

ZUE Capital Group

ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2012

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



GRUPA ZUE

Cracow, 12 November 2012

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Abbreviations and Definitions:

ZUE, Company	<p>ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,500,000 paid up in full.</p> <p>Parent company of the ZUE Capital Group.</p>
PRK	<p>Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000150723, share capital of PLN 9,500,000 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
BIUP	<p>Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 19,400 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
RTI	<p>Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
RTI Germany	<p>Railway Technology International Germany GmbH with registered office in Essen, Germany. Share capital of EUR 25,000 paid up in full.</p> <p>Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.</p>
BPK	<p>Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 747,500 paid up in full.</p> <p>Subsidiary of ZUE S.A.</p>
ZUE Group, Capital Group, Group	<p>ZUE Capital Group comprising: ZUE S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Railway Technology International Germany GmbH.</p>
PLN	<p>Polish złoty.</p>
EUR	<p>Euro.</p>

APPROVAL OF ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

These abbreviated consolidated financial statements for the 9 months ended 30 September 2012 were approved for publication by the Management Board of ZUE S.A. on 12 November 2012.

Wiesław Nowak – President of the Management Board

Marcin Wiśniewski – Vice-President of the Management Board

Maciej Nowak – Vice-President of the Management Board

Jerzy Czeremuga – Vice-President of the Management Board

Cracow, 12 November 2012

I. SELECTED FINANCIAL DATA OF THE ZUE CAPITAL GROUP

Rules adopted to translate selected financial data into euro:

Items	Exchange rate	Exchange rate on 30 Sept 2012	Exchange rate on 31 Dec 2011	Exchange rate on 30 Sept 2011
Balance sheet items	Mid exchange rate as at the balance sheet date	4.1138	4.4168	n/a
Profit and loss account and cash flow statement items	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each ended month of the period	4.1948	n/a	4.0413
“Cash at beginning of period” and “Cash at end of period” items in cash flow statement	Mid exchange rate as at the balance sheet date	4.1138	4.4168	4.4112

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

	As at 30.09.2012		As at 31.12.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Fixed assets	139,929	34,014	136,744	30,960
Current assets	361,190	87,800	289,728	65,597
Total assets	501,119	121,814	426,472	96,557
Shareholders' equity	190,962	46,420	185,353	41,965
Long-term liabilities	46,333	11,263	43,557	9,862
Short-term liabilities	263,824	64,131	197,562	44,730
Total equity and liabilities	501,119	121,814	426,472	96,557

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

	Period ended 30.09.2012		Period ended 30.09.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	376,195	89,681	389,742	96,440
Cost of sales	357,956	85,333	363,373	89,915
Gross profit (loss) on sales	18,239	4,348	26,369	6,525
Profit (loss) on operating activities	5,354	1,276	14,582	3,608
Gross profit (loss)	6,211	1,481	13,935	3,448
Net profit (loss) on continued activities	4,478	1,068	11,186	2,768

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

	Period ended 30.09.2012		Period ended 30.09.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-37,250	-8,880	4,082	1,010
Cash flows from investing activities	4,137	986	-5,542	-1,371
Cash flows from financial activities	27,762	6,618	-36,001	-8,908
Total net cash flow	-5,351	-1,276	-37,461	-9,269
Cash at beginning of period	48,392	10,956	53,675	13,553
Cash at end of period	43,028	10,460	16,216	3,676

II. ZUE CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	(PLN)	
	Period ended 30.09.2012	Period ended 30.09.2011
Sales revenue	376,195,108.86	389,741,806.63
Cost of sales	357,956,143.21	363,372,765.44
Gross profit (loss) on sales	18,238,965.65	26,369,041.19
General and administrative expenses	12,650,183.22	12,559,304.91
Other operating income	2,220,006.08	1,561,399.10
Other operating expenses	2,454,460.53	788,907.88
Profit (loss) on operating activities	5,354,327.98	14,582,227.50
Financial income	4,060,991.13	2,363,780.60
Financial expenses	3,204,083.56	3,010,757.33
Pre-tax profit (loss)	6,211,235.55	13,935,250.77
Corporate income tax	1,733,053.49	2,749,703.20
Consolidated net profit (loss)	4,478,182.06	11,185,547.57
Total comprehensive income	4,478,182.06	11,185,547.57
Attributable to:		
Shareholders of the Parent	4,548,498.82	11,033,355.86
Minority shareholders	-70,316.76	152,191.71
Net profit (loss) per share (PLN) (basic and diluted)	0.21	0.50
Total comprehensive income per share (PLN)	0.21	0.50

Consolidated Statement of Financial Position

(PLN)

	As at 30.09.2012	As at 31.12.2011
ASSETS		
Fixed assets		
Tangible fixed assets	63,776,392.94	62,857,989.76
Investment real property	9,151,333.90	9,351,484.27
Intangible assets	11,042,120.44	10,613,110.51
Goodwill	31,171,913.65	31,171,913.65
Investments in non-consolidated subsidiaries	28,585.50	660,735.18
Advance payments for investments in subsidiaries	0.00	0.00
Retentions on construction contracts	66,579.03	3,178,705.45
Deferred tax assets	24,278,005.93	18,292,856.23
Other assets	413,903.86	617,046.86
Total fixed assets	139,928,835.25	136,743,841.91
Current assets		
Inventories	24,835,155.27	18,725,816.67
Trade and other receivables	282,039,914.29	216,549,266.13
Retentions on construction contracts	4,388,031.41	299,483.98
Current tax assets	0.00	434,029.00
Other assets	6,792,589.40	3,083,191.46
Loans advanced	106,261.26	43,964.36
Cash and cash equivalents	43,028,458.44	48,392,136.44
Current assets	361,190,410.07	287,527,888.04
Assets held for sale	0.00	2,200,000.00
Total current assets	361,190,410.07	289,727,888.04
Total assets	501,119,245.32	426,471,729.95
EQUITY AND LIABILITIES		
Equity		
Share capital	5,500,000.00	5,500,000.00
Share premium account	85,360,680.68	85,360,680.68
Retained earnings	90,646,040.53	85,550,781.44
Equity attributable to shareholders of ZUE	181,506,721.21	176,411,462.12
Equity attributable to non-controlling interests	9,455,821.06	8,941,250.04
Total equity	190,962,542.27	185,352,712.16
Long-term liabilities		
Long-term bank borrowings and other debt instruments	3,733,279.54	5,271,281.77
Retentions on construction contracts	3,956,027.19	4,173,789.16
Other financial liabilities	1,960,000.00	0.00
Liabilities under employee benefits	2,595,084.22	2,259,087.29
Deferred tax provision	28,191,810.68	24,418,723.37
Long-term provisions	5,896,856.67	7,434,133.06
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total long-term liabilities	46,333,058.30	43,557,014.65
Short-term liabilities		
Trade and other payables	164,113,673.41	132,493,771.33
Retentions on construction contracts	7,500,290.48	3,715,478.92
Short-term bank borrowings and other debt instruments and other financing sources	80,566,180.50	48,514,608.14
Other financial liabilities	140,000.00	0.00
Liabilities under employee benefits	6,327,046.51	5,692,596.10
Current tax liabilities	1,078,489.00	3,460,174.42
Short-term provisions	4,097,964.85	3,685,374.23
Total short-term liabilities	263,823,644.75	197,562,003.14
Total liabilities	310,156,703.05	241,119,017.79
Total equity and liabilities	501,119,245.32	426,471,729.95

Consolidated Statement of Changes in Equity

(PLN)

	Share capital	Share premium account	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
As at 1 Jan 2012 – ZUE Group	5,500,000.00	85,360,680.68	85,550,781.44	176,411,462.12	8,941,250.04	185,352,712.16
Decrease in equity attributable to non-controlling interests - PRK	0.00	0.00	496,864.30	496,864.30	-685,744.28	-188,879.98
Increase in equity attributable to non-controlling interests – BIUP	0.00	0.00	0.00	0.00	462,920.66	462,920.66
Increase in equity attributable to non-controlling interests – BPK	0.00	0.00	0.00	0.00	937,299.37	937,299.37
Acquisition of additional interests– BPK	0.00	0.00	49,895.97	49,895.97	-129,587.97	-79,692.00
Dividend paid	0.00	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	4,548,498.82	4,548,498.82	-70,316.76	4,478,182.06
As at 30 Sept 2012 – ZUE Group	5,500,000.00	85,360,680.68	90,646,040.53	181,506,721.21	9,455,821.06	190,962,542.27
As at 1 Jan 2011 as reported by the Parent	5,500,000.00	85,360,680.68	64,286,385.29	155,147,065.97	8,540,778.13	163,687,844.10
Increase in equity attributable to non-controlling interests – PRK	0.00	0.00	0.00	0.00	0.00	0.00
Dividend paid	0.00	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	11,033,355.86	11,033,355.86	152,191.71	11,185,547.57
As at 30 Sept 2011 – ZUE Group	5,500,000.00	85,360,680.68	75,319,741.15	166,180,421.83	8,692,969.84	174,873,391.67

Consolidated Statement of Cash Flows

	Period ended 30.09.2012	(PLN) Period ended 30.09.2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	6,211,235.55	13,935,250.77
Adjustments:		
Depreciation and amortisation	5,290,804.65	5,897,205.55
Foreign exchange gains / (losses)	441,551.14	-53,362.02
Interest and share in profit (dividends)	1,175,506.08	965,357.30
(Gain) / loss on disposal of investments	-674,541.92	387,196.80
Accrued expenses under commission on loans	156,093.75	156,093.75
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
Operating profit before changes in working capital	12,600,649.25	21,287,742.15
Change in receivables and retentions on construction contracts	-56,488,176.14	-8,613,622.95
Change in inventories	-5,941,782.78	-9,075,458.64
Change in provisions and liabilities under employee benefits	-1,380,093.98	-69,775.62
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	18,388,788.87	218,612.81
Change in accrued expenses	2,854,245.91	462,450.02
Change in amounts payable to customers under construction contracts	0.00	0.00
Change of value of received advance payments	0.00	0.00
Change in funds of limited availability	0.00	0.00
Other adjustments	-15,674.84	32,700.00
Income tax paid / tax refund	-7,268,237.00	-161,011.00
NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES	-37,250,280.71	4,081,636.77
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of tangible and intangible fixed assets	5,256,473.52	5,147,567.91
Purchase of tangible and intangible fixed assets	-2,896,684.15	-12,310,601.60
Sale of investments in real property and intangible fixed assets	0.00	0.00
Sale of assets for sale	2,000,000.00	0.00
Investments in real property and intangible fixed assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	-22,950.00	-649,999.68
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,603,437.86	0.00
Purchase of financial assets available for sale	0.00	0.00
Loans advanced	-106,261.26	650,000.00
Dividends received	0.00	0.00
Interest received	1,369,370.33	762,137.96
Settlement of financial instruments – expenses	0.00	-181,753.07
Sale of financial assets in associates	0.00	707,250.15
Other investment income / (expenses)	140,053.37	333,599.57
NET CASH FROM INVESTING ACTIVITIES	4,136,563.95	-5,541,798.76
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings and other debt instruments	42,366,182.13	32,519,465.31
Repayment of borrowings and other debt instruments	-9,651,853.25	-62,503,015.73
Decrease in finance lease liabilities	-2,570,844.51	-3,861,318.84
Interest paid	-2,381,344.09	-2,155,999.89
Other cash provided by / (used in) financing activities – dividends	0.00	0.00
Net cash from issue of shares	0.00	0.00
NET CASH FLOWS FROM FINANCING ACTIVITIES	27,762,140.28	-36,000,869.15
TOTAL NET CASH FLOWS	-5,351,576.48	-37,461,031.14
Net foreign exchange gains / (losses)	-12,101.52	2,400.62
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,392,136.44	53,674,752.55
CASH AND CASH EQUIVALENTS AT END OF PERIOD	43,028,458.44	16,216,122.03

III. NOTES TO ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS OF THE ZUE CAPITAL GROUP

1. General

1.1. Capital Group Composition and Core Business

As at the balance sheet date, the ZUE Capital Group was composed of ZUE S.A. (the parent) and 5 subsidiaries including Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Railway Technology International Germany GmbH.

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

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

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

As at the date of these financial statements' approval, the Parent Company's governing and supervisory bodies were as follows:

Management Board:

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

Supervisory Board:

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

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

Subsidiary – Biuro Inżynierskich Usług Projektowych Sp. z o.o. ("BIUP") was established under the notarial deed of 15 June 2009 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the

District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000332405.

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

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

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH was established under the notarial deed of 8 May 2012 in the Notary’s Office in Radebeul, Rathenaustrasse 6, Germany (no. 090/2012). Essen (Germany) is the company’s registered office.

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

The activity of the ZUE Group consists of:

- Design, construction and comprehensive modernisation of urban transport systems;
- Design, construction and comprehensive modernisation of railway lines;
- Services related to power networks and power electronics; and
- Steel and aluminium structures (as part of PRK’s activity).

1.2. Consolidated Entities

Consolidated entities as at 30 September 2012:

Name	Registered office	Interests as at			Consolidation method
		30 Sept 2012	31 Dec 2011	30 Sept 2011	
Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.	Cracow	87%	85.0%	85%	Full
Biuro Inżynieryjnych Usług Projektowych Sp. z o.o.	Cracow	49%	49.0%	34%	Full
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	62%	-	-	Full

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

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

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

ZUE S.A. holds 51% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary’s financial data on the assets and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 30 September 2012.

Railway Technology International Sp. z o.o. holds 100% shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the assets and financial condition, Railway Technology International Germany GmbH was not consolidated as at 30 September 2012.

1.3. Changes in the Group's Structure and Their Consequences

In the first three quarters of 2012 and after 30 September 2012, ZUE S.A. purchased the employee shares of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. As at the date of this report, ZUE held 826,187 shares of PRK; i.e. 86.97% of the subsidiary's share capital.

During the nine months ended 30 September 2012, the ZUE Group expanded to include Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., a subsidiary of ZUE.

On 19 March 2012, ZUE purchased 830 BPK shares at PLN 1,593.84 per share; i.e. 58.5% of the company's share capital. On 24 April, ZUE bought another 50 BPK shares at PLN 1,593.84 per share. The total of 880 shares in BPK cost PLN 1,402,579.20. The par value of each share was PLN 500. As at the date of this report, ZUE held the total of 880 BPK shares; i.e. 62.06% of the company's share capital. As part of the purchase of BPK shares, ZUE acquired cash of PLN 3,932.34.

BPK's core business consists of the preparation of comprehensive design documentation including feasibility studies, concepts, basic designs including construction designs, tender materials and detailed construction designs for high complexity investments with a focus on:

- Railway lines, stations and sidings (with drainage);
- Tramways;
- Roads, streets and crossings;
- Road and railway bridges, overpasses, tunnels and passages;
- Rail traffic control equipment;
- Wire and radio communication, line and junction digitalisation, computer network and computer science devices;
- Buildings and structures with technology (stations, switch towers, technical bases);
- Tram depots;
- Environmental protection and water and sewage management;
- High-, medium- and low-voltage power systems;
- OCL network and non-OCL lines.

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

BPK Goodwill	Settlement of acquisition as at 31.03.2012
Fair value of transferred consideration	-1,322,887.20
Fair value of acquired net assets	2,260,186.57
Equity attributable to non-controlling interests	-937,299.37
Goodwill as at 31.03.2012	0.00

Given the events identified after the transaction date, it became necessary to verify the initial goodwill. During the valuation, ZUE S.A. (the acquirer) learnt of new facts and circumstances as at the acquisition date and, consequently, disclosed additional assets and liabilities. Consequently, the original goodwill disclosed in the abbreviated consolidated financial statements as at 31 March 2012 (PLN 477,779.98) was changed and amounted to PLN 0.00.

On 8 May 2012, Railway Technology International Sp. z o.o. established Railway Technology International Germany GmbH with registered office in Essen, Germany. The share capital of RTI Germany amounts to EUR 25,000. According to the company's articles of association, the activities of RTI Germany consist of:

- Planning and designing tasks and research in the rail sector;
- Research and development in the rail sector;
- Trade in goods and materials used in the construction of railway lines and rolling stock;
- Manufacture of goods and materials used in the construction of railway lines and rolling stock;

- Advisory services concerning the organization of railways all over the world;
- Construction services;
- Commissioning of construction services;
- Engineering services.

RTI holds a 100% stake in RTI Germany.

1.4. Functional and Reporting Currency

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

2. Shareholders of the Parent Company

According to information held by the Management Board of ZUE S.A., the Parent Company had the following shareholder structure as at the date of the report:

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

3. Use of International Financial Reporting Standards

3.1. Statement of Compliance

The semi-annual abbreviated consolidated financial statements of the ZUE Capital Group cover the nine months ended 30 September 2012 and the comparable data for the nine months ended 30 September 2011.

The semi-annual abbreviated consolidated financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 September 2012 as approved by the European Union.

The semi-annual abbreviated consolidated financial statements have been prepared by the Group according to the regulations set forth in IAS 34 "Semi-Annual Financial Reporting." The same rules have been applied for both current and comparable period.

The semi-annual abbreviated consolidated financial statements for the three quarters of 2012 have been prepared according to the requirements binding on public companies.

The abbreviated consolidated financial statements do not include all information and disclosures required in the case of annual financial statements and they should be read together with the annual financial statements of ZUE S.A and the consolidated financial statements of the ZUE Capital Group.

The semi-annual abbreviated consolidated financial statements have been presented based on the assumption that the Group will continue as a going concern in the foreseeable future. No threats to the Group's ability to continue as a going concern were identified during the reporting period until the preparation date of these statements.

3.2. Standards and Interpretations Used for the First Time in the Reporting Period

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

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

The abovementioned standards, interpretations and amendments to the standards have not had any significant impact on the accounting policy adopted by the entity.

3.3. Approval of Standards in the EU

The International Financial Reporting Standards (IFRS) as approved by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following interpretations, which were published and approved for use in the EU but did not yet come into force as at 30 September 2012:

- **Amendments to IAS 1 “Presentation of Financial Statements”** – presentation of items of other comprehensive income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 19 “Employee Benefits”** – amendments to post-employment benefits (effective for annual periods beginning on or after 1 January 2013).

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

3.4. Standards and Interpretations Adopted by the IASB but not Yet Approved by the EU

The International Financial Reporting Standards (IFRS) as approved by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 30 September 2012:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2015),
- **IFRS 10 “Consolidated Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 “Joint Arrangements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 “Disclosure of Interests in Other Entities”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 “Fair Value Measurement”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (as amended in 2011) “Separate Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards”** – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards”** – Government Loans (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”** – Mandatory Date of Entry into Force and Interim Provisions,
- **Amendments to IAS 12 “Income Tax”** – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 32 “Financial Instruments: Presentation”** – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to different standards “Amendments to IFRS (2012)”** – amendments made as part of making annual amendments to IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (effective for annual periods beginning on or after 1 January 2013),
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”** (effective for annual periods beginning on or after 1 January 2013).

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

4. Significant Accounting Principles Used in Consolidated Financial Statements for the Period 1 January 2012 – 30 September 2012

4.1. Preparation Basis

The semi-annual abbreviated consolidated financial statements have been presented assuming that the Parent Company and all entities comprising the ZUE Capital Group will continue in operational existence for the foreseeable future. No going concern risks were identified during the reporting period or by the date of the financial statements preparation.

The semi-annual abbreviated consolidated financial statements have been prepared according to the same accounting principles and measurement methods as those used in the ZUE S.A. annual financial statements and the Group annual consolidated financial statements as at 31 December 2011.

5. Revisions to Estimates

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

Change in provisions

	As at 31.12.2011	Created	Utilised	As at 30.09.2012
Provisions for retirement severance pays	2,882,806.16	660,929.14	464,729.00	3,079,006.30
Provisions for warranty repairs	10,960,000.93	2,814,426.78	3,779,606.19	9,994,821.52
Other provisions	159,506.36	317,091.96	476,598.32	0.00
Total provisions	14,002,313.45	3,792,447.88	4,720,933.51	13,073,827.82

(PLN)

The Group companies are obliged to give warranty for the construction services they provide. The amount of provisions for warranty repairs is estimated separately for each construction contract and ranges from 0.05% to 1.0% of revenue from a given contract. The value is analysed on an individual basis and may increase or decrease as the case may be. As at 30 September 2012, the balance of provisions for warranty repairs stood at PLN 9,995 thousand and as at 31 December 2011, at PLN 10,960 thousand. During the nine months ended 30 September 2012, the balance of provisions decreased by PLN 928 thousand.

Deferred tax assets and liabilities

	As at 31.12.2011	Created	Utilised	As at 30.09.2012
Deferred tax assets	18,292,856.23	7,989,265.56	2,004,115.86	24,278,005.93
Deferred tax provision	24,418,723.37	5,474,794.54	1,701,707.23	28,191,810.68
Assets and liabilities balance	-6,125,867.14	2,514,471.02	302,408.63	-3,913,804.75

(PLN)

In the three quarters of 2012, deferred tax assets increased by PLN 5,985 thousand compared with the figure disclosed as at 31 December 2011. Deferred tax provision increased by PLN 3,773 thousand compared with the figure reported at the end of 2011.

6. Trade and other receivables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Trade receivables	197,513,223.11	144,952,594.68
Trade receivables revaluation write-offs	-1,078,235.76	-864,975.42
Receivables from the state budget other than corporate income tax	0.00	0.00
Receivables under contracts (valuation)	84,905,975.99	72,284,080.79
Other receivables	698,950.95	177,566.08
Total trade and other receivables	282,039,914.29	216,549,266.13

6.1. Age profile of trade receivables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Not past due receivables	169,991,386.93	136,154,805.59
Receivables past due but not impaired	26,443,600.42	7,932,813.67
1-30 days	16,993,168.13	5,265,093.77
31-60 days	4,084,339.51	1,814,644.49
61-90 days	228,344.31	763,443.50
91-180 days	2,797,348.53	50,411.53
181-360 days	1,453,212.22	30,660.39
Over 360 days	887,187.72	8,559.99
	1,078,235.76	864,975.42
Past due receivables for which revaluation write-offs were made		
1-30 days	11,914.37	0.00
31-60 days	2,705.84	15,543.78
61-90 days	28,724.24	27,365.62
91-180 days	138,305.82	29,067.18
181-360 days	238,149.65	99,983.64
Over 360 days	658,435.84	693,015.20
Total trade receivables (gross)	197,513,223.11	144,952,594.68
Trade receivables revaluation write-offs	-1,078,235.76	-864,975.42
Total trade receivables (net)	196,434,987.35	144,087,619.26

7. Trade and Other Payables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Trade payables	108,411,236.89	97,303,296.00
Liabilities to the state budget other than corporate income tax	13,275,218.36	13,586,406.66
Accruals	27,233,388.51	9,026,223.23
Liabilities under contracts (valuation)	14,659,090.57	12,118,673.79
Other liabilities	534,739.08	459,171.65
Total trade and other payables	164,113,673.41	132,493,771.33

7.1. Age profile of trade payables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Not past due payables	95,716,750.31	92,825,702.80
Past due payables	12,694,486.58	4,477,593.20
1-30 days	6,945,176.70	4,009,153.57
31-60 days	1,130,730.02	43,166.28
61-90 days	368,313.95	269,376.32
91-180 days	1,461,330.63	88,167.25
181-360 days	1,286,854.21	52,914.41
Over 360 days	1,502,081.07	14,815.37
Total trade payables	108,411,236.89	97,303,296.00

8. Discontinued Operations

No operations were discontinued within the meaning of the IFRS 5 during the nine months ended 30 September 2012 or the nine months ended 30 September 2011.

9. Segmental Reporting

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

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

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

- Construction; and
- Design.

These operating segments jointly meet the following rules:

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

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

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

The accounting principles applied for the segments are the same as the principles set forth in the description of

significant accounting principles. The Group settles sales and transfers between the segments based on current market prices like with transactions with third parties.

Operating segments' results for the three quarters of 2012:

	(PLN '000)		
	Construction	Design	Group total
Sales revenue	371,756.20	4,438.91	376,195.11
including			
Revenue from external clients	371,649.96	1,127.58	372,777.54
Inter-segment revenues	106.23	3,311.34	3,417.57
Gross profit	19,242.73	-1,003.76	18,238.97
Financial income / expenses	1,056.95	-200.04	856.91
Profit before tax	7,711.44	-1,500.20	6,211.24
Income tax	2,125.33	-392.28	1,733.05
Net profit	5,586.11	-1,107.93	4,478.18
Depreciation and amortisation	5,147.10	143.70	5,290.80
Tangible fixed assets	60,245.91	3,530.48	63,776.39
Fixed assets	137,251.73	2,677.11	139,928.84

10. Factors and Events with Significant Impact on the ZUE Capital Group's Financial Results for III Quarters of 2012

Analysis of the Group's financial results as at the end of the third quarter of 2012

During the nine months ended 30 September 2012, sales revenue generated by the ZUE Capital Group stood at PLN 376,195 thousand; i.e. it dropped by 3.5% when compared with the analogous period of 2011.

Cost of sales for the three quarters of 2012 amounted to PLN 357,956 thousand. Thus, it decreased by PLN 5,417 thousand compared to the figure recorded in the same period of 2011.

Gross profit on sales as at 30 September 2012 amounted to PLN 18,239 thousand while in the analogous period of 2011 it stood at PLN 26,369 thousand. Gross margin for the three quarters of 2012 was 4.8% compared with 6.8% at the end of the third quarter of 2011.

General and administrative expenses for the nine months ended 30 September 2012 stood at PLN 12,650 thousand and grew by PLN 91 thousand when compared with the analogous period of 2011.

Other operating income for the three quarters of 2012 stood at PLN 2,220 thousand and increased by PLN 659 thousand compared to the analogous figure of 2011. Other operating expenses as at 30 September 2012 amounted to PLN 2,454 thousand and increased by PLN 1,666 thousand compared to the analogous figure as at 30 September 2011.

The Group's profit on operating activities in the nine months ended 30 September 2012 was PLN 5,354 thousand while in the analogous period of 2011 it amounted to PLN 14,582 thousand.

Gross profit generated by the Group in the reporting period amounted to PLN 6,211 thousand and declined by PLN 7,724 thousand compared to the gross profit generated in the analogous period of 2011. Net profit for the three quarters of 2012 stood at PLN 4,478 thousand and was lower by PLN 6,707 thousand than the analogous figure reported in 2011.

The Group's total assets as at 30 September 2012 amounted to PLN 501,119 thousand and increased by PLN 74,648 thousand compared to total assets as at the end of 2011.

Fixed assets grew by PLN 3,185 thousand and current assets grew by PLN 71,463 thousand.

Deferred tax assets, which grew by PLN 5,985 thousand, had the largest contribution to the increase in fixed assets.

As regards current assets, the greatest growth was recorded in the case of trade and other receivables. As at the end of the third quarter of 2012, trade and other receivables stood at PLN 282,040 thousand and increased by

PLN 65,491 thousand compared to the figure reported as at the end of 2011. As at 30 September 2012, inventories grew by PLN 6,109 thousand when compared with the end of 2011. Cash and cash equivalents as at the end of the third quarter of 2012 dropped by PLN 5,364 thousand when compared with the figure as at the end of 2011.

Compared with the end of 2011, shareholders' equity increased by 3.0% to stand as at 30 September 2012 at PLN 190,963 thousand.

The Group's long-term liabilities as at 30 September 2012 increased by PLN 2,776 thousand compared to the figure as at 31 December 2011. Short-term liabilities as at the end of the third quarter of 2012 increased by PLN 66,262 thousand over the end of 2011 to stand at PLN 263,824 thousand. Short-term bank borrowings and other debt instruments grew by PLN 32,052 thousand and trade and other payables as at the end of the third quarter of 2012 grew by PLN 31,620 thousand when compared with the figures disclosed as at 31 December 2011.

The abovementioned results of the ZUE Capital Group reflected typical trends in the construction industry in 2012. Strong competition on the urban and railway construction market contributed to lower contract prices which combined with growing prices of raw materials and third party services resulted in a drop in margins when compared with 2011.

11. Major Events in III Quarters of 2012 and After Balance Sheet Date

Major Contracts (1 January 2012 – 30 September 2012)

- On 23 January 2012, PRK (a subsidiary of ZUE) and Elektrownia "Rybnik" S.A. of Rybnik signed the construction contract for the following project: "Reconstruction of railway siding and internal access roads at Elektrownia "Rybnik" S.A. with associated infrastructure." Net value of the contract: PLN 89,975,323.72. Completion date: August 2013.
- On 15 February 2012, ZUE and PRK (a subsidiary of ZUE), and Powszechny Zakład Ubezpieczeń S.A. of Warsaw ("PZU") signed an annex to the agreement of 29 April 2010 (as amended) for project-related bonding products. The following amendments were made under the annex:
 - the maximum limit in respect of the bonding products provided by PZU was increased from PLN 79,700,000.00 to PLN 120,000,000.00;
 - the agreement was extended until 31 December 2012.
- On 17 February 2012, and Tramwaje Warszawskie Sp. z o.o. of Warsaw signed the construction contract for the following project: "Construction of tram route OCL infrastructure elements on the Marii Skłodowskiej-Curie Bridge (previously: Północny Bridge) with *Obrazkowa* rectifier substation." Net value of the contract: PLN 8,288,600.00. Completion date: December 2012.
- On 17 February 2012, ZUE and BNP Paribas Bank Polska S.A. of Warsaw concluded the agreement for the registered pledge on movable property to secure the Bank's claims under the revolving loan agreement no. WAR/2001/11/198/CB of 28 September 2011. An application to enter the registered pledge into the register of pledges maintained by the District Court for Cracow - Śródmieście in Cracow was submitted on 7 March 2012.
- On 20 February 2012, ZUE and PRK, a subsidiary of the Company, and Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A. of Sopot (the "Guarantor") concluded the agreements for the provision of bonding product (bid bond).

Under the said agreements, the Guarantor provided the bonding product (bid bond) and undertook to pay PKP Polskie Linie Kolejowe S.A. of Warsaw (the "Beneficiary"), at their first request, between 21 February 2012 and 25 May 2012, the amounts up to:

- PLN 22,500,000 (PRK), and
- PLN 10,000,000 (ZUE).

PRK issued a blank bill of exchange guaranteed by the Company and ZUE issued a blank bill of exchange guaranteed by PRK to secure any claims the Guarantor may have in connection with the payment under the abovementioned guarantee.

- On 16 April 2012, PRK and Swietelsky Baugesellschaft m.b.h. of Linz, represented by Swietelsky Baugesellschaft M.B.H Sp. z o.o. Polish Branch with registered office in Cracow, signed the contract for the reconstruction of the Tarnów Mościce station (72.8km – 74.6km) involving track, drainage and construction works as part of the following task: "Design and completion of construction works on the

Kraków – Medyka – state border railway line, Biadoliny – Tarnów section between 61,300km and – 80,200km” as part of the following Project: “Modernisation of E 30/C-E 30 railway line, Kraków – Rzeszów section, stage III” (“Main Contract”). Net value of the contract: PLN 21,681,992.42. Completion date: December 2014.

- On 18 April 2012, ZUE and PRK, and Generali Towarzystwo Ubezpieczeń S.A. of Warsaw (the “Guarantor”) signed an annex to the master agreement of 22 April 2012 for the provision of project-related guarantees under a revolving guarantee facility. Under the annex, the limit of the facility was raised from PLN 39,660,000.00 to PLN 44,200,000.00 with the following breakdown:
 - ZUE: PLN 44,200,000.00
 - PRK: PLN 15,000,000.00
- On 14 May 2012, PRK and PKP Polskie Linie Kolejowe S.A. of Warsaw signed the contract for the reconstruction of the Pyskowice station and the replacement of OCL network in the tracks no. 1 and no. 2 of the Pyskowice – Paczyna route up to 44,480km and the reinforcement of the substructure in the tracks no. 1 and no. 2 between 43,100km and 43,500km of the line 132 as part of the following project: “Upgrade of the railway line no. 132/135 on the Gliwice Łabędy – Strzelce Opolskie – Opole Groszowice section.” Net value of the contract: PLN 27,389,200.00. Completion date: November 2012.
- On 22 June 2012, ZUE and Zarząd Infrastruktury Komunalnej i Transportu w Krakowie signed the contract for ongoing maintenance, servicing and emergency repairs of tram infrastructure in Cracow. Net value of the contract: PLN 26,944,876.10. Completion date: April 2015.
- On 11 July 2012, ZUE and PRK, and Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A. of Warsaw (the “Guarantor”) concluded the agreement for project-related bonding products (bid bond, performance bond, defects liability bond and advance payment bond) within specified guarantee limit. The maximum guarantee limit is: PLN 50,000,000.00. Term of the agreement: June 2013.
- On 6 August 2012, the consortium of:
 - Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. of Cracow (Leader);
 - Przedsiębiorstwo Remontowo Budowlane „TOR” Sp. z o.o. of Mysłowice (Partner); and
 - ZUE S.A. of Cracow (Partner);concluded the contract with PKP Polskie Linie Kolejowe S.A. of Warsaw for the reconstruction of the railway infrastructure on the line no. 61, Koniecpol - Turów section, as part of the following project: “Revitalization of the track no. 1 of the railway line no. 61.” Net value of the contract: PLN 68,452,400.00. Net value of the contract assignable to ZUE: PLN 17,550,000.00. Completion date: November 2012.
- On 17 September 2012, ZUE and PKP Polskie Linie Kolejowe S.A. of Warsaw concluded the contract for the upgrade of the Wrocław – Zgorzelec railway no. 274, section Wrocław – Jelenia Góra – upgrade of OCL network with auxiliary works, track no. 2, section Smolec – Kąty Wrocławskie. Net value of the contract: PLN 9,194,290.00. Completion date: May 2013.

Events After Balance Sheet Date

- On 4 October 2012, PRK submitted the bid with the lowest price as part of the tender announced by PKP Polskie Linie Kolejowe S.A. for the following contract: “Upgrade of the Tunel station on the railway line no. 8 Warszawa Zachodnia – Kraków Główny Osobowy.” Net value of the bid submitted by PRK: PLN 41,954,054.00. Completion date: 13 months.
- On 30 October 2012, PRK submitted the bid with the lowest price as part of the tender announced by PKP Polskie Linie Kolejowe S.A. for the following design and construction contract: “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 Żąbkowice – Jaworzno Szczakowa section.” Net value of the bid submitted by PRK: PLN 357,356,000.00. Completion date: 728 days.

12. Factors Believed to Have a Bearing on the Group’s Results in the Future

The main factors with a bearing on the ZUE Capital Group’s financial results in 2012:

- **Growth in Prices of Raw Materials and Liquid Fuels**

The Group’s construction activities involve the use of products and raw materials such as concrete, aggregates, steel elements (including traction posts, lamp posts, tracks or crossovers) and copper and aluminium elements (including power cables, lines and contact wires), and, given a big number of machines, liquid fuels (including diesel oil and petrol).

- **Growth in Prices of Services Provided by Subcontractors**

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

- **Untimely Settlement of Liabilities to the Group**

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

- **Delayed or Unfavourable Awarding of Contracts**

The activities of the ZUE Group entail a risk related to the terms and procedures of public tenders. Tender participants are able to appeal against illegal appointment of a contractor by a client or to appeal to the court against the decision issued by the authority hearing the appeal made in public procurement proceedings. Consequently, the date of signing contracts with investors on both urban and railway transport market may be substantially postponed.

Not only do the lengthy tender procedures result in additional cost of appeals against a client's decision but they also entail a risk of growth in the prices of goods and services. A contract signed at a later date may also entail a risk of making the execution of a task conditional on weather conditions. Under technological regimes, construction works cannot be done in low temperature or during heavy snow or rainfall. Thus, the ZUE Group may have to disclose a part of the expected 2012 revenue in 2013.

- **Unstable EUR/PLN Exchange Rate**

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

13. Risks Believed to Have a Bearing on the Group's Results

- **Risk Related to Social and Economic Situation in Poland**

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

- **Risk Related to Inaccurate Estimate of Costs of Planned and Executed Contracts**

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

- **Risk Related to Obtaining Administrative Decisions, Ability to Appeal Against Administrative Decisions and Third Parties' Activities Influencing the Group's Design or Construction Tasks**

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

- **Risk Related to Joint and Several Liability to Subcontractors and Clients**

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

- **Risk Related to Bonds, Contractual Penalties and Related Disputes**

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

- **Risk Related to Guarantee of Payment for Construction Works**

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

- **Risk Related to Change of Law, Including Tax Law**

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

- **Risk Related to Winning New Contracts**

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

- **Risk Related to Awarding Contracts and Exclusion From Public Tenders**

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

- **Risk Related to Atmospheric Conditions**

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

14. Notes on Seasonal and Cyclical Nature of the ZUE Capital Group's Operations

Construction and assembly operations are marked by the seasonality of production and sales. The main factors with a bearing on the revenue and profits in a financial year include atmospheric conditions, schedule of payments and the dates of putting contracts out for tender and awarding contracts.

Rail and urban infrastructure projects undertaken by the ZUE Group cannot be executed in unfavourable weather conditions. Due to low temperature or snow in winter, many tasks are stopped or slowed down to meet technological regimes.

Another factor with an impact on the seasonal nature of the industry is the fact that investment and modernisation projects executed by clients on the construction market primarily take place in spring, summer and autumn.

To generate revenue, the ZUE Group undertakes marketing activities aimed at the preparation of tender bids. However, a long procedure of putting contracts out for tender and awarding contracts may have an impact on a precise planning of sales revenue.

15. Information on Issue and Redemption of Debt and Equity Securities

During the reporting period, no company comprising the ZUE Capital Group issued or redeemed any debt or equity securities.

16. Information on Dividend

On 16 July 2012, the Ordinary General Shareholders Meeting of ZUE S.A. resolved to allocate the entire net profit of ZUE S.A. of PLN 18,718,177.90 disclosed in the separate financial statements as at 31 December 2011 to reserve funds.

17. Management Board's Statement on Forecast Financial Results

The Company did not publish any forecast 2012 financial results.

18. ZUE S.A. Shareholding Structure as at the Date of the Report and Changes Therein Since the Last Report

Person	Position at ZUE S.A.	Number of shares held	Number of votes at GM	% share of votes at GM	Changes in shareholding structure since the last report
Wiesław Nowak	Management Board President	16,000,000	16,000,000	72.73	None
Maciej Nowak	Management Board Vice-President	7,706	7,706	0.04	None
Marcin Wiśniewski	Management Board Vice-President	969	969	0.00	None
Jerzy Czeremuga	Management Board Vice-President	136	136	0.00	None
Magdalena Lis	Supervisory Board Member	4,164	4,164	0.02	Purchase of 837 shares
Michał Lis	Supervisory Board Member	661	661	0.00	None

19. Transactions with Related Entities

The following transactions between the related entities occurred during the reporting period:

(PLN)

	Receivables		Liabilities	
	As at 30.09.2012	As at 31.12.2011	As at 30.09.2012	As at 31.12.2011
Wiesław Nowak	0.00	0.00	0.00	60,117.74
RTI	3,690.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	0.00
Total	3,690.00	0.00	0.00	60,117.74

	Sales revenue		Acquisition cost	
	Period ended 30.09.2012	Period ended 30.09.2011	Period ended 30.09.2012	Period ended 30.09.2011
Wiesław Nowak	0.00	0.00	270,000.00	0.00
RTI	9,000.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	6,728.04	0.00	17,609.16
Total	9,000.00	6,728.04	270,000.00	17,609.16

	Advanced loans		Financial income	
	As at 30.09.2012	As at 31.12.2011	Period ended 30.09.2012	Period ended 30.09.2011
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	106,261.26	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	712,410.85
Total	106,261.26	0.00	0.00	712,410.85

	Received loans		Financial expenses	
	As at 30.09.2012	As at 31.12.2011	Period ended 30.09.2012	Period ended 30.09.2011
Wiesław Nowak	0.00	0.00	0.00	319,214.06
RTI	0.00	0.00	0.00	0.00
Torbud Sp. z o.o. w likwidacji	0.00	0.00	0.00	42,715.00
Total	0.00	0.00	0.00	361,929.06

All transactions with the related entities were executed at arm's length.

Railway Technology International Sp. z o.o. rented a business establishment of 20m² in the office and service facility at ul. Jugowicka 6A for the total amount of PLN 9,000 under the rental agreement of 4 November 2011.

Under the rental agreement of 28 December 2011, Wiesław Nowak rented the office and warehouse space of 800m² to ZUE S.A.

ZUE S.A. granted the loan of EUR 25,500 to Railway Technology International Sp. z o.o. with a repayment date falling due by 31 December 2012. The borrower allocated the amount of EUR 25,000 for the payment of share capital in Railway Technology International Germany GmbH and ongoing expenses.

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

20. Proceedings Before Court, Arbitration Court or Public Administration Authority as at 30 September 2012

The companies comprising the ZUE Capital Group are not the parties to any proceedings concerning liabilities or debts whose total value exceeds 10% of the Company's equity as at 30 September 2012.

21. Off-Balance Sheet Items

21.1. Contingent Liabilities

	As at 30.09.2012	As at 31.12.2011	(PLN)
Guarantees	197,375,685.50	178,896,609.31	
Sureties	8,252,031.39	760,893.30	
Bills of exchange	171,384,530.78	174,357,730.99	
Mortgages	38,150,550.00	38,420,550.00	
Pledges	16,312,869.65	3,690,045.51	
Total contingent liabilities	431,475,667.32	396,125,829.11	

The contingent liabilities resulting from guarantees and bill of exchange guarantees include, in particular, the guarantees provided by insurance companies to the ZUE Capital Group's clients to secure their claims against the Group under construction contracts. This is an alternative to retained deposits used to secure any claims clients may have in connection with the performance of construction contracts.

The contingent liabilities including bills of exchange, mortgages and registered pledge are mainly the security under loan and lease agreements.

21.2. Contingent Assets

	As at 30.09.2012	As at 31.12.2011	(PLN)
Guarantees	28,431,241.23	29,750,244.17	
Bills of exchange	90,477.21	106,300.43	
Total contingent assets	28,521,718.44	29,856,544.60	

The contingent assets are the ZUE Group's security under the construction contracts concluded between the companies comprising the ZUE Capital Group and subcontractors.

The ZUE Group's contingent assets do not include the mortgage securing the loan granted by ZUE S.A. to BPK Poznań.

IV. QUARTERLY FINANCIAL REPORT OF ZUE S.A.

Selected financial data from the abbreviated separate financial statements

Rules adopted to translate selected financial data into euro:

Items	Exchange rate	Exchange rate	Exchange rate	Exchange rate
		on 30 Sept 2012	on 31 Dec 2011	on 30 Sept 2011
Balance sheet items	Mid exchange rate as at the balance sheet date	4.1138	4.4168	n/a
Profit and loss account and cash flow statement items	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each ended month of the period	4.1948	n/a	4,0413
“Cash at beginning of period” and “Cash at end of period” items in cash flow statement	Mid exchange rate as at the balance sheet date	4.1138	4.4168	4,4112

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

	As at 30.09.2012		As at 31.12.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Fixed assets	123,768	30,086	125,579	28,432
Current assets	252,471	61,372	218,800	49,538
Total assets	376,239	91,458	344,379	77,970
Shareholders' equity	175,665	42,701	172,695	39,100
Long-term liabilities	26,993	6,562	27,006	,6,114
Short-term liabilities	173,581	42,195	144,678	32,756
Total equity and liabilities	376,239	91,458	344,379	77,970

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

	Period ended 30.09.2012		Period ended 30.09.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	249,103	59,384	312,661	77,366
Cost of sales	237,430	56,601	291,235	72,065
Gross profit (loss) on sales	11,673	2,783	21,426	5,301
Profit (loss) on operating activities	3,565	850	13,950	3,452
Gross profit (loss)	3,789	903	12,831	3,175
Net profit (loss) on continued activities	2,970	708	9,892	2,448

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

	Period ended 30.09.2012		Period ended 30.09.2011	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-36,298	-8,653	555	137
Cash flows from investing activities	741	177	-5,646	-1,397
Cash flows from financial activities	29,275	6,979	-27,028	-6,688
Total net cash flow	-6,282	-1,497	-32,119	-7,948
Cash at beginning of period	19,724	4,466	32,204	8,132
Cash at end of period	13,420	3,262	88	20

Separate Statement of Comprehensive Income

	(PLN)	
	9 months ended 30.09.2012	9 months ended 30.09.2011
Sales revenue	249,102,715.64	312,661,139.60
Cost of sales	237,430,411.17	291,234,986.55
Gross profit (loss) on sales	11,672,304.47	21,426,153.05
General and administrative expenses	8,020,072.71	7,458,777.28
Other operating income	1,296,394.10	273,865.16
Other operating expenses	1,383,811.12	291,371.20
Profit (loss) on operating activities	3,564,814.74	13,949,869.73
Financial income	2,615,577.65	1,222,811.26
Financial expenses	2,391,448.81	2,341,589.67
Pre-tax profit (loss)	3,788,943.58	12,831,091.32
Corporate income tax	819,334.81	2,938,614.07
Net profit (loss) on activities	2,969,608.77	9,892,477.25
Net profit (loss)	2,969,608.77	9,892,477.25
Total comprehensive income	2,969,608.77	9,892,477.25
Number of shares	22,000,000	22,000,000
Net profit (loss) per share (PLN) (basic and diluted)	0.13	0.45
Total comprehensive income (loss) per share (PLN)	0.13	0.45

Separate Statement of Financial Position

(PLN)

	As at 30.09.2012	As at 31.12.2011
ASSETS		
Fixed assets		
Tangible fixed assets	25,095,305.42	27,022,340.55
Intangible assets	1,407,525.37	1,615,867.46
Investments in subsidiaries	80,586,274.38	78,955,954.18
Advance payments for investments in subsidiaries	0.00	0.00
Retentions on construction contracts	63,761.56	3,176,366.08
Deferred tax assets	16,490,424.85	14,572,868.62
Other assets	124,582.78	235,821.94
Total fixed assets	123,767,874.36	125,579,218.83
Current assets		
Inventories	18,962,051.03	18,019,131.17
Trade and other receivables	213,268,460.86	178,242,678.44
Retentions on construction contracts	3,622,469.20	297,695.86
Current tax assets	0.00	0.00
Other assets	2,428,035.04	2,471,482.21
Loans advanced	770,225.62	43,964.36
Cash and cash equivalents	13,420,037.54	19,724,363.88
Total current assets	252,471,279.29	218,799,315.92
Total assets	376,239,153.65	344,378,534.75
EQUITY AND LIABILITIES		
Equity		
Share capital	5,500,000.00	5,500,000.00
Share premium account	85,360,680.68	85,360,680.68
Retained earnings	84,804,016.15	81,834,407.38
Total equity	175,664,696.83	172,695,088.06
Long-term liabilities		
Long-term bank borrowings and other debt instruments	2,301,315.94	2,840,679.95
Retentions on construction contracts	2,634,005.79	3,542,825.05
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	145,657.85	132,677.59
Deferred tax provision	19,150,180.45	16,413,289.41
Long-term provisions	2,761,843.60	4,076,916.46
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total long-term liabilities	26,993,003.63	27,006,388.46
Short-term liabilities		
Trade and other payables	86,158,516.36	89,100,646.51
Retentions on construction contracts	5,974,691.79	1,950,015.99
Short-term bank borrowings and other debt instruments	78,305,867.09	46,201,775.39
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	2,267,930.94	2,310,657.28
Current tax liabilities	0.00	3,460,174.42
Short-term provisions	874,447.01	1,653,788.64
Total short-term liabilities	173,581,453.19	144,677,058.23
Total liabilities	200,574,456.82	171,683,446.69
Total equity and liabilities	376,239,153.65	344,378,534.75

Separate Statement of Changes in Equity

(PLN)

	Share capital	Share premium account	Retained earnings	Total
As at 1 January 2012	5,500,000.00	85,360,680.68	81,834,407.38	172,695,088.06
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	2,969,608.77	2,969,608.77
As at 30 September 2012	5,500,000.00	85,360,680.68	84,804,016.15	175,664,696.83
As at 1 January 2011	5,500,000.00	85,360,680.68	63,116,229.48	153,976,910.16
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	9,892,477.25	9,892,477.25
As at 30 September 2011	5,500,000.00	85,360,680.68	73,008,706.73	163,869,387.41

Separate Statement of Cash Flows

	Period ended 30.09.2012	(PLN) Period ended 30.09.2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	3,788,943.58	12,831,091.32
Adjustments:		
Depreciation and amortisation	2,253,212.86	2,216,810.31
Foreign exchange gains / (losses)	23,202.35	-54,056.89
Interest and share in profit (dividends)	2,034,612.36	1,596,234.43
(Gain) / loss on disposal of investments	628,639.48	27,537.64
Accrued expenses under commission on loans	156,093.75	156,093.75
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
Operating profit before changes in working capital	8,884,704.38	16,773,710.56
Change in receivables and retentions on construction contracts	-39,129,155.24	-23,917,920.36
Change in inventories	-942,919.86	-10,416,373.39
Change in provisions and liabilities under employee benefits	-2,124,160.57	2,197,173.55
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	319,458.65	16,659,827.61
Change in accrued expenses	154,686.33	-740,804.67
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	0.00
Income tax paid	-3,460,174.00	0.00
NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES	-36,297,560.31	555,613.30
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of tangible and intangible fixed assets	3,891,204.00	3,733,686.82
Purchase of tangible and intangible fixed assets	-892,207.38	-9,830,524.94
Investments in real property and intangible fixed assets	0.00	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	-22,950.00	-649,999.68
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,607,370.20	0.00
Purchase of financial assets available for sale	0.00	0.00
Loans advanced	-726,261.26	650,000.00
Dividends received	0.00	0.00
Interest received	98,601.65	450,807.84
Settlement of financial instruments – expenses	0.00	0.00
Other investment income / (expenses)	0.00	0.00
NET CASH FROM INVESTING ACTIVITIES	741,016.81	-5,646,029.96
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings and other debt instruments	42,022,038.26	25,549,950.50
Repayment of borrowings and other debt instruments	-9,398,083.31	-49,033,500.92
Decrease in finance lease liabilities	-1,168,520.98	-1,781,570.69
Interest paid	-2,180,014.46	-1,763,136.05
Other cash provided by / (used in) financing activities – dividends	0.00	0.00
Net cash from issue of shares	0.00	0.00
NET CASH FLOWS FROM FINANCING ACTIVITIES	29,275,419.51	-27,028,257.16
TOTAL NET CASH FLOWS	-6,281,123.99	-32,118,673.82
Net foreign exchange gains / (losses)	-23,202.35	2,754.05
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,724,363.88	32,204,201.71
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,420,037.54	88,281.94

V. NOTES TO ABBREVIATED SEPARATE FINANCIAL STATEMENTS OF ZUE S.A.

Analysis of ZUE S.A.'s financial results for the three quarters of 2012

During the nine months ended 30 September 2012, sales revenue generated by ZUE S.A. stood at PLN 249,103 thousand; i.e. it dropped by 20.3% when compared with the analogous period of 2011.

Cost of sales for the three quarters of 2012 amounted to PLN 237,430 thousand and declined by 18.5% compared to the figure recorded in the same period of 2011.

Gross profit on sales as at 30 September 2012 amounted to PLN 11,672 thousand and decreased by PLN 9,754 thousand compared to the gross profit on sales for the three quarters of 2011. Gross margin for the three quarters of 2012 was 4.7% compared with 6.9% at the end of the third quarter of 2011. A drop in gross margin was a result of stronger competition on the construction and assembly market. It resulted in lower contract margins accompanied by growing prices of fuels, goods, raw materials and subcontracted services.

General and administrative expenses as at 30 September 2012 stood at PLN 8,020 thousand and grew by PLN 561 thousand when compared with the analogous period of 2011.

Other operating income for the three quarters of 2012 stood at PLN 1,296 thousand and increased by PLN 1,023 thousand compared to the analogous figure of 2011. Other operating expenses as at 30 September 2012 amounted to PLN 1,384 thousand and increased by PLN 1,092 thousand compared to the analogous figure as at 30 September 2011.

The ZUE S.A.'s profit on operating activities in the nine months ended 30 September 2012 was PLN 3,565 thousand while in the analogous period of 2011 it amounted to PLN 13,950 thousand.

Financial income for the three quarters of 2012 amounted to PLN 2,616 thousand and grew by PLN 1,393 thousand over the figure disclosed as at the end of the third quarter of 2011. Financial expenses in the period under analysis stood at PLN 2,391 thousand and grew by PLN 50 thousand over the analogous period of 2011.

ZUE S.A.'s gross profit as at 30 September 2012 amounted to PLN 3,789 thousand compared to PLN 12 831 thousand as at 30 September 2011. Net profit for the three quarters of 2012 stood at PLN 2,970 thousand.

ZUE S.A.'s total assets as at 30 September 2012 amounted to PLN 376,239 thousand and increased by PLN 31,861 thousand compared to total assets as at the end of 2011.

Fixed assets decreased by PLN 1,811 thousand to stand as at 30 September 2012 at PLN 123,768 thousand. The greatest drop was recorded in tangible fixed assets and retentions on construction contracts. Investments in subsidiaries increased by PLN 1,630 thousand in connection with the purchase of BPK shares and PRK employee shares and deferred tax assets grew by PLN 1,918 thousand on a year-on-year basis.

Current assets as at 30 September 2012 increased by PLN 33,672 thousand compared to the end of 2011 to reach PLN 252,471 thousand. This was mainly impacted by the increase in trade receivables by PLN 35,026 thousand over the end of 2011. Cash and cash equivalents, on the other hand, saw a decrease by PLN 6,304 thousand.

Compared with the end of 2011, shareholders' equity of the Company increased by PLN 2,970 thousand. The change was caused by the increase in retained earnings.

Long-term liabilities as at 30 September 2012 decreased by PLN 13 thousand compared to the figure as at the end of 2011. The greatest growth with an impact on long-term liabilities was recorded in the case of deferred tax provision (PLN 19,150 thousand). Short-term liabilities as at the end of the reporting period increased by PLN 28,904 thousand over the end of 2011 to reach PLN 173,581 thousand. Trade and other payables in short-term liabilities dropped by PLN 2,942 thousand.

The abovementioned results of the Company reflected typical trends in the construction industry.

Revisions to Estimates

The preparation of financial statements in conformity with the IFRS requires the Management Board of ZUE S.A. 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.

Changes in provisions

	(PLN)			
	As at 31.12.2011	Created	Utilised	As at 30.09.2012
Provisions for retirement severance pays	132,677.59	12,980.26	0.00	145,657.85
Provisions for warranty repairs	5,726,067.73	1,194,541.67	3,284,318.79	3,636,290.61
Other provisions	4,637.37	0.00	4,637.37	0.00
Total provisions	5,863,382.69	1,207,521.93	3,288,956.16	3,781,948.46

The Company is obliged to give warranty for the construction services it provides. The amount of provisions for warranty repairs is estimated separately for each construction contract and ranges from 0.05% to 1.0% of revenue from a given contract. The value is analysed on an individual basis and may increase or decrease as the case may be. As at 30 September 2012, the balance of provisions for warranty repairs stood at PLN 3,636 thousand and as at the end of 2011, at PLN 5,726 thousand. During the nine months ended 30 September 2012, the balance of provisions decreased by PLN 2,081 thousand.

Deferred tax assets and liabilities

	(PLN)			
	As at 31.12.2011	Created	Utilised	As at 30.09.2012
Deferred tax assets	14,572,868.62	3,346,428.95	1,428,872.72	16,490,424.85
Deferred tax provision	16,413,289.41	3,263,070.24	526,179.20	19,150,180.45
Assets and liabilities balance	-1,840,420.79	83,358.71	902,693.52	-2,659,755.60

In the first three quarters of 2012, deferred tax assets increased by PLN 1,918 thousand compared with the figure disclosed as at 31 December 2011. Deferred tax provision increased by PLN 2,737 thousand compared with the figure reported as at 31 December 2011.

Trade and other receivables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Trade receivables	129,735,412.36	108,964,321.78
Trade receivables revaluation write-offs	-86,666.29	-86,666.29
Receivables from the state budget other than corporate income tax	0.00	0.00
Receivables under contracts (valuation)	83,154,270.12	69,256,094.42
Other receivables	465,444.67	108,928.53
Total trade and other receivables	213,268,460.86	178,242,678.44

Age profile of trade receivables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Not past due receivables	106,780,674.54	102,042,346.43
Receivables past due but not impaired	22,868,071.53	6,835,309.06
1-30 days	16,074,040.80	4,187,858.32
31-60 days	3,723,638.45	1,794,903.20
61-90 days	49,722.32	762,915.63
91-180 days	2,154,866.68	50,411.53
181-360 days	857,243.29	30,660.39
Over 360 days	8,559.99	8,559.99
Past due receivables for which revaluation write-offs were made	86,666.29	86,666.29
1-30 days	0.00	0.00
31-60 days	0.00	0.00
61-90 days	0.00	0.00
91-180 days	0.00	0.00
181-360 days	0.00	0.00
Over 360 days	86,666.29	86,666.29
Total trade receivables (gross)	129,735,412.36	108,964,321.78
Trade receivables revaluation write-offs	-86,666.29	-86,666.29
Total trade receivables (net)	129,648,746.07	108,877,655.49

Trade payables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Trade payables	71,496,354.45	68,644,998.10
Liabilities to the state budget other than corporate income tax	6,186,549.41	8,546,969.16
Accruals	0.00	0.00
Liabilities under contracts (valuation)	8,419,908.24	11,905,423.39
Other liabilities	55,704.26	3,255.86
Total trade and other payables	86,158,516.36	89,100,646.51

Age profile of trade payables

	(PLN)	
	As at 30.09.2012	As at 31.12.2011
Not past due payables	62,536,360.09	64,957,645.16
Past due payables	8,959,994.36	3,687,352.94
1-30 days	7,348,991.26	3,378,237.48
31-60 days	76,893.91	14,342.11
61-90 days	36,726.93	267,836.35
91-180 days	1,378,973.72	26,937.00
181-360 days	430.62	0.00
Over 360 days	117,977.92	0.00
Total trade payables	71,496,354.45	68,644,998.10

Transactions with Related Entities

The following transactions between the related entities occurred during the reporting period:

(PLN)

	Receivables		Liabilities	
	As at 30.09.2012	As at 31.12.2011	As at 30.09.2012	As at 31.12.2011
PRK	1,877,748.08	2,892,366.52	2,202,779.64	3,636,726.72
BIUP	20,077.88	320,480.18	0.00	214,200.00
BPK	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	60,117.74
RTI	3,690.00	0.00	0.00	0.00
Total	1,901,515.96	3,212,846.70	2,202,779.64	3,911,044.46

	Sales revenue		Acquisition cost	
	Period ended 30.09.2012	Period ended 30.09.2011	Period ended 30.09.2012	Period ended 30.09.2011
PRK	3,337,752.66	567,515.88	3,543,049.95	7,308,450.19
BIUP	24,216.51	185,232.67	16,565.04	112,413.65
BPK	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	270,000.00	0.00
RTI	9,000.00	0.00	0.00	0.00
Total	3,370,969.17	752,748.55	3,829,614.99	7,420,863.84

	Advanced loans		Financial income	
	As at 30.09.2012	As at 31.12.2011	Period ended 30.09.2012	Period ended 30.09.2011
PRK	0.00	0.00	0.00	0.00
BIUP	43,964.36	0.00	0.00	35,307.84
BPK	620,000.00	0.00	4,958.14	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	106,261.26	0.00	0.00	0.00
Total	770,225.62	0.00	4,958.14	35,307.84

	Received loans		Financial expenses	
	As at 30.09.2012	As at 31.12.2011	Period ended 30.09.2012	Period ended 30.09.2011
PRK	0.00	0.00	0.00	0.00
BIUP	0.00	0.00	0.00	0.00
BPK	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	319,214.06
RTI	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	319,214.06

ZUE's transactions with the related entities involved:

- Construction and assembly services;
 - Subcontracting Agreement no. 132/ZUE/2010 of 8 November 2010: "Construction of platform shelters at the Metro Ratusz Arsenal and Park Praski stops along the W-Z tramway in Warsaw;"
 - Subcontracting Agreement for the reconstruction of the Pyskowice station and the replacement of OCL network in the tracks no. 1 and no. 2 of the Pyskowice – Paczyna route up to 44,480km and the reinforcement of the substructure in the tracks no. 1 and no. 2 between 43,100km and 43,500km of the line 132 as part of the following project: "Upgrade of the railway line no. 132/135 on the Gliwice Łabędy – Strzelce Opolskie – Opole Groszowice section;
- Diagnostic testing and repair of vehicles;
- Equipment and transport services;
- Lease of dump cars;
- Rental of offices and telephone services under agreements;

- Transfer of employees between ZUE and PRK;
- Re invoicing of guarantee and insurance costs;
- Trade in fixed and current assets;
- Fees for language courses for employees.

The Company sold goods and services to the related entities according to the rules set out in the transaction price policy. The transaction price policy sets out the detailed rules of settlements among the related entities.

ZUE S.A. granted the loan of PLN 620 thousand to Biuro Projektów Komunikacyjnych w Poznaniu with a repayment date falling due by 31 December 2012.

ZUE S.A. granted the loan of EUR 25,500 to Railway Technology International Sp. z o.o. with a repayment date falling due by 31 December 2012.

Off-Balance Sheet Items

Contingent Liabilities

	As at 30.09.2012	As at 31.12.2011
Guarantees	147,259,596.18	138,905,966.91
Sureties	8,252,031.39	760,893.30
Bills of exchange	151,247,341.22	154,683,396.43
Mortgages	35,420,550.00	38,420,550.00
Pledges	16,312,869.65	3,690,045.51
Total contingent liabilities	358,492,388.44	336,460,852.15

(PLN)

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

Bill of exchange guarantees secure the loan agreements, lease agreements and performance bonds concluded by BIUP, a subsidiary.

The liabilities secured by the bills of exchange and mortgages mainly include loan and lease agreements and guarantee facility agreements.

The loan agreement no. WAR/2001/11/198/CB is secured by the registered pledge.

Contingent Assets

	As at 30.09.2012	As at 31.12.2011
Guarantees	28,431,241.23	29,750,244.17
Bills of exchange	52,706.20	52,706.20
Mortgages	1,240,000.00	0.00
Total contingent assets	29,723,947.43	29,802,950.37

(PLN)

The contingent assets resulting from guarantees and sureties are the guarantees provided by insurance companies and banks to ZUE S.A.'s contractors to secure their claims related to subcontract construction services provided to the Company.

The loan granted to BPK Poznań is secured by the mortgage.

The financial statements have been prepared by:

Barbara Stępak – Chief Accountant

The financial statements have been presented by the
Management Board:

Wiesław Nowak – Management Board President

Marcin Wiśniewski – Management Board Vice-
President

Maciej Nowak – Management Board Vice-President

Jerzy Czeremuga – Management Board Vice-President

Cracow, 12 November 2012