1,846,496.73
<b>Other intangible assets, including:</b>	<b>9,216,681.22</b>	<b>9,376,019.14</b>
- leasehold	9,216,681.22	9,376,019.14
<b>Total</b>	<b>10,968,515.75</b>	<b>11,222,515.87</b>

Movements of intangible assets:

(PLN)

	Leasehold	Other intangible assets – software	Total
<b>Gross value</b>			
<b>Balance at 1 January 2014</b>	<b>10,241,966.32</b>	<b>3,264,345.15</b>	<b>13,506,311.47</b>
Additions	0.00	466,488.32	466,488.32
Disposals or classification as held for sale	0.00	35,934.62	35,934.62
<b>Balance at 31 December 2014</b>	<b>10,241,966.32</b>	<b>3,694,898.85</b>	<b>13,936,865.17</b>
<b>Amortisation and impairment</b>			
<b>Balance at 1 January 2014</b>	<b>865,947.18</b>	<b>1,417,848.42</b>	<b>2,283,795.60</b>
Amortisation expense	159,337.92	560,984.58	720,322.50
Disposals or classification as held for sale	0.00	35,768.68	35,768.68
<b>Balance at 31 December 2014</b>	<b>1,025,285.10</b>	<b>1,943,064.32</b>	<b>2,968,349.42</b>
<b>Carrying amount</b>			
<b>Balance at 1 January 2014</b>	<b>9,376,019.14</b>	<b>1,846,496.73</b>	<b>11,222,515.87</b>
<b>Balance at 31 December 2014</b>	<b>9,216,681.22</b>	<b>1,751,834.53</b>	<b>10,968,515.75</b>

No impairment losses were recognised by the Company.

## 17. Investments in and advances to subsidiaries

### 17.1. Information on the Company's subsidiaries

On 20 December 2013, ZUE (the "Acquiring Company") merged with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (the "Acquired Company") by entering the transaction into the relevant register. The transaction was described in item 17.2.

**The Issuer's subsidiaries at the end of the reporting period:**

- Biuro Inżynierskich Usług Projektowych Sp. z o.o. of Cracow whose principal activities are the preparation of designs for the tram and railway industry;
- 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;
- Railway Technology International Germany GmbH has been established under the notarial deed of 8 May 2012 in the Notary's Office in Radebeul, Rathenaustasse 6, Germany (no. 1090/2012). Hamburg (Germany) is the company's registered office (subsidiary indirectly through RTI, which holds 100% of shares in RTI Germany);
- Biuro Projektów Komunikacyjnych Sp. z o.o. of Poznań whose core business consists of the preparation of comprehensive design documentation including feasibility studies, concepts, basic designs including construction designs, tender materials and detailed construction designs for high complexity investments in the tram and railway industry.

Name	Core business	Registered office and principal place of business	Interest		Value at historical cost	
			As at 31-12-2014 %	As at 31-12-2013 %	As at 31-12-2014 PLN	As at 31-12-2013 PLN
Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.	Tram and railway infrastructure construction services	Cracow	Merger effected on 20 December 2013			
Biuro Inżynierskich Usług Projektowych Sp. z o.o.	Designs for the tram and railway industry	Cracow	100%	49%	1,919,949.68	655,099.68
Railway Technology International Sp. z o.o.	Not operating	Cracow	51%	51%	28,585.50	28,585.50
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Comprehensive design documentation	Cracow	100%	84%	2,993,735.88	2,416,607.20
<b>Total investments in subsidiaries</b>					<b>4,942,271.06</b>	<b>3,100,292.38</b>
Write-down of shares					2,000,000.00	0.00
<b>Total investments in subsidiaries net of write-down</b>					<b>2,942,271.06</b>	<b>3,100,292.38</b>

As at 31 December 2014, BPK Poznań was a subsidiary of ZUE. BPK Poznań became a subsidiary of BIUP and, consequently, indirect subsidiary of ZUE following the transfer of BPK Poznań shares to BIUP in January 2015.

The merger of BIUP and BPK Poznań is intended for March 2015.

The number of shares held by ZUE in RTI at the end of 2014 did not change when compared to the end of 2013.

## 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 and consequently lost control of the company.

The direct interest of BPK Poznań in BPK Gdańsk as at 31 December 2014 was 49%.

The indirect interest of ZUE in BPK Gdańsk as at 31 December 2014 was 49%.

## 17.2. 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 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 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.

ZUE and PRK merged under joint control. Since the control of PRK was acquired in the past years, the Company decided to present the financial data of PRK in the statement of comprehensive income for the period from 1 January 2013 to 31 December 2013 despite the fact that the formal merger took place on 20 December 2013.

The statement of financial position presents the financial data of the merged companies as at 31 December 2013 and the statement of comprehensive income includes PRK's profit (loss) for 12 months.

The Management Board of ZUE carried out a test for the impairment of goodwill arising on acquisition of PRK SA. The test revealed that at the end of the reporting period, there was no need to recognise any impairment loss. A five-year time horizon was used. According to the Company's principles, the recoverable amount of an asset was measured at fair value.

Recoverable amount was determined using the discounted future cash flows method. The rate of average weighted cost of capital including projected structure and the cost of financing, and the market risks was at 11%.

## 18. Other assets

(PLN)

	Current		Non-current	
	As at 31-12-2014	As at 31-12-2013	As at 31-12-2014	As at 31-12-2013
Prepayments	1,771,723.90	1,938,211.90	0.00	0.00
Other receivables	0.00	0.00	7,981.60	27,435.88
<b>Total</b>	<b>1,771,723.90</b>	<b>1,938,211.90</b>	<b>7,981.60</b>	<b>27,435.88</b>

Short-term prepayments mainly include items such as property insurance.

## 19. Inventories

(PLN)

	As at 31-12-2014	As at 31-12-2013
Materials	16,060,147.01	16,703,507.85
Work in progress	1,659,024.51	1,103,032.14
Finished goods	201,588.69	203,528.75
<b>Total</b>	<b>17,920,760.21</b>	<b>18,010,068.74</b>

At the end of the reporting period, inventories amounted to PLN 17.9m (compared to PLN 18.0m in 2013). High inventory level was related to advanced construction works.

## 20. Trade and other receivables

(PLN)

	As at 31-12-2014	As at 31-12-2013
Trade receivables	117,612,437.46	135,087,028.80
Trade receivables write-downs	-13,129,522.55	-13,132,656.85
Receivables from the state budget other than corporate income tax	636,817.43	0.00
Receivables under contracts (measurement)	68,239,121.27	47,016,071.48
Advance payments	2,979,965.72	2,526,025.56
Other receivables	139,530.39	199,118.59
<b>Total trade and other receivables</b>	<b>176,478,349.72</b>	<b>171,695,587.58</b>

Total trade receivables (including discounts) at 31 December 2014 amounted to PLN 117.6m compared to PLN 135.1m at the end of 2013). The balance of trade receivables does not include past due receivables for which write-down was recognised.

Age of receivables that are past due but not impaired

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Not past due receivables</b>	<b>76,617,039.08</b>	<b>93,752,397.37</b>
<b>Receivables that are past due but not impaired</b>	<b>27,865,875.83</b>	<b>28,201,974.58</b>
1-30 days	26,105,898.89	23,337,172.36
31-60 days	227,725.00	721,038.58
61-90 days	379,145.86	30,154.03
91-180 days	677,121.78	3,599,364.35
181-360 days	83,458.22	49,979.65
360 + days	392,526.08	464,265.61
<b>Past due receivables on which write-downs were recognized</b>	<b>13,129,522.55</b>	<b>13,132,656.85</b>
1-30 days	514,954.59	0.00
31-60 days	12,893.31	457,089.07
61-90 days	45,585.72	18,800.20
91-180 days	138,295.22	3,177,395.06
181-360 days	1,967,706.76	4,914,421.44
360 + days	10,450,086.95	4,564,951.08
<b>Total trade receivables (gross)</b>	<b>117,612,437.46</b>	<b>135,087,028.80</b>
<b>Trade receivables write-downs</b>	<b>-13,129,522.55</b>	<b>-13,132,656.85</b>
<b>Total trade receivables (net)</b>	<b>104,482,914.91</b>	<b>121,954,371.95</b>

Concentration of gross receivables exceeding 10% of total receivables

(PLN)

	As at 31-12-2014
Counterparty A	30,842,398.44
Counterparty B	14,217,999.83
Counterparty C	14,683,978.94
Counterparty D	14,146,723.15
	<b>73,891,100.36</b>

Change in allowances for doubtful debt

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Balance at the beginning of the year</b>	<b>13,132,656.85</b>	<b>86,666.29</b>
	0.00	4,468,269.87
Increases in connection with the merger (as at 01/01/2013)		
Impairment losses recognised on receivables	1,521,345.18	856,859.10
Impairment losses not entered in profit or loss	2,023,172.10	7,820,910.36
Amounts written off as uncollectible	0.00	0.00
Amounts recovered during the year	-606,977.33	-41,014.02
Impairment losses reversed	-27,349.46	-59,034.75
Reversal of impairment losses without effect on financial result	-2,913,324.79	0.00
Unwind of discount	0.00	0.00
<b>Balance at the end of the year</b>	<b>13,129,522.55</b>	<b>13,132,656.85</b>



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

### Long-term receivables

	(PLN)	
	As at 31-12-2014	As at 31-12-2013
Trade receivables	0.00	0.00
Allowance for doubtful debts	0.00	0.00
Discount of long-term receivables	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

### Trade receivables

	(PLN)
Gross value of long-term receivables	
<b>Balance at the beginning of the year</b>	<b>0.00</b>
<b>Increases</b>	<b>0.00</b>
<b>Decreases</b>	<b>0.00</b>
Transferred to short-term receivables	0.00
Discount	0.00
<b>Balance at the end of the year</b>	<b>0.00</b>

## 21. Share capital

(PLN)

### Share capital

	As at 31-12-2014	As at 31-12-2014
Registered capital	5,757,520.75	5,757,520.75
Amount recognised in the financial statements	5,757,520.75	5,757,520.75

### Share capital as at 12 March 2015

(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
<b>Total</b>				<b>23,030,083</b>	<b>5,757,520.75</b>			

At 31 December 2014, the share capital was the same as at 12 March 2015.

## 22. Retained earnings

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Balance at the beginning of the year</b>	<b>92,840,726.72</b>	<b>80,551,515.00</b>
Opening balance adjustment	0.00	-1,020,772.71
<b>Opening balance restatement</b>	<b>92,840,726.72</b>	<b>79,530,742.29</b>
<b>Net profit distribution</b>	<b>7,632,651.59</b>	<b>0.00</b>
Reserve funds	7,632,651.59	0.00
Capital reserve	0.00	0.00
Coverage of loss brought forward	0.00	0.00
<b>Distributable profit for the year</b>	<b>10,528,161.03</b>	<b>7,632,651.59</b>
Payment of dividend for prior year	0.00	0.00
Interim dividend for current year	0.00	0.00
Change in net profit according to the IFRS	0.00	0.00
<b>Retained earnings from the merger</b>	<b>0.00</b>	<b>5,677,332.84</b>
<b>Balance at the end of the year</b>	<b>103,368,887.75</b>	<b>92,840,726.72</b>

The retained earnings of prior years entirely comprise the earnings retained at the Company on the basis of the decision made by its shareholders and the consequences of the IFRS implementation. The retained earnings at the end of 2014 include:

- Reserve funds (without share premium account): PLN 48,298,679.31
- Capital reserve: PLN 39,434,845.22
- Profit (loss) brought forward: PLN -570,130.75
- Comprehensive income for the current year: PLN 10,528,161.03
- Equity changes resulting from the merger: PLN 5,677,332.94

The Company creates a capital reserve according to the articles of association. The Company's profit to be distributed in subsequent periods or used to cover other expenses may be allocated to capital reserve. The Company's capital reserve meets the requirements of Art. 396 of the Act.

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.

## 23. Share premium account

(PLN)

	Year ended 31-12-2014	Year ended 31-12-2013
<b>Balance at the beginning of the year</b>	<b>93,836,665.29</b>	<b>85,360,680.68</b>
Share issue	0.00	9,023,527.08
Share issue costs	0.00	547,542.47
<b>Balance at the end of the year</b>	<b>93,836,665.29</b>	<b>93,836,665.29</b>

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.

The Company did not launch any new issue of shares in 2014.

## 24. Bank borrowings and other debt instruments and other financing sources

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Long-term</b>	<b>5,223,987.77</b>	<b>9,550,685.66</b>
Bank borrowings	0.00	5,111,111.22
Loans from:		
related entities	0.00	0.00
other entities	0.00	0.00
Obligations under finance lease	5,223,987.77	4,439,574.44
<b>Short-term</b>	<b>9,213,948.27</b>	<b>40,376,960.45</b>
Overdrafts	0.00	0.00
Bank borrowings (iii)	5,111,111.22	38,011,357.48
Loans from:		
related entities	0.00	0.00
other entities	0.00	0.00
Obligations under finance lease	4,310,962.05	2,781,852.97
Settlement of commission on borrowing	-208,125.00	-416,250.00
<b>Total</b>	<b>14,437,936.04</b>	<b>49,927,646.11</b>

## Summary of borrowing arrangements

At 31 December 2014

(PLN)

Bank	Description	Principal according to the agreement	Outstanding amount as at	Interest rate	Repayment date	Security
<b>Overdrafts</b>			<b>31-12-2014</b>			
mBank S.A. (i)	Overdraft facility (agreement no. 07/183/04/Z/VV)	10,000,000.00	0.00	O/N WIBOR for interbank credits + margin	15 May 2015	1. Blank bill of exchange with declaration.
Bank Millennium S.A. (ii)	Overdraft facility (agreement no. 5700/13/400/04)	10,000,000.00	0.00	1M WIBOR + margin	21 June 2015	Assignment of claims under contracts according to the assignment agreement of 23.08.2011 with subsequent annexes and the assignment agreement of 18.06.2014 with annexes, if any. Common security with the credit facility granted under the revolving facility agreement no. 2749/11/475/04.
<b>Other facilities</b>						
mBank S.A. (iii)	Investment facility (agreement no. 07/164/11/Z/IN)	23,000,000.00	5,111,111.22	3M WIBOR + margin	11 December 2015	1. Blank bill of exchange with declaration. 2. Blanket contractual mortgage up to PLN 35,420,550 on the real property WA5M/00242445/1, KR1P/00199773/5, KR1P/00204399/8.
mBank S.A. (v) (vii)	Cooperation agreement (agreement no. 07/052/14/Z/PX)	20,000,000.00	0.00	3M WIBOR + margin	20 July 2017	1. Assignment of ZUE's receivables from Polskie Sieci Elektroenergetyczne Spółka Akcyjna under the agreement no. OSP/DI/INW/19/2014 of 25 March 2014 to the Bank.  2. Blanket contractual mortgage up to PLN 35,420,550 on the real property WA5M/00242445/1, KR1P/00199773/5, KR1P/00204399/8.  3. Deposit.
Bank Millennium S.A. (iv)	Revolving credit facility (agreement no. 2749/11/475/04)	35,000,000.00	0.00	1M WIBOR + margin	22 June 2015	1. Assignment of claims under contracts according to the assignment agreement of 23.08.2011 with subsequent annexes and the assignment agreement of 18.06.2014 with annexes, if any. Common security with the credit facility granted under the overdraft agreement no. 5700/13/400/04.

						2. Power of attorney authorising the Bank to use bank accounts.
BNP Paribas S.A. (vi)	Revolving facility (agreement no. WAR/2001/14/166/CB)	30,000,000.00	0.00	1M WIBOR + margin	19 November 2015	1. Blank bill of exchange.  2. Assignment of claims under the contract no. 90/112/0006/13/Z/I entered into on 25 March 2013 with PKP Polskie Linie Kolejowe S.A. of Warsaw for the following project: "Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie - Dąbrowa Górnicza Ząbkowice - Jaworzno Szczakowa section."  3. Borrower's statement on submission to enforcement.
TOTAL		5,111,111.22				

(i) a) For the credit facility no. 07/183/04/Z/VV – lifting the mortgage on the real property KR1P/00264688/9, KR1P/0017153/4, KR1P/00227028/4 and encumbering the following property by a mortgage: KR1P/00199773/5 and KR1P/0204399/8 (Annex no. 11 of 25-04-2014).

b) For the credit facility no. 07/183/04/Z/VV - the repayment date was extended to 15-05-2015 (Annex no. 12 of 05-05-2014).

(ii) For the credit facility no. 5700/13/400/04/04 – extension of the repayment date to 21-06-2015 and additional transfer of claims under specific contracts.  
(Annex no. A2/5700/13/400/04 of 21-05-2014 and Annex no. A3/5700/13/400/04 of 18-06-2014).

(iii) For the credit facility no. 07/164/11/Z/IN – lifting the mortgage on the real property KR1P/00264688/9, KR1P/0017153/4, KR1P/00227028/4, KR1P/00333015/6 and KR1P/00328817/0 and encumbering the following property by a mortgage: KR1P/00199773/5 and KR1P/00204399/8 (Annex no. 2 of 25-04-2014).

(iv) For the credit facility no. 2749/11/475/04 - extension of the repayment date to 22-06-2015 and additional transfer of claims under specific contracts.  
(Annex no. A6/2749/11/475/04 of 21-05-2014 and Annex no. A7/2749/11/475/04 of 18-06-2014).

(v) Agreement of 29 July 2014, common security with investment credit facility.

(vi) Agreement of 19 November 2014 – credit facility taken out to finance the contract entered into with the City of Szczecin for design and construction works consisting in the reconstruction of the Pogodno tram depot in Szczecin.

Proceeds from the following contracts would be transferred to the bank accounts maintained with the Bank in the following amounts:

- 99% of proceeds from the security contract – Zawiercie-Jaworzno Szczakowa.
- 100% of proceeds from the domiciliation of contract for the tramline to Tarchomin.
- 35% of turnover under the Financed Contract.

(vii) Annex no. 1 of 29-12-2014 whereby the limit was reduced to PLN 20,000,000.00.

## 25. Other financial liabilities

(PLN)

	Current		Non-current	
	As at 31-12-2014	As at 31-12-2013	As at 31-12-2014	As at 31-12-2013
Financial liabilities under the buy-back of shares	0.00	0.00	0.00	0.00
Other liabilities	2,791.69	0.00	0.00	0.00
<b>Total</b>	<b>2,791.69</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## 26. Provisions

The following table sets out the changes in provisions.

(PLN)

Provisions	01-01-2014	Created	Utilised	Released	31-12-2014
<b>Long-term provisions:</b>	<b>7,341,911.03</b>	<b>2,185,392.34</b>	<b>303,916.98</b>	<b>47,483.31</b>	<b>9,175,903.08</b>
Provisions for employee benefits	704,984.88	171,104.92	62,798.28	47,483.31	765,808.21
Provisions for warranty claims	6,636,926.15	2,014,287.42	241,118.70	0.00	8,410,094.87
Other provisions	0.00	0.00	0.00	0.00	0.00
<b>Short-term provisions:</b>	<b>9,628,016.43</b>	<b>12,716,698.36</b>	<b>6,606,344.39</b>	<b>2,798,384.87</b>	<b>12,939,985.53</b>
Provisions for employee benefits	3,292,791.59	10,677,704.99	6,303,533.58	362,381.44	7,304,581.56
Provisions for warranty claims	3,701,183.76	1,216,685.36	302,810.81	1,578,031.56	3,037,026.75
Provision for loss on contracts	600,000.03	822,308.01	0.00	390,998.82	1,031,309.22
Other provisions	2,034,041.05	0.00	0.00	466,973.05	1,567,068.00
<b>Total provisions:</b>	<b>16,969,927.46</b>	<b>14,902,090.70</b>	<b>6,910,261.37</b>	<b>2,845,868.18</b>	<b>22,115,888.61</b>

Provision for warranty claims is created for the construction contracts in respect of which warranty has been given by the Company depending on the amount of revenues and taking account of subcontractors' liability for the work they have been entrusted with. In 2014, the ratio of provisions to revenues under contracts was 0.5%. The amount of provisions may decrease or increase on the basis of inspections of construction works in subsequent years of warranty.

## 27. Construction contracts

The following details concern the construction contracts performed by the Company.

### Selected items

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Assets</b>	<b>149,900,343.33</b>	<b>182,129,935.66</b>
including:		
- measurement of contracts	68,239,121.27	47,016,071.48
- advance payments for contracts	2,967,965.72	2,526,025.56
<b>Liabilities</b>	<b>120,211,146.15</b>	<b>108,110,715.20</b>
including:		
- measurement of contracts	25,305,612.48	12,438,428.12
- provisions for the costs of contracts	40,341,286.64	12,521,925.53
<b>Received advance payments for contracts</b>	<b>0.00</b>	<b>0.00</b>
Revenue under construction contracts	574,487,604.37	361,291,341.94
Expenses under construction contracts	549,971,571.85	346,048,630.75
<b>Gross profit (loss)</b>	<b>24,516,032.52</b>	<b>15,242,711.19</b>

## 28. Retentions on construction contracts

(PLN)

	As at 31-12-2014	As at 31-12-2013
Retained by customers – to be repaid after 12 months	2,878,799.59	1,644,247.14
Retained by customers – to be repaid within 12 months	844,047.06	5,219,036.44
<b>Total retentions on construction contracts retained by customers</b>	<b>3,722,846.65</b>	<b>6,863,283.58</b>
Retained for suppliers – to be repaid after 12 months	8,768,069.50	8,957,972.44
Retained for suppliers – to be repaid within 12 months	18,121,876.48	6,629,847.11
<b>Total retentions on construction contracts retained for suppliers</b>	<b>26,889,945.98</b>	<b>15,587,819.55</b>

Retentions on construction contracts with payment dates above one year are discounted and recognized in the balance sheet at present value. The table below shows the results of discounting recognized in the balance sheets and profit 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. The discount rate in 2014 was 4%. 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.



## 28.1. Discount recognised in profit or loss:

(PLN)

	As at 31-12-2014	As at 31-12-2013
Discount of long-term retentions on construction contracts retained by customers	307,051.47	25,325.74
Discount of long-term retentions on construction contracts retained for suppliers	1,116,361.87	1,065,720.76
Adjustment of financial income	50,641.11	-84,605.38
Adjustment of financial expenses	219,160.03	1,075,389.99
Deferred tax on above adjustments	32,018.59	220,399.12
<b>Net effect on profit or loss</b>	<b>-136,500.33</b>	<b>-939,596.25</b>

## 28.2. 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:

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Past due retentions on construction contracts:</b>		
– up to 1 month	0,00	0,00
– 1 – 3 months	297 992,74	335 248,23
– 3 – 6 months	0,00	0,00
– 6 months - 1 year	0,00	0,00
– over 1 year	0,00	0,00
<b>Total past due retentions on construction contracts (gross)</b>	<b>297 992,74</b>	<b>335 248,23</b>
Impairment losses	-292 303,48	0,00
<b>Total past due retentions on construction contracts (net)</b>	<b>5 689,26</b>	<b>335 248,23</b>

## 28.3. Risk of interest rate fluctuations

The effective interest rate at 31 December 2014 used to discount the retentions on construction contracts did not change when compared to 2013 and was 4%.

## 29. Trade and other payables

(PLN)

	As at 31-12-2014	As at 31-12-2013
Trade payables	62,912,635.40	56,131,983.22
Liabilities to the state budget other than corporate income tax	892,766.50	6,036,000.39
Accruals	40,761,286.64	12,914,008.55
Liabilities under contracts (measurement)	25,305,612.48	13,064,266.10
Other payables	148,454.08	171,650.59
<b>Total trade and other payables</b>	<b>130,020,755.10</b>	<b>88,317,908.85</b>

Total trade payables as at 31 December 2014 amounted to PLN 62.9m (PLN 56.1m for 2013).  
Accruals include, in particular, provisions for the costs of subcontractors.

	(PLN)	
	As at	As at
	31-12-2014	31-12-2013
<b>Not past due payables</b>	<b>60,698,471.42</b>	<b>52,458,735.82</b>
<b>Past due payables</b>	<b>2,214,163.98</b>	<b>3,673,247.40</b>
1-30 days	1,958,563.49	3,009,713.81
31-60 days	13,701.21	1,185.91
61-90 days	18,450.00	585,333.52
91-180 days	116,633.25	2,376.57
181-360 days	47,203.20	27,999.55
360 + days	59,612.83	46,638.04
<b>Total trade payables</b>	<b>62,912,635.40</b>	<b>56,131,983.22</b>

### 30. Obligations under finance leases

#### 30.1. General terms of lease

The Company leased its manufacturing equipment under finance lease. The lease term was 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 leases are secured by the lessor's title to the leased assets.

#### 30.2. Finance lease liabilities

	(PLN)			
	Minimum lease payments		Present value of minimum lease payments	
	As at	As at	As at	As at
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
Not later than one year	4,642,891.82	3,080,611.32	4,310,962.05	2,781,852.97
Later than one year and not later than five years	5,449,713.46	4,759,406.46	5,223,987.77	4,439,574.44
Later than five years	0.00	0.00	0.00	0.00
Less: future finance charges	-557,655.46	-618,590.37	n/a	n/a
<b>Present value of minimum lease payments</b>	<b>9,534,949.82</b>	<b>7,221,427.41</b>	<b>9,534,949.82</b>	<b>7,221,427.41</b>
Included in the financial statements as:				
- current borrowings (note 24)			4,310,962.05	2,781,852.97
- non-current borrowings (note 24)			5,223,987.77	4,439,574.44

### 31. Obligations under retirement and other benefits

Given the amendments to IAS 19 "Employee Benefits," the Company has recognised actuarial gains and losses in the statement of comprehensive income since 1 January 2013.

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

The table below sets out the obligations under employee benefits:

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Pension and retirement gratuities, including:</b>	<b>852,249.54</b>	<b>751,004.89</b>
– present amount of obligation at the end of the reporting period	852,249.54	751,004.89
– 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
<b>Obligations to employees</b>	<b>0.00</b>	<b>0.00</b>
<b>Other employee benefits</b>	<b>12,963,411.08</b>	<b>7,275,331.21</b>
– provision for unused leaves	3,181,412.40	2,925,360.76
– provision for bonuses	4,036,727.82	321,410.82
– salaries	2,868,945.06	2,028,630.44
– social security and other benefits	2,876,325.80	1,999,929.19
<b>Total obligations under retirement and other benefits</b>	<b>13,815,660.62</b>	<b>8,026,336.10</b>
including:		
– long-term	765,808.21	704,984.88
– short-term	13,049,852.41	7,321,351.22

Significant actuarial assumptions for determination of obligations under pension and retirement gratuities:

	As at 31/12/2014	As at 31/12/2013
Discount rate	2.5%	4%
Expected salary increase	1.5%	3%

#### Pension and retirement gratuities

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Present amount of obligation at the beginning of the year</b>	<b>751,004.89</b>	<b>127,658.41</b>
Increases in connection with the merger (as at 01/01/2013)	0.00	2,248,846.26
Interest cost	12,115.45	86,486.85
Current service cost	32,649.01	121,875.67
Past service cost	-22,291.05	-1,710,358.10
Benefits paid	-53,882.85	-114,460.00
Actuarial (gains) / losses	132,654.08	-9,044.20
<b>Present amount of obligation at the end of the year</b>	<b>852,249.53</b>	<b>751,004.89</b>

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

	(PLN)	
	As at 31-12-2014	As at 31-12-2013
Current service cost	32,649.01	83,151.11
Interest cost	12,115.45	86,486.86
Actuarial (gains)/ losses to be recognised in the period	132,654.08	-9,044.20
Past service cost	0.00	-1,710,358.10
<b>Costs recognised in statement of comprehensive income</b>	<b>177,418.54</b>	<b>-1,549,764.33</b>
Amount recognised in profit or loss	44,764.46	-1,540,720.13
Amount recognised in other comprehensive income	93,530.97	-9,044.20

### 32. Capital management

The Company reviews the capital structure each time for the purpose of major contract financing. As part of this review, the Company 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 31-12-2014	As at 31-12-2013
Interest bearing loans and borrowings	14,437,936.04	49,927,646.11
Retentions on construction contracts	26,889,945.98	15,587,819.55
Obligations under employee benefits	13,815,660.62	8,026,336.10
Trade and other payables	130,020,755.10	88,317,908.85
Current tax liabilities	0.00	2,942,830.00
<b>Debt</b>	<b>185,164,297.74</b>	<b>164,802,540.61</b>
Cash and cash equivalents	71,116,102.58	49,645,210.98
<b>Net debt</b>	<b>114,048,195.16</b>	<b>115,157,329.63</b>
Equity	202,963,073.79	192,434,912.76
<b>Net debt to equity ratio</b>	<b>56.19%</b>	<b>59.84%</b>

### 33. Financial risk management

The main financial instruments used by the Company 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 Company'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.

#### 33.1. Foreign exchange risk

As part of its operating activities, the Company 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.

### 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 2014.

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 profit or loss of the year and net assets is identical).

(PLN)

	Currency	Carrying amount at the end of the reporting period	Sensitivity to changes as at 31 December 2014	
			Depreciation of PLN	Appreciation of other currencies
			+5% (EUR/PLN)	-5% (EUR/PLN)
Cash	EUR	357,185.64	17,859.28	-17,859.28
	RBL	513.67	25.68	-25.68
	USD	2.84	0.14	-0.14
	HRK	520.14	26.01	-26.01
	BGN	108.97	5.45	-5.45
Trade and other payables	EUR	2,476,115.79	-123,805.79	123,805.79
<b>Gross effect on profit or loss of the period and net assets</b>			<b>-105,889.23</b>	<b>105,889.23</b>
<b>Deferred tax</b>			<b>20,118.95</b>	<b>-20,118.95</b>
<b>Total</b>			<b>-85,770.27</b>	<b>85,770.27</b>

### 33.2. Interest rate risk

The Company 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 Company's experience and knowledge of financial markets, at -1% / +1% pp at 31 December 2014. 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 profit or loss of the period and net assets as at 31 December 2014.

(PLN)

	Amount at the end of the reporting period	31 December 2014	
		+100 bp (PLN)	-100 bp (PLN)
Long-term retentions on construction contracts (discount):			
– recognised in assets (present value)	2,878,799.59	-180,109.24	193,904.34
– recognised in liabilities (present value)	8,768,069.50	248,989.64	-260,113.25
Cash at banks (nominal value / interest)	71,116,102.58	711,161.03	-711,161.03
Advanced loans (nominal value / interest)	1,138,555.73	11,385.56	-11,385.56
Bank borrowings and loans (nominal value / interest)	4,902,986.22	-49,029.86	49,029.86
Obligations under finance lease (present value / interest)	9,534,949.82	-95,349.50	95,349.50
<b>Gross effect on profit or loss of the period and net</b>		<b>647,047.62</b>	<b>-644,376.13</b>

**assets**

Deferred tax	<b>-122,939.05</b>	<b>122,431.47</b>
<b>Total</b>	<b>524,108.57</b>	<b>-521,944.67</b>

### 33.3. Price risk

The Company 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 Company'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.

### 33.4. Credit risk

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

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

Before a contract is signed, each counterparty is assessed in terms of their ability to fulfil their financial obligations. If the assessment is negative, signing of the contract is conditional at least on the provision of proper security on property or financial security. In addition, the Company tries to make sure that 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 Company's ability to pay its subcontractors after the Company has been paid by an investor.

The credit risk increased for the Company in the past years 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.

### 33.5. Liquidity risk

The Company reduces liquidity risk by maintaining sufficient cash and concluding credit line agreements which serve as an additional safeguard against the loss of liquidity. The Company 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.

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

The maturity structure for financial liabilities is set out in note 34 – Financial instruments.

### 34. Financial instruments

The following table sets out the carrying amounts of all financial instruments of the Company with a breakdown into particular classes and categories of assets and liabilities.

At 31 December 2014

(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	3,722,846.65	0.00	26,889,945.98
Trade and other receivables including: sums receivable from customers under construction contracts – advance payments	0.00	0.00	176,478,349.72	0.00	0.00
Derivative financial instruments and other financial liabilities	0.00	0.00	2,967,965.72	0.00	0.00
Advanced loans	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	0.00	71,116,102.58	1,138,555.73	0.00	0.00
Bank borrowings and other debt instruments and other financing sources	0.00	0.00	0.00	0.00	14,437,936.04
Trade and other payables including: sums payable to customers under construction contracts – advance payments	0.00	0.00	0.00	0.00	130,020,755.10
<b>Total</b>	<b>0.00</b>	<b>71,116,102.58</b>	<b>181,339,752.10</b>	<b>0.00</b>	<b>171,348,637.12</b>

#### Reclassifications of financial assets

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

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

(PLN)

	As at 31-12-2014	As at 31-12-2013
<b>Age structure</b>		
– less than 1 year	157,356,579.85	135,324,716.41
– 1 – 3 years	13,363,072.35	14,365,355.94
– 3 – 5 years	305,587.79	3,828,395.18
– 5 years +	323,397.13	314,906.98
<b>Total</b>	<b>171,348,637.12</b>	<b>153,833,374.51</b>

### 34.2. Fair value of financial instruments

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; 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.

### 34.3. Derivative instruments

No derivative instrument transactions were entered into by the Company in 2014 or 2013.



### 35. Transactions with related entities

#### Trading transactions

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

(PLN)

	Receivables		Payables	
	As at		As at	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
BIUP	749,413.50	203,815.01	0.00	0.00
BPK Poznań	29,947.86	38,050.96	0.00	12,841.20
BPK Gdańsk	0.00	750.30	0.00	0.00
RTI	1,230.00	4,320.78	0.00	0.00
RTI Germany	0.00	0.00	0.00	172,361.96
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>780,591.36</b>	<b>246,937.05</b>	<b>0.00</b>	<b>185,203.16</b>

  

	Revenue		Purchases	
	Year ended		Year ended	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
BIUP	679,763.26	278,198.18	1,602,319.63	399,818.39
BPK Poznań	20,831.58	29,231.74	2,788,493.15	1,494,920.75
BPK Gdańsk	0.00	7,677.48	15,861.78	0.00
RTI	12,000.00	12,000.00	0.00	0.00
RTI Germany	0.00	0.00	980,873.92	768,422.51
Wiesław Nowak	1,626.00	0.00	66,400.00	416,000.00
<b>Total</b>	<b>714,220.84</b>	<b>327,107.40</b>	<b>5,453,948.48</b>	<b>3,079,161.65</b>

  

	Advanced loans		Financial income	
	As at		Year ended	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
BIUP	0.00	1,229,039.39	19,335.86	15,075.03
BPK Poznań	0.00	416,076.41	13,042.93	17,482.58
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	0.00	108,844.38	2,821.89	3,090.78
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>1,753,960.18</b>	<b>35,200.68</b>	<b>35,648.39</b>

  

	Received loans		Financial expenses	
	As at		Year ended	
	31-12-2014	31-12-2013	31-12-2014	31-12-2013
BIUP	0.00	0.00	0.00	0.00
BPK Poznań	0.00	0.00	0.00	0.00
BPK Gdańsk	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
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

In the reporting period, 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.

In the reporting period, ZUE advanced the following loans to the following subsidiaries:

- RTI (on 06.05.2014) – loan of PLN 10.0 thousand; annual interest rate: 3M WIBOR + margin. An annex was signed whereby the repayment date was extended until 21.12.2015;
- RTI (on 17.11.2014) – loan of PLN 10.0 thousand with the repayment date of 20.12.2015; annual interest rate: 3M WIBOR + margin;
- BPK Poznań (on 08.09.2014) – loan of PLN 800.0 thousand. The loan was repaid in October 2014;
- BPK Poznań (on 01.12.2014) – loan of PLN 900.0 thousand with the repayment date of 20.12.2015; annual interest rate: 3M WIBOR + margin; and
- BIUP (on 16.10.2014) – loan of PLN 100.0 thousand; annual interest rate: 3M WIBOR + margin. An annex was signed whereby the repayment date was extended until 20.02.2015. The loan was repaid on 19.02.2015.

ZUE provided bill of exchange guarantees to related entities.

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

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 160m<sup>2</sup> out to ZUE. The monthly rent was PLN 8 thousand. The lease was terminated on 10 September 2014.

In the period under analysis, an office was leased to BIUP under the lease of 7 April 2010 and the annexes no. 1, 2, 3, 4 and the annex no. 5 of 13 June 2014 according to which the leased space was 189.50m<sup>2</sup> and the monthly rent was PLN 8.5 thousand.

ZUE leased 4 cars under the lease of 31 October 2013. The lease was terminated before the end of the reporting period.

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

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

At 12 March 2015, the Company was a party to the pending court proceedings concerning both its claims and liabilities with the total value of PLN 76,713,264.03; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning the Company's liabilities was PLN 42,454,507.66 and the total value of the proceedings concerning the Company's claims was PLN 34,258,756.37.

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

Court cases were described in detail in the consolidated financial statements.

### 37. Remuneration of key management personnel

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

(PLN)				
	Period	Remuneration	Period	Remuneration
<b>Management Board</b>				
Wiesław Nowak	01.2014-12.2014	504,589.29	01.2013-12.2013	734,122.40
Marcin Wiśniewski	01.2014-12.2014	344,875.00	01.2013-12.2013	342,000.00
Maciej Nowak	01.2014-12.2014	324,516.61	01.2013-12.2013	264,000.00
Jerzy Czeremuga	01.2014-12.2014	325,922.60	01.2013-12.2013	263,245.75
Anna Mroczek	01.2014-12.2014	321,888.00	24-31.12.2013	5,500.00
Arkadiusz Wierciński	01.2014-12.2014	338,875.00	01.2013-12.2013	n/a
<b>Proxy</b>				
Barbara Nowak	01.2014-12.2014	283,532.00	01.2013-12.2013	284,395.20
<b>Supervisory Board</b>				
Bogusław Lipiński	01.2014-12.2014	115,807.20	01.2013-12.2013	101,530.00
Magdalena Lis	01.2014-12.2014	100,277.31	01.2013-12.2013	59,409.82
Michał Lis	01.2014-12.2014	102,995.49	01.2013-12.2013	97,870.15
Mariusz Szubra	01.2014-12.2014	8,500.00	01.2013-12.2013	6,000.00
Piotr Korzeniowski	01.2014-12.2014	8,500.00	01.2013-12.2013	6,000.00
PRK Management Board	01.2014-12.2014	n/a	01.2013-20.12.2013	1,505,633.95
<b>Total</b>		<b>2,780,278.50</b>		<b>3,669,707.27</b>

The General Meeting decided not pay dividends for 2013.

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.

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 9 January 2014, the Supervisory Board of the Company resolved under the resolutions no. 3/2014 and 4/2014 to dismiss Mr. Maciej Nowak from the position of the Vice-President of the Management Board of ZUE and to appoint him as member of the Management Board of ZUE. Changes in the Company's organisational structure in connection with the merger of ZUE and PRK were the reason for the dismissal.

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

### 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, net 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 related items as follows:

(PLN)		
	As at 31-12-2014	As at 31-12-2013
Cash on hand and at banks	15,405,628.31	3,237,646.10
Bank deposits up to three months	55,710,474.27	46,407,564.88
<b>Total</b>	<b>71,116,102.58</b>	<b>49,645,210.98</b>

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

In 2014, the non-cash investing and financing activities which are not reflected in the statement of cash flows included the acquisition of property, plant and equipment of PLN 7,067 thousand under a finance lease.

In 2013, the non-cash investing and financing activities which are not reflected in the statement of cash flows included the acquisition of property, plant and equipment of PLN 3,922 thousand under a finance lease.

### 40. Operating lease arrangements

#### 40.1. 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 property is leasehold 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 163,493.43. The property is leasehold 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 property is leasehold 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 property is leasehold until 2089.

#### 40.3. Payments recognised as an expense

	(PLN)	
	As at 31/12/2014	As at 31/12/2013
Minimum lease payments	139,768.01	142,425.29
<b>Total</b>	<b>139,768.01</b>	<b>142,425.29</b>

#### 40.4. Operating lease liabilities

(PLN)

	As at 31-12-2014	As at 31-12-2013
Not later than 1 year	282,843.68	139,768.01
Later than 1 year and not later than 5 years	1,131,374.72	559,072.04
Later than 5 years	19,799,057.60	9,923,528.71
<b>Total</b>	<b>21,213,276.00</b>	<b>10,622,368.76</b>

#### 41. Contingent liabilities and contingent assets

##### 41.1. Contingent liabilities

(PLN)

	As at 31-12-2014	As at 31-12-2013
Bonds and guarantees	196,926,463.38	191,811,696.21
Sureties	2,100,444.01	2,105,028.42
Bills of exchange	126,864,850.23	130,136,815.31
Mortgages	51,017,550.00	35,420,550.00
Pledges	0.00	11,034,573.75
<b>Total</b>	<b>376,909,307.62</b>	<b>370,508,663.69</b>

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

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

##### 41.2. Contingent assets

(PLN)

	As at 31-12-2014	As at 31-12-2013
Bonds and guarantees	38,902,011.04	29,641,187.66
Bills of exchange	3,734,560.03	1,324,625.61
Sureties	0.00	0.00
Mortgages	0.00	0.00
<b>Total</b>	<b>42,636,571.07</b>	<b>30,965,813.27</b>

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

#### 42. Events after the reporting period

On 30 December 2014, ZUE acquired the additional 14,969 shares in BIUP by contributing 4,261 shares held by the Company in BPK Poznań and paying the cash of PLN 64.12. On 7 January 2015, BPK Poznań was informed of the acquisition of shares by BIUP. On 2 February 2015, the increase of the share capital of BIUP was registered with the National Court Register. Thus, BPK Poznań became a subsidiary of BIUP.

On 27 January 2015, the Management Board of ZUE 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:

- I installment of PLN 9,767,425.49 plus VAT – by 31 March 2015;
- II installment of PLN 9,767,425.49 plus VAT – by 30 April 2015.

The contract was concluded under the condition precedent that the Company provided the seller by 4 February 2015 with two irrevocable bank guarantees (the "Guarantees") of up to PLN 9,900,000.00 each payable on first demand. The Guarantee equivalent to the amount of the first installment 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 installment would expire on 15 May 2015 and the seller would not be able to 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 installments, by 31 January 2016.

On 3 February 2015, the agreement was concluded by and between the Management Board of ZUE and mBank S.A. The agreement provided for the issue by the Bank, at the Company's request, of the two irrevocable bank guarantees (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 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

On 16 February 2015, ZUE signed a letter of intent concerning the acquisition of 70% of shares in RAILWAY gft Polska sp. z o.o. of Cracow ("RAILWAY"). RAILWAY would conduct its activities in the same scope as ThyssenKrupp GfT Polska and continue to supply rails, sleepers, accessories, aggregate, etc. The transaction was under the condition precedent that the consent was given by the President of the Office of Competition and Consumer Protection ("UCCP") or there were circumstances in which the consent was not required. The process of obtaining the consent was pending.

On 6 March 2015, the Company 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 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.

### 43. Approval of the financial statements

The financial statements were approved by the Management Board on 12 March 2015.

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

The Management Board of ZUE state that according to their best knowledge, the annual separate financial statements of the Company for the period 1 January to 31 December 2014 have been prepared in accordance with applicable accounting principles and give a true and fair view of the financial position of the Company and its financial performance. 2014 Management Board Report contains a true view of the Company's development and achievements and the Company's standing, including the description of fundamental risks and threads.

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

These financial statements of the Company cover the period from 1 January to 31 December 2014. The 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, 12 March 2015