

ZUE Capital Group

**ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS FOR 9
MONTHS ENDED 30 SEPTEMBER 2013**

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



GRUPA ZUE

Cracow, 12 November 2013

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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 5,500,000 paid up in full. Parent company of the ZUE Capital Group.
PRK	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. Subsidiary of ZUE S.A.
BIUP	Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 19,400 paid up in full. Subsidiary of ZUE S.A.
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 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. Subsidiary of ZUE S.A.
RTI Germany	Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 1,747,500 paid up in full. Subsidiary of ZUE S.A.
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. Subsidiary of BPK Poznań.
ZUE Group, Group, Capital Group	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., Railway Technology International Germany GmbH and Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Dz.U. 2000, no. 94, item 1037, as amended).

APPROVAL OF THE ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

These abbreviated consolidated financial statements for the nine months ended 30 September 2013 were approved for publication by the Management Board of ZUE on 12 November 2013.

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 2013

I. SELECTED FINANCIAL DATA OF THE ZUE CAPITAL GROUP

Rules adopted to translate selected financial data into EUR:

Items	Exchange rate	Exchange rate on 30 Sep 2013	Exchange rate on 31 Dec 2012	Exchange rate on 30 Sep 2012
Balance sheet items	Mid exchange rate at the balance sheet date	4.2163	4.0882	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	4.2231	n/a	4.1948
“Cash at beginning of period” and “Cash at end of period” items in cash flow statement	Mid exchange rate at the balance sheet date	4.2163	4.0882	4.1138

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

	As at 30/09/2013		As at 31/12/2012	
	PLN '000	EUR '000	PLN '000	EUR '000
Fixed assets	155,291	36,831	180,758	44,215
Current assets	306,037	72,584	287,493	70,322
Total assets	461,328	109,415	468,251	114,537
Shareholders' equity	192,720	45,708	187,826	45,943
Long-term liabilities	60,493	14,347	62,257	15,228
Short-term liabilities	208,115	49,360	218,168	53,366
Total equity and liabilities	461,328	109,415	468,251	114,537

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

	Period ended 30/09/2013		Period ended 30/09/2012	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	295,134	69,886	376,195	89,681
Cost of sales	270,320	64,010	357,956	85,333
Gross profit (loss) on sales	24,814	5,876	18,239	4,348
Profit (loss) on operating activities	11,336	2,684	5,354	1,276
Gross profit (loss)	12,672	3,001	6,211	1,481
Net profit (loss) on continued activities	8,432	1,997	4,478	1,068

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

	Period ended 30/09/2013		Period ended 30/09/2012	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-13,011	-3,081	-37,250	-8,880
Cash flows from investment activities	-5,238	-1,240	4,137	986
Cash flows from financial activities	-13,882	-3,287	27,762	6,618
Total net cash flows	-32,131	-7,608	-5,351	-1,276
Cash at beginning of period	69,761	17,064	48,392	10,956
Cash at end of period	37,643	8,928	43,028	10,460

II. CONSOLIDATED FINANCIAL STATEMENTS OF THE ZUE CAPITAL GROUP

Consolidated statement of comprehensive income

	(PLN)	
	Period ended 30/09/2013	Period ended 30/09/2012
Sales revenue	295,134,068.64	376,195,108.86
Cost of sales	270,319,732.55	357,956,143.21
Gross profit (loss) on sales	24,814,336.09	18,238,965.65
General and administrative expenses	14,262,803.46	12,650,183.22
Other operating income	5,705,802.24	2,220,006.08
Other operating expenses	4,921,824.93	2,454,460.53
Profit (loss) on operating activities	11,335,509.94	5,354,327.98
Financial income	3,289,790.48	4,060,991.13
Financial expenses	1,953,727.09	3,204,083.56
Pre-tax profit (loss)	12,671,573.33	6,211,235.55
Corporate income tax	4,240,040.57	1,733,053.49
Consolidated net profit (loss)	8,431,532.76	4,478,182.06
Total comprehensive income	8,431,532.76	4,478,182.06
Attributable to:		
Shareholders of the Parent Company	7,260,485.56	4,548,498.82
Minority shareholders	1,171,047.20	-70,316.76
Net profit (loss) per share (PLN) (basic and diluted)	0.33	0.21
Total comprehensive income per share (PLN)	0.33	0.21

Consolidated statement of financial position

(PLN)

	As at 30/09/2013	As at 31/12/2012
ASSETS		
Fixed assets		
Tangible fixed assets	72,304,852.43	66,142,103.59
Investment real property	8,746,592.83	9,008,522.80
Intangible assets	11,178,898.82	11,381,088.72
Goodwill	32,646,001.13	32,646,001.13
Investments in non-consolidated subsidiaries	28,585.50	28,585.50
Advance payments for investments in subsidiaries	0.00	0.00
Long-term receivables	0.00	37,956,720.03
Retentions on construction contracts	1,073,360.42	1,392,475.42
Deferred tax assets	27,579,845.33	21,963,309.53
Other assets	1,732,894.90	239,174.22
Total fixed assets	155,291,031.36	180,757,980.94
Current assets		
Inventories	25,712,548.95	20,328,245.18
Trade and other receivables	235,422,073.84	190,327,717.89
Retentions on construction contracts	4,114,252.63	3,676,826.70
Current tax assets	57,785.00	584,961.00
Other financial receivables	0.00	0.00
Other assets	2,884,636.86	2,710,845.84
Loans advanced	109,683.67	103,448.11
Cash and cash equivalents	37,642,906.31	69,760,750.22
Current assets	305,943,887.26	287,492,794.94
Assets held for sale	93,418.71	0.00
Total current assets	306,037,305.97	287,492,794.94
Total assets	461,328,337.33	468,250,775.88
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	93,789,028.75	87,803,580.88
Equity attributable to shareholders of ZUE	184,649,709.43	178,664,261.56
Revaluation capital	0.00	0.00
Equity attributable to non-controlling interests	8,070,396.54	9,161,874.21
Total equity	192,720,105.97	187,826,135.77
Long-term liabilities		
Long-term bank borrowings and other debt instruments and other financing sources	9,747,566.01	25,090,420.37
Retentions on construction contracts	6,141,622.69	4,464,483.84
Other financial liabilities	1,540,000.00	1,750,000.00
Liabilities under employee benefits	4,223,677.37	2,323,605.01
Deferred tax provision	26,316,047.70	23,276,393.08
Long-term provisions	12,524,425.94	5,351,853.35
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total long-term liabilities	60,493,339.71	62,256,755.65
Short-term liabilities		
Trade and other payables	132,812,649.43	151,651,925.54
Retentions on construction contracts	6,512,599.42	8,201,466.56
Short-term bank borrowings and other debt instruments and other financing sources	44,696,540.76	41,184,811.96
Other financial liabilities	2,581,011.77	280,000.00
Liabilities under employee benefits	13,006,161.60	8,499,620.88
Current tax liabilities	5,920,487.00	123,731.00
Short-term provisions	2,585,441.67	8,226,328.52
Total short-term liabilities	208,114,891.65	218,167,884.46
Total liabilities	268,608,231.36	280,424,640.11
Total equity and liabilities	461,328,337.33	468,250,775.88

Consolidated statement of changes in equity

(PLN)

	Share capital	Share premium account	Retained earnings	Total equity attributable to shareholders	Equity attributable to non-controlling interests	Total equity
As at 1 Jan 2013 – ZUE Group	5,500,000.00	85,360,680.68	88,824,353.59	179,685,034.27	9,161,874.21	188,846,908.48
Correction of errors	0.00	0.00	-1,020,772.71	-1,020,772.71	0.00	-1,020,772.71
As at 1 Jan 2013 – ZUE Group	5,500,000.00	85,360,680.68	87,803,580.88	178,664,261.56	9,161,874.21	187,826,135.77
Change of interest in subsidiaries	0.00	0.00	-1,391,611.60	-1,391,611.60	286,281.28	-1,105,330.32
Taking control over subsidiary	0.00	0.00	0.00	0.00	-1,571,520.55	-1,571,520.55
Other corrections	0.00	0.00	116,573.91	116,573.91	-345,146.30	-228,572.39
Dividend	0.00	0.00	0.00	0.00	-632,139.30	-632,139.30
Issue costs	0.00	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	7,260,485.56	7,260,485.56	1,171,047.20	8,431,532.76
As at 30 Sep 2013 – ZUE Group	5,500,000.00	85,360,680.68	93,789,028.75	184,649,709.43	8,070,396.54	192,720,105.97
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
Change of interest in subsidiaries	0.00	0.00	546,760.27	546,760.27	-815,332.25	-268,571.98
Taking control over subsidiary	0.00	0.00	0.00	0.00	1,400,220.03	1,400,220.03
Dividend	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 Sep 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 2012 – ZUE Group	5,500,000.00	85,360,680.68	85,550,781.44	176,411,462.12	8,941,250.04	185,352,712.16
Change of interest in subsidiaries	0.00	0.00	656,188.44	656,188.44	-943,330.41	-287,141.97
Taking control over subsidiary	0.00	0.00	0.00	0.00	355,791.40	355,791.40
Dividend	0.00	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	1,596,611.00	1,596,611.00	808,163.18	2,404,774.18
As at 31 Dec 2012 – ZUE Group	5,500,000.00	85,360,680.68	87,803,580.88	178,664,261.56	9,161,874.21	187,826,135.77

Consolidated statement of cash flows

	Period ended 30/09/2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit before tax	12,671,573.33
Adjustments:	
Depreciation and amortisation	5,730,047.37
Foreign exchange gains / (losses)	-16,667.71
Interest and share in profit (dividends)	-888,998.02
(Gain) / loss on disposal of investments	1,142,525.42
Accrued expenses under commission on loans	156,093.75
(Gain) / loss on realisation of derivative financial instruments	0.00
Remeasurement of derivative financial instruments	0.00
Operating profit before changes in working capital	18,794,574.14
Change in receivables and retentions on construction contracts	-6,434,103.90
Change in inventories	-5,370,462.63
Change in provisions and liabilities under employee benefits	5,522,786.20
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	-23,302,321.01
Change in accrued expenses	-1,763,208.15
Change in amounts payable to customers under construction contracts	0.00
Change in received advance payments	0.00
Change in funds of limited availability	0.00
Other adjustments	-95,240.48
Income tax paid / tax refund	-362,577.00
NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES	-13,010,552.83
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Sale of tangible and intangible fixed assets	2,743,767.56
Purchase of tangible and intangible fixed assets	-7,589,732.68
Sale of investments in real property and intangible fixed assets	0.00
Sale of assets for sale	0.00
Investments in real property and intangible fixed assets	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	0.00
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,150,857.32
Purchase of financial assets available for sale	0.00
Loans advanced	-632,249.15
Dividends received	0.00
Interest received	1,302,528.60
Settlement of financial instruments – expenses	0.00
Cash from acquisition of subsidiary	87,862.42
Sale of financial assets in associates	0.00
Other investment income / (expenses)	527.00
NET CASH FROM INVESTMENT ACTIVITIES	-5,238,153.57
CASH FLOWS FROM FINANCIAL ACTIVITIES	
Borrowings and other debt instruments received	53,396,881.41
Repayment of borrowings and other debt instruments	-62,652,112.34
Decrease in finance lease liabilities	-2,451,455.74
Interest paid	-1,411,803.89
Other cash provided by / (used in) financial activities – dividends	-763,247.12
Net cash from issue of shares	0.00
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	-13,881,737.68
TOTAL NET CASH FLOWS	-32,130,444.08
Net foreign exchange gains / (losses)	12,600.17
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	69,760,750.22
CASH AND CASH EQUIVALENTS AT END OF PERIOD	37,642,906.31

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

1. General

As at the balance sheet date, the Capital Group was composed of seven companies with ZUE as the parent of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Railway Technology International Germany GmbH, Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji.

ZUE has been established on the basis of 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 (address: ul. Kazimierza Czapieńskiego 3, Cracow, Poland). The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000135388.

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

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

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 has been established on the basis of the notarial deed of 18 December 2000 in the Notary's Office in Warsaw, ul. Długa 31 (Rep. A no. 26183/2000). The company has transformed as a result of the commercialisation process from Państwowe Przedsiębiorstwo Robót Kolejowych w Krakowie into a company owned by the State Treasury as of 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. has been established on the basis of the notarial deed of 15 June 2009 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000332405.

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

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

Subsidiary (indirectly through BKP Poznań) – 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 m.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.

The companies comprising the Capital Group have been incorporated for indefinite period except for BPK Gdańsk, which has been put into liquidation. The financial statements of all subsidiaries have been prepared for the same reporting period as the Parent Company using consistent accounting principles. The parent company and the subsidiaries use 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; and
- services related to power networks and power electronics.

1.1. Consolidated entities

Consolidated entities as at 30 September 2013:

Name	Registered office	Interests as at			Consolidation method
		30 Sep 2013	31 Dec 2012	30 Sep 2012	
Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.	Cracow	89%	87%	87%	Full
Biuro Inżynierskich Usług Projektowych Sp. z o.o.	Cracow	49%	49%	49%	Full
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	84%	62%	62%	Full
Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji	Gdańsk	81%*	27%	-	Full

* Direct interest of BPK Poznań in the share capital of BPK Gdańsk. ZUE's indirect interest is 68.57%.

ZUE holds a 51% interest in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the assets and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 30 September 2013.

Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the assets and financial condition, Railway Technology International Germany GmbH was not consolidated as at 30 September 2013.

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

In the first three quarters of 2013, ZUE purchased the employee shares of PRK. As at the date of signing this report, ZUE held 842,138 shares in PRK; i.e. an 88.65% interest in the subsidiary's share capital.

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

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

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

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

(PLN)

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

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

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

1.3. Functional and reporting currency

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

2. Shareholders of the Parent Company

According to the information held by the Management Board of ZUE, the Parent Company had the following shareholding structure at the date of signing 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 on compliance

The abbreviated quarterly consolidated financial statements of the Capital Group cover the nine months ended 30 September 2013 and the comparable data for the nine months ended 30 September 2012.

The abbreviated quarterly consolidated financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 September 2013 as approved by the European Union.

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

The abbreviated quarterly consolidated financial statements for the nine months ended 30 September 2013 have been prepared according to the requirements binding on public companies.

The abbreviated quarterly 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 Capital Group.

3.2. Standards and interpretations user for the first time in the reporting period

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

- **IFRS 13 "Fair Value Measurement"** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards"** – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards"** – Government Loans approved of in the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – Offsetting Financial Assets and Financial Liabilities approved of in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – presentation of items of other comprehensive income approved of in the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);

- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”** – interim provisions explanation (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 12 “Income Tax”** – Deferred Tax: Recovery of Underlying Assets approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 19 “Employee Benefits”** – amendments to post-employment benefits approved of in the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);
- **International Financial Reporting Interpretations Committee’s (IFRIC) Interpretation 20 “Stripping Costs in the Production Phase of a Surface Mine”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to different standards “Amendments to IFRS (2012)”** – amendments made as part of making annual amendments to IFRS approved of in the EU on 27 March 2013 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary (effective for annual periods beginning on or after 1 January 2013).

The Management Board of ZUE believe that these standards, amendments to the standards and interpretations do not have any significant impact on the financial statements of the Group.

3.3. Standards and interpretations published but not yet effective

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

- **IFRS 10 “Consolidated Financial Statements”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 “Joint Arrangements”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 “Disclosure of Interests in Other Entities”** approved of in the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 (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 IAS 32 “Financial Instruments: Presentation”** – Offsetting Financial Assets and Financial Liabilities approved of in the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).

The Group has decided not to apply the foregoing standards or amendments to the standards. According to the estimates by the Group, these standards and amendments to the standards would not have any significant impact on the consolidated financial statements if used by the Group at the 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 2013:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2015);
- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”** – Mandatory Date of Entry into Force and Interim Provisions;
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”** – investment units (effective for annual periods beginning on or after 1 January 2014).

- **Amendments to IAS 36 “Impairment of Assets” – Recoverable Amount Disclosures for Non-Financial Assets** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”** – Novation of derivatives and continuation of hedge accounting (effective for annual periods beginning on or after 1 January 2014),
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 “Levies”** (effective for annual periods beginning on or after 1 January 2014).

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

4. Comparability of Financial Data and Adjustments to the Financial Statements

- a) In the financial statements for the three quarters of 2013 and the comparable data for 2012, the Company presented Liabilities under employee benefits of PLN 819 thousand.

(PLN)

	Presentation in the financial statements as at 31/12/2012	Comparable data as at 31/12/2012	Data as at 30/09/2013
Trade and other payables	726,562.06	0.00	0.00
Liabilities under employee benefits	0.00	726,562.06	819,369.15

The foregoing adjustment concerned 2012 and did not influence the basic or diluted profit per share.

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

The adjustment concerned 2012. The adjustment as at 30 June 2013 reduced the retained earnings by PLN 1,021 thousand and prepaid expenses.

5. Significant Accounting Principles Used in the Consolidated Financial Statements for the Period 1 January 2013 to 30 September 2013

5.1. Preparation basis

The quarterly abbreviated consolidated financial statements have been presented assuming that the Parent Company and all entities comprising the Capital Group will continue in operational existence for the foreseeable future, except for BPK Gdańsk w likwidacji which has been valued at fair value less costs to sell. No going concern risks have been identified in the reporting period or by the date of signing these financial statements.

The quarterly abbreviated consolidated financial statements have been prepared according to the same accounting principles and measurement methods as those used in the ZUE annual financial statements and the Group annual consolidated financial statements as at 31 December 2012.

6. 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.

Changes in provisions

(PLN)

Provisions	As at 31/12/2012	Created	Used	Released	As at 30/09/2013	Item
Long-term provisions:	7,675,458.36	13,739,428.12	125,845.97	4,540,937.20	16,748,103.31	
Pension and retirement gratuities	2,323,605.01	2,078,479.48	0.00	178,407.12	4,223,677.37	Liabilities under employee benefits (long-term)
Provisions for warranty repairs	5,351,853.35	4,723,797.64	125,845.97	3,412,654.08	6,537,150.94	Long-term provisions
Other provisions	0.00	6,937,151.00	0.00	949,876.00	5,987,275.00	
Short-term provisions:	16,725,949.40	12,201,725.15	4,613,502.37	8,722,568.91	15,591,603.27	
Pension and retirement gratuities	189,017.66	546,262.65	89,305.00	111,718.00	534,257.31	Liabilities under employee benefits (short-term)
Provisions for leaves	2,942,218.97	2,197,700.48	1,447,666.51	182,896.00	3,509,356.94	
Other employee benefits provisions	5,368,384.25	8,221,515.95	2,795,686.37	1,831,666.48	8,962,547.35	
Provisions for warranty repairs	3,113,222.68	527,540.89	193,315.01	3,182,364.59	265,083.97	Short-term provisions
Other provisions	5,113,105.84	708,705.18	87,529.48	3,413,923.84	2,320,357.70	
Total provisions:	24,401,407.76	25,941,153.27	4,739,348.34	13,263,506.11	32,339,706.58	

The Group uses estimates to value its construction contracts. In 2013, the estimates changed for the construction contracts valued as at 31 December 2012.

The estimated costs of the construction contracts executed by PRK changed by PLN –15,136 thousand compared to the initial budget used to perform the valuation as at 31 December 2012.

Deferred tax assets and liabilities

(PLN)

	As at 31/12/2012	Created	Used	As at 30/09/2013
Deferred tax assets	21,963,309.53	5,942,888.39	326,352.59	27,579,845.33
Deferred tax liabilities	23,276,393.08	3,742,494.17	702,839.55	26,316,047.70
Assets and liabilities balance	-1,313,083.55	2,200,394.22	-376,486.96	1,263,797.63

In the three quarters of 2013, deferred tax assets grew by PLN 5,617 thousand over the figure reported as at 31 December 2012. Deferred tax liabilities increased by PLN 3,040 thousand compared to the figure disclosed at the end of 2012.

7. Trade and Other Receivables

(PLN)

	As at 30/09/2013	As at 31/12/2012
Trade receivables	171,675,286.29	134,240,975.14
Trade receivables revaluation write-downs	-9,270,480.88	-4,711,936.16
Receivables from the state budget other than corporate income tax	0.00	0.00
Receivables under contracts (valuation)	71,690,044.53	60,578,128.29
Advance payments	992,217.92	0.00
Other receivables	335,005.98	220,550.62
Total trade and other receivables	235,422,073.84	190,327,717.89

7.1. Ageing analysis of trade receivables

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
Not past due receivables	152,609,590.74	104,680,645.43
Including:		
Not past due receivables for which write-downs were recognised	0.00	63,056.66
Receivables that are past due but not impaired	9,795,214.67	24,911,450.21
1-30 days	9,060,376.61	17,893,017.60
31-60 days	0.00	3,173,348.47
61-90 days	276,271.90	244,068.07
91-180 days	110,511.61	418,602.79
181-360 days	182,520.46	2,773,922.03
360 + days	165,534.09	408,491.25
Past due receivables for which write-downs were recognized	9,270,480.88	4,648,879.50
1-30 days	0.00	0.00
31-60 days	23,482.09	16,134.22
61-90 days	1,347.13	3,600,923.27
91-180 days	384,524.25	152,177.47
181-360 days	8,125,627.51	293,194.44
360 + days	735,499.90	586,450.10
Total trade receivables (gross)	171,675,286.29	134,240,975.14
Trade receivables write-downs	-9,270,480.88	-4,711,936.16
Total trade receivables (net)	162,404,805.41	129,529,038.98

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
Long-term receivables		
Trade receivables	0.00	39,577,093.78
Allowance for doubtful debts	0.00	0.00
Discounting long-term receivables	0.00	-1,620,373.75
Total	0.00	37,956,720.03
Gross value of long-term receivables		
Balance at beginning of period	37,956,720.03	
Increases	0.00	
Decreases	37,956,720.03	
Transfer to short-term receivables	37,956,720.03	
Discount	0.00	
Balance at end of period	0.00	

8. Trade and Other Payables

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
Trade payables	79,070,452.90	91,835,742.65
Liabilities to the state budget other than corporate income tax	12,385,175.21	18,246,004.89
Accruals	28,650,174.87	7,482,265.18
Liabilities under contracts (valuation)	12,158,609.45	27,588,392.25
Other liabilities	548,237.00	6,499,520.57
Total trade and other payables	132,812,649.43	151,651,925.54

8.1. Ageing analysis of trade payables

(PLN)

	As at 30/09/2013	As at 31/12/2012
Not past due payables	71,205,404.54	74,873,052.61
Past due payables	7,865,048.36	16,962,690.04
1-30 days	6,479,886.82	5,039,571.08
31-60 days	46,144.44	7,455,590.92
61-90 days	210,450.72	105,022.20
91-180 days	72,546.62	900,360.87
181-360 days	36,454.00	1,123,341.15
360 + days	1,019,565.76	2,338,803.82
Total trade payables	79,070,452.90	91,835,742.65

9. Discontinued Operations

No operations were discontinued within the meaning of the IFRS 5 during the nine months ended 30 September 2013 or the nine months ended 30 September 2012.

10. Segment Reporting

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

- construction; and
- design.

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 customers 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 the contracts performed by BIUP, BPK Poznań and BPK Gdańsk w likwidacji.

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

Operating segments' results for the third quarter of 2013:

(PLN '000)

	Construction	Design	Group total
Sales revenue	287,735	7,399	295,134
Including			
Revenue from external customers	287,595	5,856	293,451
Inter-segment revenues	140	1,543	1,683
Gross profit	23,656	1,158	24,814
Financial income / expenses	1,595	-259	1,336
Interest received	1,303	0.00	1,303

Interest paid	-1,358	-54	-1,412
Profit before tax	14,881	-2,209	12,672
Income tax	3,872	368	4,240
Net profit	11,009	-2,577	8,432
Depreciation and amortisation	5,419	311	5,730
Tangible fixed assets	66,155	6,150	72,305
Fixed assets	148,486	6,805	155,291
Total assets	447,750	13,578	461,328

11. Factors and Events with a Bearing on the ZUE Capital Group's Financial Results for the Three Quarters of 2013

Analysis of the Group's financial results as at the end of the third quarter of 2013

During the nine months ended 30 September 2013, sales revenue generated by the Group amounted to PLN 295,134 thousand and decreased by 21.5% compared to the figure reported in the analogous period of 2012.

Cost of sales for the three quarters of 2013 stood at PLN 270,320 thousand and dropped year-on-year by 24.5%.

Gross profit on sales as at 30 September 2013 amounted to PLN 24,814 thousand while in the analogous period of 2012, gross profit on sales generated by the Group amounted to PLN 18,239 thousand. Gross margin for the three quarters of 2013 was 8.4% compared to 4.8% at the end of the third quarter of 2012.

General and administrative expenses for the nine months ended 30 September 2013 stood at PLN 14,263 thousand and grew by PLN 1,613 thousand over the analogous period of 2012.

Other operating income for the three quarters of 2013 amounted to PLN 5,706 thousand and increased by PLN 3,486 thousand compared to the analogous figure of 2012. Other operating expenses as at 30 September 2013 amounted to PLN 4,922 thousand and increased year-on-year by PLN 2,468 thousand.

Profit on operating activities generated by the Group in the nine months ended 30 September 2013 amounted to PLN 11,336 thousand while in the analogous period of 2012 it stood at PLN 5,354 thousand.

Gross profit generated by the Group in the reporting period amounted to PLN 12,672 thousand and grew year-on-year by PLN 6,461 thousand. Net profit for the three quarters of 2013 amounted to PLN 8,432 thousand and increased by PLN 3,954 thousand compared to the analogous figure of 2012.

The Group's total assets as at 30 September 2013 amounted to PLN 461,328 thousand and declined by PLN 6,923 thousand compared to total assets reported at the end of 2012.

Fixed assets decreased by PLN 25,467 thousand and current assets increased by PLN 18,544 thousand.

As regards current assets, the greatest growth was recorded in the case of trade and other receivables. At the end of the third quarter of 2013, trade and other receivables stood at PLN 235,422 thousand and increased by PLN 45,094 thousand compared to the figure reported at the end of 2012. As at 30 September 2013, inventories grew by PLN 5,385 thousand when compared with the end of 2012. Compared to the end of 2012, shareholders' equity as at 30 September 2013 grew by 2.6% to PLN 192,720 thousand.

The Group's long-term liabilities as at 30 September 2013 decreased by PLN 1,763 thousand compared to the figure reported as at 31 December 2012. Short-term liabilities as at the end of the third quarter of 2013 dropped by PLN 10,053 thousand when compared to the end of 2012 to stand at PLN 208,115 thousand. As regards short-term liabilities, current tax liabilities grew by PLN 5,797 thousand and trade and other payables disclosed at the end of the third quarter of 2013 decreased by PLN 18,839 thousand when compared with the data reported as at 31 December 2012.

The abovementioned results of the Capital Group reflected typical trends in the construction industry in 2013. 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 2012.

12. Major Events in III Quarters of 2013 and After Balance Sheet Date

Major Contracts (1 January 2013 – 30 September 2013)

- On 8 January 2013, PRK concluded the contract with PKP Polskie Linie Kolejowe S.A. of Warsaw for the construction works as part of the following project: "Upgrade of the Tunel station on the railway line no. 8 Warszawa Zachodnia – Kraków Główny Osobowy." Contract net value: PLN 41,953,990.41. Completion date: 30 November 2013.
- On 25 January 2013, ZUE concluded the contract with Tramwaje Śląskie S.A. of Chorzów for the construction works as part of the following projects: "Upgrade of a separate tramway track at lines no. 15, 21, 24 and 27 along the 3-go Maja street, an interchange in Sosnowiec, with platforms," "Upgrade of crossings in Sosnowiec: 3-go Maja street, the intersection of Parkowa and Mościckiego streets" (project no. 28), "Upgrade of a tramway in the 3-go Maja street in Sosnowiec – from the interchange to the Zagórze terminus" (project no. 29) and "Upgrade of tram and trolleybus infrastructure in the Upper Silesia with associated infrastructure." Contract net value: PLN 26,293,505.13. Completion date: 25 September 2014.
- On 31 January 2013, the credit facility agreement no. 07/044/09/Z/0B concluded by ZUE with BRE Bank S.A. came to an end – the facility repayment.
- On 21 March 2013, PRK signed the guarantee line with BNP Paribas Bank Polska S.A. Under the agreement, the bank guarantee was given to PKP Polskie Linie Kolejowe S.A. to secure the obligations under the contract no. 563/13/WAR. The security included a blank bill of exchange with declaration and the assignment of claims under 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 Ząbkowice – Jaworzno Szczakowa section." The performance bond of PLN 43,929,138.20 is valid and effective from 25 March 2013 to 22 April 2015 and the warranty of PLN 13,178,741.46 is valid and effective from 23 April 2015 to 7 April 2018.
- On 25 March 2013, PRK and PKP Polskie Linie Kolejowe S.A. signed the design and construction contract for the following project: "Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie – Dąbrowa Górnicza Ząbkowice – Jaworzno Szczakowa section." Contract net value: PLN 357,147,465.00. Completion date: 23 March 2015.
- On 17 April 2013, ZUE and PRK signed the annex no. 7 to the agreement of 29 April 2010 (as amended) for the provision of project-related bonding products concluded with Powszechny Zakład Ubezpieczeń S.A. with registered office in Warsaw. Under the annex, the maximum limit was set at PLN 80,000,000 and applied until 16 April 2014.
- On 14 May 2013, ZUE and BRE Bank S.A. with registered office in Warsaw signed the annex no. 10 to the overdraft facility agreement no. 07/183/04/Z/VV. Under the annex, the repayment date for the facility of PLN 10,000,000 was extended to 15 May 2014.
- The overdraft facility agreement no. 07/120/11/Z/VV of PLN 10,000,000 between Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. and BRE Bank of Warsaw expired on 21 May 2013.
- On 28 May 2013, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. concluded the overdraft facility agreement no. 5700/13/400/04 of PLN 10,000,000 with Bank Millennium S.A. The term of the agreement was from 28 May 2013 to 22 May 2014.
- On 12 June 2013 in Warsaw, ZUE and the State Treasury of Poland concluded the agreement no. MSP/SPA/00081/00/2013 for the sale of shares in Przedsiębiorstwo Robót Komunikacyjnych Krakowie Spółka Akcyjna. Under the agreement, ZUE acquired 8,608 PRK's shares. The total sales price was PLN 1,007,480.32. The State Treasury no longer holds any shares in PRK.
- On 20 June 2013, the District Court Poznań – Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register issued a decision on the increase of the share capital of BPK Poznań from PLN 747,500 to PLN 1,747,500.
- On 2 July 2013, ZUE and Infrastruktura Euro Poznań 2012 Sp. z o.o. (subsidiary investor for Zarząd Transportu Miejskiego w Poznaniu) signed the contract for "Construction works as part of the following investment: Extension of the tram route of the Poznań High-Speed Tram (PST) to Dworzec Zachodni railway station in Poznań" – supplement no. 2 to the main contract. Contract net value: PLN 3,100,000. Completion date: 31 August 2013.
- On 21 August 2013, ZUE and Bank Millennium S.A. of Warsaw signed the Annex no. A4/2749/11/475/07 to the revolving loan agreement no. 2749/11/475/07 whereby the term of the loan was extended until 21 September 2013.
- On 4 September 2013, PRK signed the contract with Herbud Spółka Cywilna of Biała Rawska. The contract provided for the comprehensive track works – line 186 – on the Łazy ŁA – Łazy ŁB, Łazy ŁB –

Łazy ŁC, Łazy ŁC, Łazy ŁC – Dąbrowa Górnicza Ząbkowice DZA sections as part of 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.” Net value of the contract: PLN 26,924,095.28. Completion date: 30 April 2014.

- On 12 September 2013, ZUE and Bank Millennium S.A. of Warsaw signed the Annex no. A5/2749/11/475/04 to the revolving loan agreement no. 2749/11/475/04 whereby the term of the loan was extended until 23 May 2014 and the new security was provided in the form of the surety of PLN 52,500,000.00 provided by PRK.

Other Corporate Events

- On 14 May 2013, the Supervisory Board of ZUE with registered office in Cracow resolved to appoint Rödl Audit Sp. z o.o. with registered office in Warsaw to review the separate and consolidated interim financial statements and to audit the separate and consolidated annual financial statements of the Company for the financial year 2013.
- On 28 June 2013, the Ordinary General Meeting of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. of Cracow passed the Resolution no. 6/06/2013 whereby a part of 2012 net profit of PLN 5,529,000 was paid as dividend to the Company’s shareholders. A list of shareholders entitled to dividends was prepared on 15 July 2013. The dividend payment date was set at 1 August 2013.
- On 15 July 2013, a decision was made to merge ZUE with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., the Company’s subsidiary.
- A plan to merge ZUE (the “Acquiring Company”) with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. of Cracow, ZUE’s subsidiary, (the “Acquired Company”) was agreed on 14 August 2013. The intended merger would take place pursuant to Art. 492 § 1.1 of the Polish Companies Act of 15 September 2000 (Dz.U. of 2000, no. 94, item 1037, as amended – the “Act”); i.e. by a transfer of all the assets of the Acquired Company to ZUE in exchange for ZUE’s shares to be given to the shareholders of the Acquired Company taking account of Art. 514 of the Act whereby ZUE, a shareholder of the Acquired Company, would not acquire own shares in exchange for the shares of the Acquired Company (the “Merger”). ZUE would acquire all rights and obligations of the Acquired Company on the Merger registration date. According to the Plan of Merger, merger shares would be received by entities that were the shareholders of the Acquired Company on the Merger registration date (taking account of Art. 514 of the Act) using the following exchange ratio: 1:9.55.
- The Report of the Management Board of ZUE prepared pursuant to Art. 501 of the Polish Companies Act of 15 September 2000 (Dz.U. of 2000, no. 94, item 1037, as amended – the “Act”) justifying the merger of ZUE and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (the “Acquired Company”) was adopted on 28 August 2013. The Report dealt with the legal bases and economic grounds for the merger of ZUE with the Acquired Company and, in particular, the exchange ratio referred to in Art. 499 § 1.2 of the Act.
- On 13 September 2013, the Management Board of ZUE received the written expert’s opinion on the audit of the accuracy and reliability of the plan of merger of ZUE and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. prepared pursuant to Art. 503 § 1 of the Polish Companies Act of 15 September 2000 (Dz.U. of 2000, no. 94, item 1037, as amended – the “Act”). The expert’s opinion read that the Plan of Merger contained all the information specified in Art. 499 § 1 and 2 of the Act and that (i) the Plan of Merger properly defined the exchange ratio; (ii) the method used to determine the exchange ratio proposed in the Plan of Merger was appropriate; and (iii) no difficulties were found in connection with the valuation of the merging companies’ shares contained in the Plan of Merger and the applied method helped reflect in a reliable manner the present market value of the companies. Given the above, the expert’s opinion indicated the Plan of Merger had been prepared in a correct and reliable manner.
- On 24 September 2013, the Management Board of ZUE gave the first notice to the Shareholders of the intended merger of ZUE with PRK, the Company’s subsidiary.

Events after the balance sheet date

- On 11 October 2013, ZUE signed the contract for design and construction works consisting of the reconstruction of the Pogodno tram depot in Szczecin as part of the following project: “Construction and reconstruction of tracks in Szczecin co-funded by the EU.” Net value of the contract: PLN 110,000,000. Completion date: 31 January 2015.

- On 14 October 2013, ZUE and Powszechny Zakład Ubezpieczeń S.A. with registered office in Warsaw signed the annex no. 1 to the performance and defects liability bonds no. GKDo/944/2011-051-18-01-00 whereby the validity periods of the bonds were changed. Under the annex, the performance bond of PLN 25,683,125.33 applied until 30 March 2014 and the defects liability bond of PLN 7,704,937.59 applied until 14 April 2018.
- On 16 October 2013, the Management Board of ZUE gave the second notice to the Shareholders of the intended merger of ZUE with PRK, the Company's subsidiary.
- On 30 October 2013, the Polish Financial Supervision Authority decided to approve of ZUE's Information Memorandum prepared in connection with the public offering and the intention to apply for the admission of ZUE's class C shares to trading on the Warsaw Stock Exchange. The issue of class C shares was connected with the intended merger of ZUE with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A.
- On 7 November 2013, the Information Memorandum approved of by the Polish Financial Supervision Authority on 30 October 2013 was published on the Issuer's website.

13. Factors Believed to Have an Impact on the Group's Results in Subsequent Periods

The factors believed to have a bearing on the Group's financial results in the remaining months of 2013 include:

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

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

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

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

Not only do the lengthy procurement procedures produce additional costs of the appeal but they also entail a risk of growth in prices of goods and services. Signing a contract at a later date may make a project execution conditional on weather conditions because certain projects must not be executed in low temperatures or heavy snow or rain fall. For these reasons, a part of the Group's planned 2013 revenue may be transferred to 2014.

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

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

- **Higher fees charged by subcontractors**

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

- **Unstable EUR/PLN exchange rate**

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

14. Risks Believed to Have an Impact on the Group's Results in Subsequent Periods

- **Risks 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. No new infrastructure contracts and, consequently, lower number of orders is the main contributor to the dropping revenue in the construction industry this year. The new funds from the European Union will be available only in 2014 with a new budget for 2014-2020. Negative changes in Poland's macroeconomic situation, if any, may create a risk to the Group's business activity and, consequently, influence its financial results.

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

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

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

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

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

The Group sometimes needs to obtain administrative decisions required to execute certain projects. Such decisions are specified, *inter alia*, in the Construction Law, Code of Administrative Procedure or Environment 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 companies to begin their projects may also occur. These factors could lead to the failure to execute or timely execute the construction projects and, consequently, have a considerable impact on the Group's financial results.

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

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

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

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

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

According to the Polish Civil Code, a contractor commissioned by the Group companies to execute a construction project may at any time demand the payment guarantee from individual companies (the contracting authorities) up to the amount of remuneration payable under a contract and other agreements. The failure to provide a satisfactory guarantee creates an obstacle to the completion of construction works through the fault of the Group. A contractor is then entitled to demand its remuneration under Art. 639 of the Polish Civil Code. Consequently, costs may grow and the execution of construction projects may be delayed or even made impossible. This could have a negative impact on the Group's financial 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 relying, for instance, on interpretations of the Minister of Finance may question the Group's tax settlements related to its transactions executed as part of its ordinary course of business or other transactions (for instance capital transactions). Consequently, changes of laws or their interpretation, which are disadvantageous to the Group, may have a negative impact on the Group's financial standing.

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

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

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

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

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

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

- **Interest rate risk**

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

- **Credit risk**

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

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

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

The credit risk has increased for the Group because 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 a transaction, which provide for the postponed dates of payment.

- **Risk related to weather conditions**

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

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

15. 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 customers 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 tenders.

However, a long procedure of putting contracts out for tender and awarding contracts may have an impact on a precise planning of sales revenue.

16. 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.

17. Information on Dividend

On 27 May 2013, the Ordinary General Meeting of ZUE resolved to cover the loss for the financial year 2012 (from 1 January 2012 to 31 December 2012) of PLN 1,282,892.38 (one million two hundred and eighty two thousand eight hundred and ninety two zloty 38/100) from the reserve funds of ZUE.

18. Management Board's Statement on Forecast Financial Results

The Company did not publish any forecast 2013 financial results.

19. ZUE Shareholding Structure at the Date of Signing the Report and Changes Therein

Person	Position at ZUE	Number of shares held	Number of votes at GM	% share of votes at GM	Changes in shareholding 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	0.05	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	6,155	6,155	0.03	None
Michał Lis	Supervisory Board Member	661	661	0.00	None

20. Transactions with Related Entities

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

(PLN)

Trade transactions

	Receivables		Liabilities	
	As at 30/09/2013	As at 31/12/2012	As at 30/09/2013	As at 31/12/2012
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	0.00	3,690.00	0.00	0.00
RTI Germany	0.00	0.00	0.00	0.00
Total	0.00	3,690.00	0.00	0.00

	Sales revenue		Purchase	
	Period ended 30/09/2013	Period ended 30/09/2012	Period ended 30/09/2013	Period ended 30/09/2012
Wiesław Nowak	0.00	0.00	360,000.00	270,000.00
RTI	9,000.00	9,000.00	0.00	0.00
RTI Germany	0.00	0.00	596,060.55	0.00
Total	9,000.00	9,000.00	956,060.55	270,000.00

	Advanced loans		Financial income	
	As at 30/09/2013	As at 31/12/2012	Period ended 30/09/2013	Period ended 30/09/2012
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	109,683.67	103,448.11	2,168.02	0.00
RTI Germany	0.00	0.00	0.00	0.00
Total	109,683.67	103,448.11	2,168.02	0.00

	Received loans		Financial expenses	
	As at 30/09/2013	As at 31/12/2012	Period ended 30/09/2013	Period ended 30/09/2012
Wiesław Nowak	0.00	0.00	0.00	0.00
RTI	0.00	0.00	0.00	0.00
RTI Germany	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

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 contains detailed rules of settlements among the related entities.

21. Proceedings before Court, Arbitration Court or Public Administration Authority as at 30 September 2013

The companies comprising the 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 2013.

22. Off-Balance Sheet Items

22.1. Contingent liabilities

(PLN)

	As at 30/09/2013	As at 31/12/2012
Guarantees	200,725,372.84	195,837,579.09
Sureties	4,943,945.29	10,120,414.37
Bills of exchange	159,169,335.96	157,754,220.79
Mortgages	38,150,550.00	38,150,550.00
Pledges	11,808,589.25	15,484,784.94
Total	414,797,793.34	417,347,549.19

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

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

22.2. Contingent assets

(PLN)

	As at 30/09/2013	As at 31/12/2012
Guarantees	31,520,447.02	27,799,153.59
Bills of exchange	689,950.81	52,706.20
Sureties	0.00	0.00
Mortgages	0.00	0.00
Total	32,210,397.83	27,851,859.79

Contingent assets are the Group's security of the construction contracts concluded between the Group companies and subcontractors.

IV. QUARTERLY FINANCIAL REPORT OF ZUE

Selected financial data from the abbreviated separate financial statements

Rules adopted to translate selected financial data into euro:

Items	Exchange rate	Exchange rate on 30 Sept 2013	Exchange rate on 31 Dec 2012	Exchange rate on 30 Sep 2012
Balance sheet items	Mid exchange rate as at the balance sheet date	4.2163	4.0882	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	4.2231	n/a	4.1948
"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	4.2163	4.0882	4.1138

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

	As at 30/09/2013		As at 31/12/2012	
	PLN '000	EUR '000	PLN '000	EUR '000
Fixed assets	122,830	29,132	156,795	38,353
Current assets	162,888	38,633	185,768	45,440
Total assets	285,718	67,765	342,563	83,793
Shareholders' equity	167,722	39,779	170,391	41,679
Long-term liabilities	28,863	6,845	42,232	10,330
Short-term liabilities	89,133	21,141	129,940	31,784
Total equity and liabilities	285,718	67,765	342,563	83,793

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

	Period ended 30/09/2013		Period ended 30/09/2012	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	107,244	25,395	249,103	59,384
Cost of sales	107,977	25,568	237,430	56,601
Gross profit (loss) on sales	-733	-173	11,673	2,783
Profit (loss) on operating activities	-9,398	-2,225	3,565	850
Gross profit (loss)	-4,340	-1,028	3,789	903
Net profit (loss) on continued activities	-2,669	-632	2,970	708

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

	Period ended 30/09/2013		Period ended 30/09/2012	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-2,229	-528	-36,298	-8,653
Cash flows from investment activities	4,138	980	741	177
Cash flows from financial activities	-11,554	-2,736	29,275	6,979
Total net cash flows	-9,645	-2,284	-6,282	-1,497
Cash at beginning of period	10,232	2,503	19,724	4,466
Cash at end of period	586	139	13,420	3,262

Separate statement of comprehensive income

	(PLN)	
	9 months ended 30/09/2013	9 months ended 30/09/2012
Sales revenue	107,244,244.03	249,102,715.64
Cost of sales	107,977,181.25	237,430,411.17
Gross profit (loss) on sales	-732,937.22	11,672,304.47
General and administrative expenses	8,567,372.76	8,020,072.71
Other operating income	413,222.15	1,296,394.10
Other operating expenses	511,128.52	1,383,811.12
Profit (loss) on operating activities	-9,398,216.35	3,564,814.74
Financial income	6,569,716.77	2,615,577.65
Financial expenses	1,511,036.61	2,391,448.81
Pre-tax profit (loss)	-4,339,536.19	3,788,943.58
Corporate income tax	-1,670,366.24	819,334.81
Net profit (loss) on activities	-2,669,169.95	2,969,608.77
Net profit (loss)	-2,669,169.95	2,969,608.77
Total comprehensive income	-2,669,169.95	2,969,608.77
Number of shares	22,000,000	22,000,000
Net profit (loss) per share (PLN) (basic and diluted)	-0.12	0.13
Total comprehensive income (loss) per share (PLN)	-0.12	0.13

Separate statement of financial position

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
ASSETS		
Fixed assets		
Tangible fixed assets	21,209,339.29	24,138,620.72
Intangible assets	1,374,542.25	1,628,595.08
Investments in subsidiaries	82,666,066.70	80,605,209.38
Advance payments for investments in subsidiaries	0.00	0.00
Long-term receivables	0.00	37,956,720.03
Retentions on construction contracts	172,532.15	52,961.59
Deferred tax assets	15,823,261.92	12,412,784.77
Other assets	1,584,514.59	0.00
Total fixed assets	122,830,256.90	156,794,891.57
Current assets		
Inventories	18,491,984.05	16,548,103.50
Trade and other receivables	136,917,831.06	152,704,039.05
Retentions on construction contracts	3,935,604.21	3,643,819.20
Current tax assets	0.00	0.00
Other financial receivables	0.00	0.00
Other assets	1,807,248.56	1,855,616.99
Loans advanced	1,149,115.20	785,128.59
Cash and cash equivalents	586,410.53	10,231,528.46
Total current assets	162,888,193.61	185,768,235.79
Total assets	285,718,450.51	342,563,127.36
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	76,861,572.34	79,530,742.29
Total equity	167,722,253.02	170,391,422.97
Long-term liabilities		
Long-term bank borrowings and other debt instruments	8,286,541.03	22,840,167.24
Retentions on construction contracts	2,451,433.20	3,045,951.42
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	238,867.13	127,658.41
Deferred tax provision	15,861,102.69	14,120,991.78
Long-term provisions	2,024,646.75	2,096,936.75
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total long-term liabilities	28,862,590.80	42,231,705.60
Short-term liabilities		
Trade and other payables	37,163,556.37	80,912,843.77
Retentions on construction contracts	4,439,916.38	7,133,576.68
Short-term bank borrowings and other debt instruments	43,083,097.56	39,133,333.52
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	4,049,084.28	2,345,244.82
Current tax liabilities	0.00	0.00
Short-term provisions	397,952.10	415,000.00
Total short-term liabilities	89,133,606.69	129,939,998.79
Total liabilities	117,996,197.49	172,171,704.39
Total equity and liabilities	285,718,450.51	342,563,127.36

Separate statement of changes in equity

(PLN)

		Share capital	Share premium account	Retained earnings	Total
As at	1 January 2013	5,500,000.00	85,360,680.68	80,551,515.00	171,412,195.68
Correction of errors		0.00	0.00	-1,020,772.71	-1,020,772.71
After the correction of errors as at	1 January 2013	5,500,000.00	85,360,680.68	79,530,742.29	170,391,422.97
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	-2,669,169.95	-2,669,169.95
As at	30 September 2013	5,500,000.00	85,360,680.68	76,861,572.34	167,722,253.02
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 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	-2,303,665.09	-2,303,665.09

Separate statement of cash flows

	Period ended 30/09/2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit before tax	-4,339,536.19
Adjustments:	
Depreciation and amortisation	2,291,648.52
Foreign exchange gains / (losses)	-3,893.52
Interest and share in profit (dividends)	-4,729,859.96
(Gain) / loss on disposal of investments	37,990.04
Accrued expenses under commission on loans	156,093.75
(Gain) / loss on realisation of derivative financial instruments	0.00
Remeasurement of derivative financial instruments	0.00
Operating result before changes in working capital	-6,587,557.36
Change in receivables and retentions on construction contracts	53,331,572.45
Change in inventories	-1,943,880.55
Change in provisions and liabilities under employee benefits	1,725,710.28
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	-47,218,914.12
Change in accrued expenses	-1,536,146.16
Change in funds of limited availability	0.00
Other adjustments	0.00
Income tax paid	0.00
NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES	-2,229,215.46
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Sale of tangible and intangible fixed assets	2,708,157.96
Purchase of tangible and intangible fixed assets	-1,129,646.36
Investments in real property and intangible fixed assets	0.00
Sale / (purchase) of financial assets in non-consolidated subsidiaries	0.00
Sale / (purchase) of financial assets in consolidated subsidiaries	-1,414,552.82
Purchase of financial assets available for sale	0.00
Loans advanced	-990,000.00
Dividends received	4,896,860.70
Interest received	67,760.12
Settlement of financial instruments – expenses	0.00
Other investment income / (expenses)	0.00
NET CASH FROM INVESTMENT ACTIVITIES	4,138,579.60
CASH FLOWS FROM FINANCIAL ACTIVITIES	
Borrowings and other debt instruments received	52,358,296.14
Repayment of borrowings and other debt instruments	-62,032,112.34
Decrease in finance lease liabilities	-668,065.45
Interest paid	-1,212,426.40
Other cash provided by / (used in) financial activities – dividends	0.00
Net cash from issue of shares	0.00
NET CASH FLOWS FROM FINANCIAL ACTIVITIES	-11,554,308.05
TOTAL NET CASH FLOWS	-9,644,943.91
Net foreign exchange gains / (losses)	-174.02
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,231,528.46
CASH AND CASH EQUIVALENTS AT END OF PERIOD	586,410.53

V. NOTES TO ABBREVIATED SEPARATE FINANCIAL STATEMENTS OF ZUE

Analysis of ZUE's financial results for the three quarters of 2013

During the nine months ended 30 September 2013, sales revenue generated by ZUE stood at PLN 107,244 thousand and dropped by 56.9% when compared with the analogous period of 2012.

Cost of sales for the three quarters of 2013 amounted to PLN 107,977 thousand and decreased by 54.5% compared to the cost of sales recorded in the comparable period of 2012.

Gross loss on sales in the nine months ended 30 September 2013 was PLN 733 thousand and decreased by PLN 12,405 thousand compared to the gross profit on sales in the three quarters of 2012. Gross margin for the three quarters of 2013 was -0.7% while the analogous figure for the three quarters of 2012 was 4.7%. 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 the growing prices of fuels, goods, raw materials and subcontracted services.

General and administrative expenses as at 30 September 2013 stood at PLN 8,567 thousand and grew by PLN 547 thousand compared to the analogous figure reported as at 30 September 2012.

Other operating income for the three quarters of 2013 stood at PLN 413 thousand and dropped by PLN 883 thousand compared to the analogous value for the three quarters of 2012. Other operating expenses as at 30 September 2013 amounted to PLN 511 thousand and decreased by PLN 873 thousand compared to the analogous figure as at 30 September 2012.

During the nine months ended 30 September 2013, ZUE recorded a loss on operating activities of PLN 9,398 thousand while in the analogous period of 2012 the Company recorded a profit on operating activities of PLN 3,565 thousand.

Financial income for the three quarters of 2013 amounted to PLN 6,570 thousand and increased by PLN 3,954 thousand when compared with the figure reported at the end of the third quarter of 2012. Financial expenses in the period under analysis stood at PLN 1,511 thousand and decreased by PLN 880 thousand compared to the analogous period of 2012.

As at 30 September 2013, ZUE reported a gross loss of PLN 4,340 thousand compared to a gross profit of PLN 3,789 thousand reported by the Company as at 30 September 2012. Net loss in the reporting period of 2013 stood at PLN 2,669 thousand.

ZUE's total assets as at 30 September 2013 amounted to PLN 285,718 thousand and decreased by PLN 56,845 thousand compared to total assets at the end of 2012.

During the nine months ended 30 September 2013, fixed assets decreased by PLN 33,965 thousand to stand at PLN 122,830 thousand. Long-term receivables saw the greatest drop. Investments in subsidiaries increased by PLN 2,061 thousand in connection with the purchase of BPK shares and PRK employee shares and deferred tax assets grew by PLN 3,410 thousand on a year-on-year basis.

Current assets as at 30 September 2013 decreased by PLN 22,880 thousand compared to the end of 2012 to reach PLN 162,888 thousand.

A change in shareholders' equity of the Company of PLN 2,669 thousand when compared to the end of 2012 was caused by a decrease in retained earnings.

Long-term liabilities as at 30 September 2013 decreased by PLN 13,369 thousand compared to the end of 2012. Deferred tax provision was the greatest item of long-term liabilities and amounted to PLN 15,861 thousand. Long-term bank borrowings and other debt instruments saw a drop of PLN 14,554 thousand.

Short-term liabilities as at the end of the reporting period amounted to PLN 89,134 thousand and decreased by PLN 40,806 thousand compared to the figure as at the end of 2012. Trade payables saw the greatest drop of PLN 43,749 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 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)

Provisions	As at 31/12/2012	Created	Used	Released	As at 30/09/2013	Item
Long-term provisions:	2,224,595.16	3,577,418.77	125,845.97	3,412,654.08	2,263,513.88	
Pension and retirement gratuities	127,658.41	111,208.72	0.00	0.00	238,867.13	Liabilities under employee benefits (long-term)
Provisions for warranty repairs	2,096,936.75	3,466,210.05	125,845.97	3,412,654.08	2,024,646.75	Long-term provisions
Other provisions	0.00	0.00	0.00	0.00	0.00	
Short-term provisions:	2,760,244.82	3,476,320.16	1,629,528.60	160,000.00	4,447,036.38	
Pension and retirement gratuities	0.00	9,725.78	0.00	0.00	9,725.78	
Provisions for leaves	1,618,682.76	707,484.30	732,451.53	0.00	1,593,715.53	Liabilities under employee benefits (short-term)
Other employee benefits provisions	726,562.06	2,445,642.97	726,562.06	0.00	2,445,642.97	
Provisions for warranty repairs	415,000.00	313,467.11	170,515.01	160,000.00	397,952.10	Short-term provisions
Other provisions	0.00	0.00	0.00	0.00	0.00	
Total provisions:	4,984,839.98	7,053,738.93	1,755,374.57	3,572,654.08	6,710,550.26	

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 2013, the balance of provisions for warranty repairs amounted to PLN 2,423 thousand while as at 31 December 2012 it stood at PLN 2,512 thousand. In the nine months ended 30 September 2013, the balance decreased by PLN 89 thousand.

Deferred tax assets and liabilities

	(PLN)			
	As at 31/12/2012	Created	Used	As at 30/09/2013
Deferred tax assets	12,412,784.77	3,410,477.15	0.00	15,823,261.92
Deferred tax liabilities	14,120,991.78	1,740,110.91	0.00	15,861,102.69
Balance of assets and liabilities	-1,708,207.01	1,670,366.24	0.00	-37,840.77

In the three quarters of 2013, deferred tax assets increased by PLN 3,410 thousand over the figure disclosed as at 31 December 2012. Deferred tax liabilities increased by PLN 1,740 thousand over the figure reported as at 31 December 2012.

Trade and other receivables

Trade and other receivables

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
Trade receivables	68,328,702.81	95,734,651.70
Trade receivables write-downs	-47,453.45	-86,666.29
Receivables from the state budget other than corporate income tax	0.00	0.00
Receivables under contracts (valuation)	67,396,033.92	56,920,777.45
Advance payments	992,217.92	0.00
Other receivables	248,329.86	135,276.19
Total trade and other receivables	136,917,831.06	152,704,039.05

Ageing analysis of trade receivables

Ageing analysis of trade receivables

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
Not past due receivables	62,040,149.67	69,165,684.88
Receivables that are past due but not impaired	6,241,099.69	26,482,300.53
1-30 days	5,317,355.84	20,127,676.84
31-60 days	0.00	2,742,253.62
61-90 days	16,160.73	181,411.72
91-180 days	1,944.87	416,650.89
181-360 days	176,924.46	2,785,573.05
360 + days	728,713.79	228,734.41
Past due receivables for which write-downs were recognized	47,453.45	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
360 + days	47,453.45	86,666.29
Total trade receivables (gross)	68,328,702.81	95,734,651.70
Trade receivables write-downs	-47,453.45	-86,666.29
Total trade receivables (net)	68,281,249.36	95,647,985.41

Long-term receivables

(PLN)

	As at 30/09/2013	As at 31/12/2012
Trade receivables	0.00	39,577,093.78
Allowance for doubtful debts	0.00	0.00
Discounting long-term receivables	0.00	-1,620,373.75
Total	0.00	37,956,720.03
	Gross value of long-term receivables	
Balance at beginning of period	37,956,720.03	
Increases	0.00	
Decreases	37,956,720.03	
Transfer to short-term receivables	37,956,720.03	
Discount	0.00	
Balance at end of period	0.00	

Trade and other payables

Ageing analysis of trade payables

Trade and other payables

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
Trade payables	28,604,076.04	59,740,486.67
Liabilities to the state budget other than corporate income tax	1,890,575.42	12,943,197.13
Accruals	4,485,716.46	7,117,414.60
Liabilities under contracts (valuation)	1,861,648.61	1,077,031.05
Other liabilities	321,539.84	34,714.32
Total trade and other payables	37,163,556.37	80,912,843.77

Ageing analysis of trade payables

	(PLN)	
	As at 30/09/2013	As at 31/12/2012
Not past due payables	24,901,642.49	49,052,504.80
Past due payables	3,702,433.55	10,687,981.87
1-30 days	3,545,043.14	2,232,564.63
31-60 days	28,716.03	7,335,021.11
61-90 days	127,058.66	36,431.96
91-180 days	0.00	0.00
181-360 days	1,592.41	1,083,964.17
360 + days	23.31	0.00
Total trade payables	28,604,076.04	59,740,486.67

Transactions with related entities

The following transactions were entered into between the related entities during the reporting period:

Transactions with related entities

(PLN)

	Receivables		Payables	
	As at		As at	
	30/09/2013	31/12/2012	30/09/2013	30/09/2013
PRK	4,393,077.16	7,801,206.13	116,229.31	281,836.93
BIUP	7,560.99	30,270.75	0.00	18,450.00
BPK Poznań	14,268.43	8,866.06	0.00	0.00
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	0.00	3,690.00	0.00	0.00
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	4,414,906.58	7,844,032.94	116,229.31	300,286.93

	Sales revenue		Purchase	
	Period ended		Period ended	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
PRK	11,815,693.15	3,337,752.66	2,683,821.18	3,543,049.95
BIUP	20,594.22	24,216.51	283,500.00	16,565.04
BPK Poznań	4,670.92	0.00	0.00	0.00
BPK Gdańsk	5,847.48	0.00	0.00	0.00
RTI	9,000.00	9,000.00	0.00	0.00
RTI Germany	0.00	0.00	596,060.55	0.00
Wiesław Nowak	0.00	0.00	360,000.00	270,000.00
Total	11,855,805.77	3,370,969.17	3,923,381.73	3,829,614.99

	Advanced loans		Financial income	
	As at		Period ended	
	30/09/2013	31/12/2012	30/09/2013	30/09/2012
PRK	0.00	0.00	0.00	0.00
BIUP	627,622.03	43,964.36	3,657.67	0.00
BPK Poznań	411,809.50	620,000.00	10,397.88	4,958.14
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	109,683.67	103,448.11	2,168.02	0.00
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	1,149,115.20	767,412.47	16,223.57	4,958.14

	Received loans		Financial expenses	
	As at		Period ended	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
PRK	0.00	0.00	0.00	0.00
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
Total	0.00	0.00	0.00	0.00

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 contains detailed rules of settlements among the related entities.

Off-balance sheet items

Contingent liabilities

	As at 30/09/2013	As at 31/12/2012
Guarantees	118,362,992.92	147,730,713.13
Sureties	4,943,945.29	10,120,414.37
Bills of exchange	156,277,660.61	143,257,805.38
Mortgages	35,420,550.00	35,420,550.00
Pledges	11,808,589.25	15,484,784.94
Total contingent liabilities	326,813,738.07	352,014,267.82

(PLN)

The contingent liabilities resulting from guarantees include, in particular, the 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.

Contingent liabilities secured by bills of exchange, mortgages and pledges mainly include lease and credit facility agreements

Avals secure the credit facility agreements, lease agreements and performance bonds concluded by the following subsidiaries: BIUP, BPK Poznań and PRK.

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

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

Contingent assets

	As at 30/09/2013	As at 31/12/2012
Guarantees	23,666,273.86	22,221,272.58
Bills of exchange	689,950.81	52,706.20
Sureties	52,500,000.00	0.00
Mortgages	0.00	1,240,000.00
Total contingent assets	76,856,224.67	23,513,978.78

(PLN)

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

PRK provided the surety of PLN 52.5m to secure the revolving loan no. 2749/11/475/04.

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant

The financial statements have been presented by the Management Board comprising:

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 2013