

**ZUE Capital Group**

**ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS FOR  
3 MONTHS ENDED 31 MARCH 2014**

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



**GRUPA ZUE**

**Cracow, 9 May 2014**

### ***Contents of Quarterly Consolidated Report:***

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Abbreviations and definitions:

|                                 |   |
|---------------------------------|---|
| ZUE, Company                    | ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full.<br>Parent company of the ZUE Capital Group.   |
| PRK                             | Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. with registered office in Cracow previously entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000150723, share capital of PLN 9,500,000 paid up in full. On 20 December 2013, PRK was removed from the register as a result of merger with ZUE. |
| BIUP                            | Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 19,400 paid up in full.<br>Subsidiary of ZUE.  |
| RTI                             | Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full.<br>Subsidiary of ZUE.  |
| RTI Germany                     | Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full.<br><br>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.<br><br>Subsidiary of ZUE.   |
| BPK Gdańsk                      | Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji with registered office in Gdańsk, entered into the National Court Register maintained by the District Court Gdańsk-Północ, VII Commercial Division of the National Court Register, under entry no. KRS 0000273363, share capital of PLN 1,000,000 paid up in full.<br>Associate.   |
| ZUE Group, Group, Capital Group | ZUE Capital Group comprising: ZUE, Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Railway Technology International Germany GmbH.   |
| PLN                             | Polish złoty.   |
| EUR                             | Euro.   |
| Act                             | Polish Companies Act (Dz.U. 2000, no. 94, item 1037, as amended).   |

## APPROVAL OF ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

These abbreviated consolidated financial statements for 3 months ended 31 March 2014 were approved for publication by the Management Board of ZUE on 9 May 2014.

Wiesław Nowak – Management Board President

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Marcin Wiśniewski – Management Board Vice-President

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Jerzy Czeremuga – Management Board Vice-President

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Maciej Nowak – Management Board Member

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Anna Mroczek – Management Board Member

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Arkadiusz Wierciński – Management Board Member

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Cracow, 9 May 2014

## I. SELECTED FINANCIAL DATA OF THE GROUP

Rules adopted to translate selected financial data into EUR:

| Items  | Exchange rate   | Exchange rate on<br>31 Mar 2014 | Exchange rate on<br>31 Dec 2013 | Exchange rate on<br>31 Mar 2013 |
|--|---|---------------------------------|---------------------------------|---------------------------------|
| Items of assets, equity and liabilities  | Mid exchange rate prevailing at the end of the reporting period   | 4.1713                          | 4.1472                          | n/a                             |
| Items of statement of profit or loss and statement of cash flows   | Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period | 4.1894                          | n/a                             | 4.1738                          |
| "Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows | Mid exchange rate prevailing at the end of the reporting period   | 4.1713                          | 4.1472                          | 4.1774                          |

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

|                                     | At 31/03/2014  |               | At 31/12/2013  |               |
|-------------------------------------|----------------|---------------|----------------|---------------|
|                                     | PLN '000       | EUR '000      | PLN '000       | EUR '000      |
| Non-current assets                  | 153,122        | 36,708        | 147,370        | 35,535        |
| Current assets                      | 235,148        | 56,373        | 251,537        | 60,652        |
| <b>Total assets</b>                 | <b>388,270</b> | <b>93,081</b> | <b>398,907</b> | <b>96,187</b> |
| Equity                              | 188,896        | 45,285        | 191,055        | 46,068        |
| Non-current liabilities             | 58,108         | 13,931        | 50,705         | 12,226        |
| Current liabilities                 | 141,266        | 33,865        | 157,147        | 37,893        |
| <b>Total equity and liabilities</b> | <b>388,270</b> | <b>93,081</b> | <b>398,907</b> | <b>96,187</b> |

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

|  | Period ended 31/03/2014 |             | Period ended 31/03/2013 |               |
|--|-------------------------|-------------|-------------------------|---------------|
|  | PLN '000                | EUR '000    | PLN '000                | EUR '000      |
| Revenue                                      | 108,350                 | 25,863      | 52,957                  | 12,688        |
| Cost of sales                                | 106,274                 | 25,367      | 53,576                  | 12,836        |
| <b>Gross profit (loss) on sales</b>          | <b>2,076</b>            | <b>496</b>  | <b>-619</b>             | <b>-148</b>   |
| <b>Profit (loss) on operating activities</b> | <b>-2,378</b>           | <b>-568</b> | <b>-4,816</b>           | <b>-1,154</b> |
| <b>Gross profit (loss)</b>                   | <b>-2,271</b>           | <b>-542</b> | <b>-4,367</b>           | <b>-1,046</b> |
| <b>Net profit (loss)</b>                     | <b>-2,119</b>           | <b>-506</b> | <b>-3,894</b>           | <b>-933</b>   |
| <b>Total comprehensive income</b>            | <b>-2,119</b>           | <b>-506</b> | <b>-3,894</b>           | <b>-933</b>   |

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

|                                      | Period ended 31/03/2014 |               | Period ended 31/03/2013 |               |
|--------------------------------------|-------------------------|---------------|-------------------------|---------------|
|                                      | PLN '000                | EUR '000      | PLN '000                | EUR '000      |
| Cash flows from operating activities | 14,616                  | 3,489         | -9,055                  | -2,170        |
| Cash flows from investing activities | -1,942                  | -464          | 266                     | 64            |
| Cash flows from financing activities | -35,283                 | -8,422        | -11,242                 | -2,693        |
| <b>Total net cash flows</b>          | <b>-22,609</b>          | <b>-5,397</b> | <b>-20,031</b>          | <b>-4,799</b> |
| Cash at the beginning of the period  | 49,729                  | 11,991        | 69,761                  | 17,064        |
| Cash at the end of the period        | 27,098                  | 6,496         | 49,727                  | 11,904        |

## II. CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP

### Consolidated statement of comprehensive income

|   | (PLN)                      |                            |
|---|----------------------------|----------------------------|
|   | Period ended<br>31/03/2014 | Period ended<br>31/03/2013 |
| Revenue   | 108,349,362.94             | 52,957,076.03              |
| Cost of sales   | 106,273,539.57             | 53,575,928.52              |
| <b>Gross profit (loss) on sales</b>                                 | <b>2,075,823.37</b>        | <b>-618,852.49</b>         |
| General and administrative expenses                                 | 4,732,337.13               | 4,329,732.84               |
| Other operating income  | 752,015.90                 | 975,564.93                 |
| Other operating expenses  | 473,258.26                 | 843,179.63                 |
| <b>Profit (loss) on operating activities</b>                        | <b>-2,377,756.12</b>       | <b>-4,816,200.03</b>       |
| Financial income  | 768,125.17                 | 838,384.48                 |
| Financial expenses  | 661,060.38                 | 389,605.73                 |
| <b>Pre-tax profit (loss)</b>  | <b>-2,270,691.33</b>       | <b>-4,367,421.28</b>       |
| Corporate income tax  | -151,355.53                | -473,635.00                |
| <b>Consolidated net profit (loss)</b>                               | <b>-2,119,335.80</b>       | <b>-3,893,786.28</b>       |
| <b>Other net comprehensive income</b>                               |                            |                            |
| Items that will not be reclassified subsequently to profit or loss: | 0.00                       | <b>0.00</b>                |
| Remeasurement of liabilities under employee benefits                | 0.00                       | 0.00                       |
| <b>Other total net comprehensive income</b>                         | <b>0.00</b>                | <b>0.00</b>                |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                   | <b>-2,119,335.80</b>       | <b>-3,893,786.28</b>       |
| <b>Consolidated net profit attributable to:</b>                     |                            |                            |
| Shareholders of the parent  | -1,734,889.31              | -3,863,131.04              |
| Minority shareholders   | -384,446.49                | -30,655.24                 |
| Net profit (loss) per share (PLN) (basic and diluted)               | -0.08                      | -0.18                      |
| <b>Total comprehensive income attributable to:</b>                  |                            |                            |
| Shareholders of the parent  | -1,734,889.31              | -3,863,131.04              |
| Minority shareholders   | -384,446.49                | -30,655.24                 |
| Total comprehensive income per share (PLN)                          | -0.08                      | -0.18                      |



## Consolidated statement of financial position

|   | At 31/03/2014         | At 31/12/2013         |
|---|-----------------------|-----------------------|
| (PLN)   |                       |                       |
| <b>ASSETS</b>   |                       |                       |
| <b>Non-current assets</b>   |                       |                       |
| Property, plant and equipment   | 70,371,455.40         | 68,979,663.58         |
| Investment property   | 8,568,031.37          | 8,659,761.20          |
| Intangible assets   | 11,837,722.77         | 12,201,698.30         |
| Goodwill  | 32,646,001.12         | 32,646,001.12         |
| Investments in non-consolidated subsidiaries                                      | 28,585.50             | 28,585.50             |
| Advance payments for investments in subsidiaries                                  | 0.00                  | 0.00                  |
| Non-current receivables   | 0.00                  | 0.00                  |
| Retentions on construction contracts  | 4,107,150.09          | 2,310,835.90          |
| Deferred tax assets   | 25,410,473.14         | 22,391,922.46         |
| Other assets  | 152,733.92            | 151,851.89            |
| <b>Total non-current assets</b>   | <b>153,122,153.31</b> | <b>147,370,319.95</b> |
| <b>Current assets</b>   |                       |                       |
| Inventories   | 24,386,500.30         | 18,011,288.26         |
| Trade and other receivables   | 175,586,126.25        | 175,819,984.95        |
| Retentions on construction contracts  | 3,806,260.80          | 5,537,856.90          |
| Current tax assets  | 1,034.00              | 43,318.00             |
| Other financial receivables   | 0                     | 0.00                  |
| Other assets  | 4,159,869.82          | 2,286,315.14          |
| Loans advanced  | 110,080.14            | 108,844.38            |
| Cash and cash equivalents   | 27,098,467.12         | 49,729,062.27         |
| <b>Current assets</b>   | <b>235,148,338.43</b> | <b>251,536,669.90</b> |
| <b>Assets held for sale</b>   | <b>0.00</b>           | <b>0.00</b>           |
| <b>Total current assets</b>   | <b>235,148,338.43</b> | <b>251,536,669.90</b> |
| <b>Total assets</b>   | <b>388,270,491.74</b> | <b>398,906,989.85</b> |
| <b>EQUITY AND LIABILITIES</b>   |                       |                       |
| <b>Equity</b>   |                       |                       |
| Share capital   | 5,757,520.75          | 5,757,520.75          |
| Share premium account   | 93,836,665.29         | 93,836,665.29         |
| Retained earnings   | 90,127,764.59         | 91,802,270.33         |
| Equity attributable to shareholders of ZUE  | <b>189,721,950.63</b> | <b>191,396,456.37</b> |
| Equity attributable to non-controlling interests                                  | -825,791.79           | -341,924.05           |
| <b>Total equity</b>   | <b>188,896,158.84</b> | <b>191,054,532.32</b> |
| <b>Non-current liabilities</b>  |                       |                       |
| Long-term bank borrowings and other debt instruments and other financing sources  | 8,147,043.56          | 9,764,987.42          |
| Retentions on construction contracts  | 14,774,544.82         | 8,968,405.41          |
| Other financial liabilities   | 1,400,000.00          | 1,470,000.00          |
| Liabilities under employee benefits   | 2,512,310.93          | 2,510,868.06          |
| Deferred tax liabilities  | 24,185,273.72         | 21,347,313.57         |
| Long-term provisions  | 7,089,236.41          | 6,643,223.83          |
| Deferred revenue  | 0.00                  | 0.00                  |
| Other liabilities   | 0.00                  | 0.00                  |
| <b>Total non-current liabilities</b>  | <b>58,108,409.44</b>  | <b>50,704,798.29</b>  |
| <b>Current liabilities</b>  |                       |                       |
| Trade and other payables  | 108,503,294.31        | 91,205,685.02         |
| Retentions on construction contracts  | 7,090,189.43          | 6,793,208.08          |
| Short-term bank borrowings and other debt instruments and other financing sources | 7,673,394.47          | 40,570,393.01         |
| Other financial liabilities   | 280,000.00            | 280,000.00            |
| Liabilities under employee benefits   | 10,502,969.96         | 8,043,673.95          |
| Current tax liabilities   | 89,867.00             | 3,037,568.00          |
| Short-term provisions   | 7,126,208.30          | 7,217,131.18          |
| <b>Total current liabilities</b>  | <b>141,265,923.47</b> | <b>157,147,659.24</b> |
| <b>Total liabilities</b>  | <b>199,374,332.91</b> | <b>207,852,457.53</b> |
| <b>Total equity and liabilities</b>   | <b>388,270,491.74</b> | <b>398,906,989.85</b> |

## 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          |
|---|---------------------|-----------------------|----------------------|---|--|-----------------------|
| <b>Balance at 1 Jan 2014 – ZUE Group</b>  | <b>5,757,520.75</b> | <b>93,836,665.29</b>  | <b>91,802,270.33</b> | <b>191,396,456.37</b>                     | <b>-341,924.05</b>                               | <b>191,054,532.32</b> |
| Change of interest in subsidiaries        | 0.00                | 0.00                  | 60,383.57            | 60,383.57                                 | -99,421.25                                       | -39,037.68            |
| Other corrections                         | 0.00                | 0.00                  | 0.00                 | 0.00                                      | 0.00   | 0.00                  |
| Dividend                                  | 0.00                | 0.00                  | 0.00                 | 0.00                                      | 0.00   | 0.00                  |
| Issue of shares                           | 0.00                | 0.00                  | 0.00                 | 0.00                                      | 0.00   | 0.00                  |
| Issue costs                               | 0.00                | 0.00                  | 0.00                 | 0.00                                      | 0.00   | 0.00                  |
| Profit (loss) for the year                | 0.00                | 0.00                  | -1,734,889.31        | -1,734,889.31                             | -384,446.49                                      | -2,119,335.80         |
| Other net comprehensive income            | 0.00                | 0.00                  | 0.00                 | 0.00                                      | 0.00   | 0.00                  |
| <b>Balance at 31 Mar 2014 – ZUE Group</b> | <b>5,757,520.75</b> | <b>93,836,665.29</b>  | <b>90,127,764.59</b> | <b>189,721,950.63</b>                     | <b>-825,791.79</b>                               | <b>188,896,158.84</b> |
| <b>Balance at 1 Jan 2013 – ZUE Group</b>  | <b>5,500,000.00</b> | <b>85,360,680.68</b>  | <b>88,824,353.59</b> | <b>179,685,034.27</b>                     | <b>9,161,874.21</b>                              | <b>188,846,908.48</b> |
| Correction of errors                      | 0.00                | 0.00                  | -1,020,772.71        | -1,020,772.71                             | 0.00   | -1,020,772.71         |
| <b>Balance at 1 Jan 2013 – ZUE Group</b>  | <b>5,500,000.00</b> | <b>85,360,680.68</b>  | <b>87,803,580.88</b> | <b>178,664,261.56</b>                     | <b>9,161,874.21</b>                              | <b>187,826,135.77</b> |
| Change of interest in subsidiaries        | 0.00                | 0.00                  | 0.00                 | <b>0.00</b>                               | -25,280.00                                       | -25,280.00            |
| Taking control of subsidiary              | 0.00                | 0.00                  | 0.00                 | <b>0.00</b>                               | 91,042.18  | 91,042.18             |
| Dividend                                  | 0.00                | 0.00                  | 0.00                 | <b>0.00</b>                               | 0.00   | 0.00                  |
| Profit (loss) for the year                | 0.00                | 0.00                  | -3,863,131.04        | -3,863,131.04                             | -30,655.24                                       | -3,893,786.28         |
| <b>Balance at 31 Mar 2013 – ZUE Group</b> | <b>5,500,000.00</b> | <b>85,360,680.68</b>  | <b>83,940,449.84</b> | <b>174,801,130.52</b>                     | <b>9,196,981.15</b>                              | <b>183,998,111.67</b> |

## Consolidated statement of cash flows

|  | (PLN)                      |                            |
|--|----------------------------|----------------------------|
|  | Period ended<br>31/03/2014 | Period ended<br>31/03/2013 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                            |
| Net profit before tax  | -2,270,691.33              | -4,367,421.28              |
| <b>Adjustments:</b>  |                            |                            |
| Depreciation and amortisation  | 2,020,908.86               | 1,836,276.45               |
| Foreign exchange gains / (losses)  | 21,064.13                  | 114.50                     |
| Interest and share in profit (dividends)   | -161,316.23                | -989,042.67                |
| (Gain) / loss on disposal of investments   | 10,845.78                  | 21,494.57                  |
| Accrued expenses under commission on loans   | 52,031.25                  | 52,031.25                  |
| (Gain) / loss on realisation of derivative financial instruments   | 0.00                       | 0.00                       |
| Remeasurement of derivative financial instruments  | 0.00                       | 0.00                       |
| <b>Operating profit (loss) before changes in working capital</b>   | <b>-327,157.54</b>         | <b>-3,446,547.18</b>       |
| Change in receivables and retentions on construction contracts   | 377,078.55                 | 81,317,133.76              |
| Change in inventories  | -6,375,212.04              | -1,148,778.13              |
| Change in provisions and liabilities under employee benefits   | 2,577,260.60               | -1,486,338.40              |
| Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources | 23,237,113.75              | -81,015,575.17             |
| Change in accrued expenses   | -1,896,344.76              | -2,580,887.59              |
| Change in amounts payable to customers under construction contracts  | 0.00                       | 0.00                       |
| Change in received advance payments  | 0.00                       | 0.00                       |
| Change in funds of limited availability  | 0.00                       | 0.00                       |
| Other adjustments  | 0.00                       | 0.00                       |
| Income tax paid / tax refund   | -2,976,936.00              | -694,380.00                |
| <b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>   | <b>14,615,802.56</b>       | <b>-9,055,372.71</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                            |
| Sale of property, plant and equipment and intangible assets  | 280,584.52                 | 35,633.55                  |
| Purchase of property, plant and equipment and intangible assets  | -2,534,119.36              | -441,550.83                |
| Sale of investments in real property and intangible assets   | 0.00                       | 0.00                       |
| Sale of assets for sale  | 0.00                       | 0.00                       |
| Investments in real property and intangible assets   | 0.00                       | 0.00                       |
| Sale / (purchase) of financial assets in non-consolidated subsidiaries   | 0.00                       | 0.00                       |
| Sale / (purchase) of financial assets in consolidated subsidiaries   | -39,037.68                 | -70,532.00                 |
| Purchase of financial assets available for sale  | 0.00                       | 0.00                       |
| Loans advanced   | 0.00                       | 0.00                       |
| Dividends received   | 0.00                       | 0.00                       |
| Interest received  | 350,259.46                 | 654,542.88                 |
| Settlement of financial instruments – expenses   | 0.00                       | 0.00                       |
| Cash from acquisition of subsidiary  | 0.00                       | 87,862.42                  |
| Sale of financial assets in associates   | 0.00                       | 0.00                       |
| Other investment income / (expenses)   | 391.00                     | 252.00                     |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>  | <b>-1,941,922.06</b>       | <b>266,208.02</b>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                            |                            |
| Borrowings and other debt instruments received   | 139,899.09                 | 22,161,493.62              |
| Repayment of borrowings and other debt instruments   | -34,178,024.17             | -31,999,212.01             |
| Decrease in finance lease liabilities  | -1,046,167.40              | -946,207.73                |
| Interest paid  | -185,192.57                | -457,962.09                |
| Other cash provided by / (used in) financing activities – dividends  | -13,293.96                 | 0.00                       |
| Net cash provided by issue of shares   | 0.00                       | 0.00                       |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>   | <b>-35,282,779.01</b>      | <b>-11,241,888.21</b>      |
| <b>TOTAL NET CASH FLOWS</b>  | <b>-22,608,898.51</b>      | <b>-20,031,052.90</b>      |
| Net foreign exchange gains / (losses)  | -21,696.64                 | -2,771.34                  |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>  | <b>49,729,062.27</b>       | <b>69,760,750.22</b>       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>  | <b>27,098,467.12</b>       | <b>49,726,925.98</b>       |

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

#### 1. General information

At the end of the reporting period, the ZUE Capital Group was composed of ZUE (ZUE, Issuer, Company), Biuro Inżynierskich Usług Projektowych Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o. and Railway Technology International GmbH (indirect subsidiary). In addition, ZUE holds shares in Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji, an associate.

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

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

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

On 9 January 2014, the Supervisory Board of the Company resolved to appoint Mr. Arkadiusz Wierciński as Member of the Management Board of ZUE S.A. In addition, on 9 January 2014, the Supervisory Board of the Company resolved to dismiss Mr. Maciej Nowak from the position of the Vice-President of the Management Board of ZUE S.A. and to appoint him as Member of the Management Board of ZUE S.A.

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

#### Management Board:

|                      |                                 |
|----------------------|---------------------------------|
| Wiesław Nowak        | Management Board President      |
| Marcin Wiśniewski    | Management Board Vice-President |
| Jerzy Czeremuga      | Management Board Vice-President |
| Maciej Nowak         | Management Board Member         |
| Anna Mroczek         | Management Board Member         |
| Arkadiusz Wierciński | Management Board Member         |

#### Supervisory Board:

|                    |                               |
|--------------------|-------------------------------|
| Mariusz Szubra     | Supervisory Board Chairperson |
| Magdalena Lis      | Supervisory Board Member      |
| Bogusław Lipiński  | Supervisory Board Member      |
| Piotr Korzeniowski | Supervisory Board Member      |
| Michał Lis         | Supervisory Board Member      |

Subsidiary – Biuro Inżynierskich Usług Projektowych Sp. z o.o. has been established under the notarial deed of 15 June 2009 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). Cracow is the

company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000332405.

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

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

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

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

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

The activities of the ZUE Capital Group consist of:

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

### 1.1. Consolidated entities

Consolidated entities as at 31 March 2014:

| Name   | Registered office | Interests as at |             |             | Consolidation method |
|--|-------------------|-----------------|-------------|-------------|----------------------|
|  |                   | 31 Mar 2014     | 31 Dec 2013 | 31 Mar 2013 |                      |
| Biuro Inżynierskich Usług Projektowych Sp. z o.o.            | Cracow            | 49%             | 49%         | 49%         | Full                 |
| Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.        | Poznań            | 92%             | 84%         | 62%         | Full                 |
| Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji | Gdańsk            | 49%*            | 49%         | 53%         | Equity               |

\* Direct interest of BPK Poznań in BPK Gdańsk. Indirect interest of ZUE is 44.90%.

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

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

ZUE holds a 51% interest in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 31 March 2014.

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

At 31 March 2014, Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. held 964 shares in Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji; i.e. a 49.06% interest in the company. BPK Gdańsk was presented as an associate.

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

Acting pursuant to Article 255, Article 257 § 1 and Article 258 of the Act, the Extraordinary Shareholders Meeting of BIUP resolved on 18 April 2014 under the resolution no. 1/04/2014 to increase the share capital of BIUP from PLN 19,400 to PLN 1,269,400 through the creation of 25,000 shares with a par value of PLN 50 each. All the newly created shares were the preference shares giving their holders an entitlement to dividend that would exceed by half the non-preference shares dividend. All the newly created shares were fully paid up by ZUE in cash of PLN 1,250,000 in the following way:

- Payment of cash of PLN 20,960.61; and
- Set-off of ZUE's claims against BIUP in connection with the loans advanced to BIUP in the total amount of PLN 1,229,039.39.

Following the said increase, ZUE's interest in the share capital of BIUP is 99.22%.

In the first quarter of 2014, ZUE acquired 248 shares in BPK Poznań. Consequently, the Company held the total of 3,128 shares and a 91.52% interest in the share capital of BPK Poznań.

On 9 May 2014, the Ordinary Shareholders Meeting of BPK Poznań resolved to increase the share capital of BPK Poznań from PLN 1,747,500 to PLN 2,170,000 through the creation of 845 new shares with a par value of PLN 500 each.

Acquisition of shares:

- 1) New shares in the increased share capital are taken up by the existing shareholders of BPK Poznań pro rata to the shares already held by them within 7 days of the relevant resolution passed by the Ordinary Shareholders Meeting of BPK Poznań.
- 2) If the shares are not taken up by the shareholders within 7 days as specified in item 1) above, the shares will be offered by the Management Board of BPK Poznań, within 7 days, to the remaining shareholders pro rata to the shares already held by them.
- 3) If the shares are not taken up by the shareholders within 7 days as specified in item 2) above, the shares will be offered by the Management Board of BPK Poznań to ZUE.
- 4) The shares that have been taken up will be paid up in cash.

### **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 shareholder structure at the date of these statements' publication:

| Shareholder      | Number of shares held at 15.05.2014 | % interest in share capital at 15.05.2014 | Number of votes at the GM at 15.05.2014 | % of votes at the GM at 15.05.2014 | Number of votes at the GM at the last quarterly report publication date* | % interest in share capital at the last quarterly report publication date* | % of votes at the GM at the last quarterly report publication date* |
|------------------|-------------------------------------|---|---|------------------------------------|--|--|---|
| Wiesław Nowak    | 14,400,320                          | 62.53                                     | 14,400,320                              | 62.53                              | 16,000,000   | 72.73  | 72.73   |
| PKO Bankowy OFE  | 1,126,144                           | 4.89**                                    | 1,126,144                               | 4.89                               | 1,126,144  | 5.12   | 5.12  |
| AMPLICO PTE S.A. | 1,461,659                           | 6.35                                      | 1,461,659                               | 6.35                               | -  | -  | -   |
| Other            | 6,041,960                           | 26.23                                     | 6,041,960                               | 26.23                              | 4,873,856  | 22.15  | 22.15   |
| <b>Total</b>     | <b>23,030,083</b>                   | <b>100</b>                                | <b>23,030,083</b>                       | <b>100</b>                         | <b>22,000,000</b>  | <b>100</b>   | <b>100</b>  |

\*Day of publication of the prior quarterly report (Consolidated quarterly report of ZUE S.A. for III quarter of 2013): 13 November 2013.

\*\*By the date of this report publication, the Company did not receive from PKO Bankowy OFE any notice on a decrease of share in the total vote below 5%.

On 13 December 2013, ZUE learnt from Mr. Wiesław Nowak of his sale on 12 December 2013, via IPOPEMA Securities S.A., of 1,600,000 class A shares of the Company with the average sales price of PLN 9.60 per share. The shares were sold in the regular trading session of the Warsaw Stock Exchange. As a result of the transaction, the share of Mr. Wiesław Nowak in the total vote at the Company's General Meeting decreased from 72.73% to 65.45%.

On 20 December 2013, the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, registered the amendments to the Company's Articles of Association made on the basis of the resolution no. 5 passed on 6 December 2013 by the Extraordinary General Meeting of ZUE and a change in the amount of the Company's share capital, which amounted to PLN 5,757,520.75 and was divided into 23,030,083 shares with a par value of PLN 0.25 each.

On 24 December 2013, the Company received a notice from AMPLICO PTE S.A. according to which AMPLICO Otwarty Fundusz Emerytalny, an entity managed by AMPLICO PTE S.A., had increased its shareholding and held more than 5% of the total vote at the Company's General Meeting. The increase was a result of the acquisition of the Company's shares on 12 December 2013.

The agreement for the acquisition of the non-allotted merger shares, which had been offered by ZUE to the shareholders of PRK as part of the merger effected in 2013, was concluded on 2 January 2014. Under the said agreement, Mr. Wiesław Nowak acquired all 320 shares at the issue price of PLN 10.20 per share. The shares were allotted on 2 January 2014.

On 3 February 2014, ZUE learnt from Mr. Wiesław Nowak that as a result of the registration of ordinary class C bearer shares with the Central Securities Depository of Poland on 30 January 2014, a share of Mr. Wiesław Nowak in the total number of votes at the Company's General Meeting decreased to 62.53%.

### 3. Use of International Financial Reporting Standards

#### 3.1. Statement of compliance

The abbreviated quarterly consolidated financial statements of the Capital Group cover the three months ended 31 March 2014 and the comparable data for the three months ended 31 March 2013.

The abbreviated quarterly consolidated financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 31 March 2014 as endorsed 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 to both current and comparable period.



The abbreviated quarterly consolidated financial statements for the three months ended 31 March 2014 have been prepared according to the requirements binding on public companies.

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

### **3.2. Standards and interpretations used 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 endorsed by the European Union come into force in 2014:

- **IFRS 10 “Consolidated Financial Statements”** endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 “Joint Arrangements”** endorsed by 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”** endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 (as amended in 2011) “Separate Financial Statements”** endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures”** endorsed by 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 endorsed by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”** – interim provisions explanation (effective for annual periods beginning on or after 1 January 2013; in the EU, for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements”** – investment 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).

According to the Management Board of the Company, these standards, interpretations and amendments to the standards do not have any significant impact on the financial statements of the Capital Group.

### **3.3. Standards and interpretations adopted by the IASB but not yet endorsed by the EU**

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 9 May 2014:

- **IFRS 9 “Financial Instruments”** and subsequent amendments (coming into force was postponed by the International Financial Reporting Standards Board without giving any intended approval date);
- **Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Employee Contributions** (effective for annual periods beginning on or after 1 January 2014);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 “Public Fees”** (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS (2010-2012)** – amendments made as part of making annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), (effective for annual periods beginning on or after 1 July 2014);



- **Amendments to IFRS (2011-2013)** – amendments made as part of making annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40), (effective for annual periods beginning on or after 1 July 2014);
- **IFRS 14 “Regulatory Deferral Accounts”** – published on 30 January 2014 (effective for annual periods beginning on or after 1 January 2016).

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 end of the reporting period.

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

#### **4. Significant accounting principles used in the consolidated financial statements for the period 1 January 2014 - 31 March 2014**

##### **4.1. Preparation basis and comparability of data**

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

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 2013.

#### **5. Revisions to estimates**

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

| Changes in provisions             | (PLN)                |                     |                   |                     | As at<br>31/03/2014  |
|-----------------------------------|----------------------|---------------------|-------------------|---------------------|----------------------|
|                                   | As at<br>01/01/2014  | Created             | Released          | Utilised            |                      |
| <b>Long-term provisions:</b>      | <b>9,154,091.89</b>  | <b>638,328.59</b>   | <b>129,392.89</b> | <b>61,480.25</b>    | <b>9,601,547.34</b>  |
| Provisions for employee benefits  | 2,510,868.06         | 130,835.76          | 129,392.89        | 0.00                | 2,512,310.93         |
| Provisions for warranty repairs   | 6,636,926.15         | 507,492.83          | 0.00              | 61,480.25           | 7,082,938.73         |
| Other provisions                  | 6,297.68             | 0.00                | 0.00              | 0.00                | 6,297.68             |
| <b>Short-term provisions:</b>     | <b>11,023,051.39</b> | <b>1,562,711.36</b> | <b>461,621.77</b> | <b>1,479,511.25</b> | <b>10,644,629.73</b> |
| Provisions for employee benefits  | 3,805,920.21         | 1,284,299.33        | 149,220.13        | 1,422,577.98        | 3,518,421.43         |
| Provisions for warranty repairs   | 3,701,183.76         | 414.73              | 30,000.00         | 56,933.27           | 3,614,665.22         |
| Provision for a loss on contracts | 600,000.03           | 0.00                | 195,996.03        | 0.00                | 404,004.00           |
| Other provisions                  | 2,915,947.39         | 277,997.30          | 86,405.61         | 0.00                | 3,107,539.08         |
| <b>Total provisions:</b>          | <b>20,177,143.28</b> | <b>2,201,039.95</b> | <b>591,014.66</b> | <b>1,540,991.50</b> | <b>20,246,177.07</b> |

Provision for warranty repairs is created for the construction contracts in respect of which warranty has been given by the Group companies depending on the amount of revenues and taking account of subcontractors' liability for the work they have been entrusted with. The amount of provisions may decrease or increase on the basis of inspections of construction works in subsequent years of warranty.

#### Deferred tax assets and liabilities

|                                       | (PLN)               |                  |                    |                     |
|---------------------------------------|---------------------|------------------|--------------------|---------------------|
|                                       | As at<br>01/01/2014 | Created          | Utilised           | As at<br>31/03/2014 |
| Deferred tax assets                   | 22,391,922.46       | 3,469,130.87     | 450,580.19         | 25,410,473.14       |
| Deferred tax liabilities              | 21,347,313.57       | 3,440,392.07     | 602,431.92         | 24,185,273.72       |
| <b>Assets and liabilities balance</b> | <b>1,044,608.89</b> | <b>28,738.80</b> | <b>-151,851.73</b> | <b>1,225,199.42</b> |

In the first quarter of 2014, deferred tax assets grew by PLN 3,019 thousand over the figure reported as at 31 December 2013. Deferred tax liabilities increased by PLN 2,838 thousand compared to the figure disclosed at the end of 2013.

#### 6. Trade and other receivables

|   | (PLN)                 |                       |
|---|-----------------------|-----------------------|
|   | As at 31/03/2014      | As at 31/12/2013      |
| Trade receivables   | 118,830,894.90        | 136,683,599.52        |
| Trade receivables write-downs                                     | -13,482,808.00        | -13,245,140.35        |
| Receivables from the state budget other than corporate income tax | 278,401.84            | 0.00                  |
| Receivables under contracts (measurement)                         | 64,607,004.44         | 49,639,677.44         |
| Advance payments  | 5,304,840.65          | 2,526,025.56          |
| Other receivables   | 47,792.42             | 215,822.78            |
| <b>Total trade and other receivables</b>                          | <b>175,586,126.25</b> | <b>175,819,984.95</b> |

**Ageing analysis of trade receivables**

|  | (PLN)                 |                       |
|--|-----------------------|-----------------------|
|  | As at 31/03/2014      | As at 31/12/2013      |
| <b>Not past due receivables</b>                                  | <b>88,663,604.27</b>  | <b>95,151,579.46</b>  |
| <b>including:</b>  |                       |                       |
| Not past due receivables on which write-downs were recognised    | 0.00                  | 63,056.66             |
| <b>Receivables that are past due but not impaired</b>            | <b>16,684,482.63</b>  | <b>28,286,879.71</b>  |
| 1-30 days  | 499,091.76            | 23,695,165.76         |
| 31-60 days   | 9,441,939.48          | 723,760.71            |
| 61-90 days   | 170,948.19            | 31,015.03             |
| 91-180 days  | 2,084,845.33          | 3,649,364.35          |
| 181-360 days   | 3,742,948.05          | 54,715.15             |
| 360 + days   | 744,709.82            | 132,858.71            |
| <b>Past due receivables on which write-downs were recognised</b> | <b>13,482,808.00</b>  | <b>13,245,140.35</b>  |
| 1-30 days  | 11,531.25             | 457,089.07            |
| 31-60 days   | 110.69                | 18,800.20             |
| 61-90 days   | 164,712.49            | 3,177,395.06          |
| 91-180 days  | 751,388.52            | 5,026,904.94          |
| 181-360 days   | 3,533,348.00          | 4,564,951.08          |
| 360 + days   | 9,021,717.05          | 0.00                  |
| <b>Total trade receivables (gross)</b>                           | <b>118,830,894.90</b> | <b>136,683,599.52</b> |
| <b>Write-downs of trade receivables</b>                          | <b>-13,482,808.00</b> | <b>-13,245,140.35</b> |
| <b>Total trade receivables (net)</b>                             | <b>105,348,086.90</b> | <b>123,438,459.17</b> |

**7. Trade and other payables**

|   | (PLN)                 |                      |
|---|-----------------------|----------------------|
|   | As at 31/03/2014      | As at 31/12/2013     |
| Trade payables  | 54,983,904.37         | 58,069,902.15        |
| Liabilities to the state budget other than corporate income tax | 940,095.01            | 6,478,933.02         |
| Accruals  | 31,478,794.53         | 13,095,047.16        |
| Liabilities under contracts (measurement)                       | 20,908,112.09         | 13,064,266.10        |
| Other payables  | 192,388.31            | 497,536.59           |
| <b>Total trade and other payables</b>                           | <b>108,503,294.31</b> | <b>91,205,685.02</b> |

**Ageing analysis of trade payables**

|                              | (PLN)                |                      |
|------------------------------|----------------------|----------------------|
|                              | As at 31/03/2014     | As at 31/12/2013     |
| <b>Not past due payables</b> | <b>45,058,369.29</b> | <b>53,063,053.97</b> |
| <b>Past due payables</b>     | <b>9,925,535.08</b>  | <b>5,006,848.18</b>  |
| 1-30 days                    | 4,383,617.71         | 3,511,616.23         |
| 31-60 days                   | 2,190,482.92         | 22,054.53            |
| 61-90 days                   | 1,250,639.95         | 656,190.70           |
| 91-180 days                  | 1,249,161.49         | 153,690.55           |
| 181-360 days                 | 45,283.15            | 38,303.94            |
| 360 + days                   | 806,349.86           | 624,992.23           |
| <b>Total trade payables</b>  | <b>54,983,904.37</b> | <b>58,069,902.15</b> |

## 8. Discontinued operations

No operations were discontinued within the meaning of the IFRS 5 during the three months ended 31 March 2014 or 31 March 2013.

## 9. Segment reporting

The ZUE 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 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 and BPK.

The accounting principles applied to 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 like with transactions with third parties.

Operating segments' results for the first quarter of 2014:

|                                 | Construction | Design | Total   |
|---------------------------------|--------------|--------|---------|
|                                 |              |        | (PLN)   |
| Revenue                         | 107,087      | 1,262  | 108,349 |
| Including:                      |              |        |         |
| Revenue from external customers | 107,025      | 1,067  | 108,092 |
| Inter-segment revenues          | 62           | 195    | 257     |
| Gross profit                    | 2,617        | -541   | 2,076   |
| Financial income / expenses     | 162          | -55    | 107     |
| Interest received               | 350          | 0      | 350     |
| Interest paid                   | -184         | -1     | -185    |
| Pre-tax profit                  | -1,721       | -550   | -2,271  |
| Corporate income tax            | -223         | 72     | -151    |
| Net profit                      | -1,498       | -621   | -2,119  |
| Depreciation and amortisation   | 1,927        | 94     | 2,021   |
| Property, plant and equipment   | 65,710       | 4,661  | 70,371  |
| Non-current assets              | 147,901      | 5,221  | 153,122 |
| Total assets                    | 380,599      | 7,671  | 388,270 |

## **10. Factors and events with a bearing on the Group's financial results in the first quarter of 2014**

### **Analysis of the Group's financial results at the end of the first quarter of 2014**

In the three months ended 31 March 2014, revenue generated by the Group stood at PLN 108,349 thousand and grew by 104.6 % compared to the figure recorded in the analogous period of 2013.

Cost of sales in the first quarter of 2014 amounted to PLN 106,274 thousand and grew year-on-year by 98.4%.

Gross profit on sales at 31 March 2014 was PLN 2,076 thousand while in the analogous period of 2013, the Group reported a gross loss on sales of PLN 619 thousand. Gross margin in the first quarter of 2014 was 1.9% compared to -1.2% at the end of the first quarter of 2013.

General and administrative expenses for the three months ended 31 March 2014 amounted to PLN 4,732 thousand and increased year-over-year by PLN 403 thousand.

Other operating income in the first quarter of 2014 amounted to PLN 752 thousand; i.e. it decreased year-on-year by PLN 224 thousand. Other operating expenses at 31 March 2014 amounted to PLN 473 thousand and decreased over the year by PLN 370 thousand.

The Group recorded a loss on operating activities in the three months ended 31 March 2014 of PLN 2,378 thousand while in the analogous period of 2013, a loss on operating activities was PLN 4,816 thousand.

Financial income in the first quarter of 2014 was PLN 768 thousand and decreased by PLN 70 thousand compared to the figure reported at the end of the first quarter of 2013. Financial expenses in the period under analysis stood at PLN 661 thousand and increased year-on-year by PLN 271 thousand.

In the period under analysis, a gross loss recorded by the Group was PLN 2,271 thousand and was lower by PLN 2,097 thousand compared to the figure reported in the analogous period of 2013. Net loss in the first quarter of 2014 stood at PLN 2,119 thousand and decreased by PLN 1,774 thousand compared to the year-ago quarter's result.

The Group's total assets and liabilities at 31 March 2014 amounted to PLN 388,270 thousand and declined by PLN 10,636 thousand compared to the analogous figure at the end of 2013.

At 31 March 2014, non-current assets increased by PLN 5,752 thousand compared to the item reported at 31 December 2013 while current assets decreased by PLN 16,388 thousand.

As regards current assets, cash and cash equivalents saw the greatest drop and decreased by PLN 22,631 thousand compared to December 2013.

At the end of the first quarter of 2014, inventories increased by PLN 6,375 thousand compared to the item reported at the end of 2013.

Compared to the end of 2013, equity decreased by PLN 2,158 thousand and stood at PLN 188,896 thousand.

When compared with the figure reported at the end of 2013, total liabilities at 31 March 2014 decreased by PLN 8,478 thousand and amounted to PLN 199,374 thousand.

The Group's non-current liabilities at 31 March 2014 increased by PLN 7,404 thousand over the figure reported at 31 December 2013.

Current liabilities at the end of the first quarter of 2014 decreased by PLN 15,882 thousand compared to the end of 2013 and amounted to PLN 141,266 thousand. The greatest drop was reported in short-term bank borrowings and other debt instruments (by PLN 32,897 thousand) while trade and other payables at the end of the first quarter of 2014 increased by PLN 17,298 thousand compared to the data disclosed at 31 December 2013.

The abovementioned results of the Capital Group reflected typical trends in the construction industry in the first quarter of 2014.

## 11. Major events in the first quarter of 2014 and after the reporting period

### 11.1. Major events in the period 1 January 2014 – 31 March 2014

- On 21 February 2014, ZUE S.A. signed the contract for a part of the construction works concerning the OCL and track services as part of the following project executed by Mota – Engil Central Europe S.A. of Cracow: “Extension of a tramway under the KST project Phase II B including the road system (the Lipska Street – the Wielicka Street) in Cracow.” The contracting authority: Mota – Engil Central Europe S.A. of Cracow. Net value of the contract: PLN 26,650,000.00. Completion date: 15 August 2015. Term of warranty: 60 months. Performance bond: standard bond provided by the Company at 5% of the contract gross value.
- On 28 February 2014, ZUE S.A. and Tramwaje Warszawskie Sp. z o.o. of Warsaw signed the contract for the construction of the tram line to Tarchomin in Warsaw. Net value of the contract: PLN 52,195,121.13. Completion date: 10 months of the contract date. Term of warranty: 36 months. Performance bond: standard bond provided by the Company at 5% of the contract gross value.
- On 4 March 2014, ZUE concluded the contract with Pomorskie Przedsiębiorstwo Mechaniczno – Torowe Sp. z o.o. of Gdańsk for the provision of construction services on the section named V Grodzisk Mazowiecki station in connection with the following tasks performed by Pomorskie Przedsiębiorstwo Mechaniczno – Torowe Sp. z o.o. of Gdańsk for PKP Polskie Linie Kolejowe of Warsaw:
  - Design and upgrade of the Warsaw – Łódź railway line, stage II, the Warszawa Zachodnia – Miedniewice (Skierniewice) section, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – the Warszawa Zachodnia – Skierniewice section;”
  - Supplementary works related to civil structures, railway substructure and elements of telecommunications engineering on the 6,500km - 54,100km section, line no. 1 Warszawa Centralna – Katowice, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – the Warszawa Zachodnia – (Miedniewice) Skierniewice section;”
  - Supplementary works related to the reinforcement of the track substructure and reconstruction of the track layout at the Pruszków station, the Pruszków – Grodzisk Mazowiecki route, the Grodzisk Mazowiecki station, the Żyrardów station and power engineering works at the Pruszków station, the Żyrardów station, line no. 1 Warszawa Centralna–Katowice, as part of the POIIS 7.1 – 24.1 project: “Upgrade of the Warsaw – Łódź railway line, stage II, Lot A – Warszawa Zachodnia – (Miedniewice) Skierniewice section.”Net value of the contract: PLN 71,758,000. Completion date: 30 September 2015. Term of warranty: 12 months. Performance bond: standard bond provided by the Company at 5% of the contract gross value.
- On 21 March 2014, ZUE S.A. and PKP Polskie Linie Kolejowe S.A. of Warsaw, the contracting authority, signed the contract for the following project: “Upgrade of the Wrocław Zgorzelec railway line no. 274 on the Wrocław-Jelenia Góra section - upgrade of the railroad surface with auxiliary works, Smolec junction signal box, track no. 1, the Smolec – Kąty Wrocławskie route, track no. 1, the Kąty Wrocławskie – Mietków route and track no. 3 in the Boguszów Gorce Zachód station.” Net value of the contract: PLN 42,436,450.00. Completion date: 30 October 2015. Term of warranty: 36 months. Performance bond: standard bond provided by the Company set at 10% of the contract gross value.
- On 25 March 2014, the consortium including ZUE S.A. (the “Consortium Leader”) and Polskie Sieci Elektroenergetyczne S.A. of Konstancin – Jeziorna (the “Contracting Authority”) signed the contract for the following project: “Construction of the double track 400 kV Kozienice – Ołtarzew.” Net value of the contract: PLN 469,000,000 (gross value of the Contract: PLN 576,870,000). Completion date: 30 June 2019. In connection with the abovementioned contract, ZUE (the Consortium Leader) provided the Contracting Authority with a standard performance bond. The performance bond set at 10% of the contract gross value was provided in the form of the three bonds of approx. ten, twenty five and sixty five percent, respectively, of the abovementioned performance bond provided by the insurance companies cooperating with the Company (TU Euler Hermes S.A. Česká Pojišťovna a.s and Powszechny Zakład Ubezpieczeń S.A.) as part of the bond limit agreements. The bonds were provided for seven years for the double track 400 kV Kozienice – Ołtarzew and five years for the 400/220/110 kV Kozienice Świerże Górne 26-900 Kozienice station and the 400/220/110 kV Ołtarzew station. The contractor would be liable under warranty for the same period.

### **11.2. Other events in the period 1 January 2014 – 31 March 2014**

- On 7 January 2014, the revolving facility no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A. was repaid in full. The security was released and the agreement was terminated on 7 January 2014.
- On 28 February 2014, ZUE S.A. and S.A. signed the contract for the comprehensive works as part of the following project executed by Budimex S.A. of Warsaw: "Reconstruction of the tram line on the Mogilskie Roundabout – Al. Jana Pawła II – Plac Centralny section together with the traffic control system in Cracow." Project 1a: Reconstruction of the tramway on the Mogilskie Roundabout – Al. Jana Pawła II – Plac Centralny section; project 1b: Extension of the intersection of the Streets Lema – Meissnera – Al. Jana Pawła II; construction of the *Wieczysta* rectifier substation with power networks, OCL networks, traction poles and connections to the station, and the construction of 15 kV power cable line. Net value of the contract: PLN 11,930,000. Completion date: 10 months of the contract date. Term of warranty: 37 months. Performance bond: standard bond provided by the Company at 3.5% of the contract gross value.

### **11.3. Events after the reporting period**

- The price bids submitted in the tenders organised by Košice (Mesto Košice – the Contracting Authority) for the following projects:
  1. "Construction of IKD Košice, Maratónu Mieru Square – Station Yard" (Tender no. 1); and
  2. "KE, Upgrade of tramways and design documentation + project execution" (Tender no. 2);

were opened on 29 April 2014.

According to the information obtained in connection with the price bid opening, the bids submitted by the consortium including DÚHA a.s. of Prešov, Slovakia (leader) and ZUE S.A. of Cracow, Poland (partner) were the lowest price bids.

The total value of both bids was approx. EUR 91.2m and the amount was the equivalent of approx. PLN 383m at the mid-exchange rate quoted by the National Bank of Poland on 29 April 2014 (net values were EUR 33,284,447.25 for the Tender no. 1 and EUR 57,890,000.00 for the Tender no. 2, respectively). The Company's share was at least 30% of the projects (including specialist works relating to the construction of tramway track and OCL network) and this corresponded to approx. PLN 115m.

The projects executed as part of the two tenders would be completed within 14 months of the contract awarding date.

The Contracting Authority would be bound by the bid at least until 30 September 2014.

At the same time, the Company explained that choosing the lowest price bids was not tantamount to the selection thereof as the most advantageous offers. Another stage of the tender process would be the Contracting Authority's detailed formal verification of the price bids submitted by the Consortium. Next, the Contracting Authority would select the most advantageous offers and according to the terms of the tender process, the lowest price would be the selection criterion.

- On 5 May 2014, ZUE and mBank Spółka Akcyjna signed the Annex no. 12 to the overdraft facility no. 07/183/04/Z/W whereby the term of the facility was extended until 15 May 2015.
- On 8 May 2014, the loan agreement was concluded by and between Mr. Wiesław Nowak, President of the Management Board of ZUE S.A. and Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. whereby the loan of PLN 500,000 at variable interest rate was advanced to BPK Poznań.

Aim of the loan: short-term increase of the company's financial liquidity. Loan repayment date: 29 December 2014. Security: mortgage on the company's real property in the Tadeusza Kościuszki Street no. 68 in Poznań.



## 12. 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 2014 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. In the first quarter of 2014, the Group took part in two foreign tenders as part of which it submitted the lowest price tenders and the tender process is still ongoing (see section 11.2). 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 2014 revenue may be transferred to 2015.

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

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

- **Higher fees charged by subcontractors**

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

- **Unstable EUR/PLN exchange rate**

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



### 13. Risks believed to have an impact on the Group's results in subsequent periods

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Interest rate risk**

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

- **Credit risk**

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

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

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

The credit risk has increased recently 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 transaction, which provide for postponed dates of payment.

- **Risk related to atmospheric conditions**

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

- **Risk related to greater employment costs**

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

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

## **14. Notes on seasonal and cyclical nature of the 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 weather 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 undertaken 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.

### 15. Issue and redemption of debt and equity securities

On 2 January 2014, the subscription took place in connection with the introduction of ZUE's securities to trading on the stock exchange and the allotment of shares.

The abovementioned subscription was connected with the said merger and concerned 320 class C bearer shares with a par value of PLN 0.25 each which had not been purchased as part of the merger by the existing shareholders of PRK as a result of the exchange ratio determined in the plan of merger, rounding the total number of the merger shares offered to the existing shareholders of PRK down to the nearest integral number and the payment of cash equivalent to a fraction of the merger share that had not been given to them.

In connection with § 2.13 of the resolution no. 4 passed by the Extraordinary General Meeting of ZUE on 6 December 2013 and § 2.13 of the resolution no. 3 passed by the Extraordinary General Meeting of PRK on 9 December 2013, the Management Board of ZUE decided to offer the non-allotted merger shares to a designated purchaser at the issue price equal to the closing bid price applicable on the Warsaw Stock Exchange on the date of the share acquisition agreement but not lower than the value of the merger shares computed for the purpose of the merger; i.e. PLN 9.01 per one non-allotted merger share.

The agreement for the acquisition of the non-allotted merger shares was concluded on 2 January 2014. Under the said agreement, Mr. Wiesław Nowak, President of the Company's Management Board, acquired all 320 shares at the issue price of PLN 10.20 per share. The shares were allotted on 2 January 2014.

No debt or equity securities were issued or redeemed in the reporting period by any company comprising the Capital Group.

### 16. Information on dividend

No dividend payment is intended by the Management Board of ZUE at the date of this report.

No dividend was paid in the reporting period by any company comprising the Capital Group.

### 17. Management Board's statement on forecast financial

The Company did not publish any forecast 2014 financial results.

### 18. ZUE shareholding structure at the report publication date and changes therein since the last quarterly report

| Person            | Position at ZUE                 | Number of shares held at 15.05.2014 | Number of votes at the GM | % share of votes at the GM | Changes in shareholding since the last quarterly report* |
|-------------------|---------------------------------|-------------------------------------|---------------------------|----------------------------|--|
| Wiesław Nowak     | Management Board President      | 14,400,320                          | 14,400,320                | 62.53                      | None   |
| Marcin Wiśniewski | Management Board Vice-President | 969                                 | 969                       | < 0.01                     | None   |
| Jerzy Czeremuga   | Management Board Vice-President | 136                                 | 136                       | < 0.01                     | None   |
| Maciej Nowak      | Management Board Member         | 7,706                               | 7,706                     | 0.03                       | None   |
| Magdalena Lis     | Supervisory Board Member        | 6,502                               | 6,502                     | 0.03                       | Purchase of 347 shares                                   |
| Michał Lis        | Supervisory Board Member        | 661                                 | 661                       | < 0.01                     | None   |

\*Prior quarterly report publication date (Consolidated quarterly report of ZUE S.A. for III quarter of 2013): 13 November 2013.

According to the best knowledge of the Management Board of ZUE, no Company shares were held at this report publication date by other members of ZUE's governing or supervisory bodies.

No rights to the Company shares were held by members of the governing or supervisory bodies at this or prior quarterly report publication date.

## 19. Transactions with related entities

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

(PLN)

### Trade transactions

|               | Receivables      |                  | Payables         |                   |
|---------------|------------------|------------------|------------------|-------------------|
|               | As at 31/03/2014 | As at 31/12/2013 | As at 31/03/2014 | As at 31/12/2013  |
| Wiesław Nowak | 0.00             | 0.00             | 0.00             | 0.00              |
| RTI           | 1,230.00         | 4,320.78         | 0.00             | 0.00              |
| RTI Germany   | 0.00             | 0.00             | 62,900.08        | 172,361.96        |
| BPK Gdańsk    | 0.00             | 0.00             | 300.00           | 0.00              |
| <b>Total</b>  | <b>1,230.00</b>  | <b>4,320.78</b>  | <b>63,200.08</b> | <b>172,361.96</b> |

  

|               | Revenue                 |                         | Purchase                |                         |
|---------------|-------------------------|-------------------------|-------------------------|-------------------------|
|               | Period ended 31/03/2014 | Period ended 31/03/2013 | Period ended 31/03/2014 | Period ended 31/03/2013 |
| Wiesław Nowak | 0.00                    | 0.00                    | 29,520.00               | 120,000.00              |
| RTI           | 3,000.00                | 3,000.00                | 0.00                    | 0.00                    |
| RTI Germany   | 0.00                    | 0.00                    | 195,228.57              | 0.00                    |
| BPK Gdańsk    | 0.00                    | 0.00                    | 14,805.50               | 0.00                    |
| <b>Total</b>  | <b>3,000.00</b>         | <b>3,000.00</b>         | <b>239,554.07</b>       | <b>120,000.00</b>       |

  

|               | Advanced loans    |                   | Financial income        |                         |
|---------------|-------------------|-------------------|-------------------------|-------------------------|
|               | As at 31/03/2014  | As at 31/12/2013  | Period ended 31/03/2014 | Period ended 31/03/2013 |
| Wiesław Nowak | 0.00              | 0.00              | 0.00                    | 0.00                    |
| RTI           | 110,080.14        | 108,844.38        | 603.25                  | 0.00                    |
| RTI Germany   | 0.00              | 0.00              | 0.00                    | 0.00                    |
| <b>Total</b>  | <b>110,080.14</b> | <b>108,844.38</b> | <b>603.25</b>           | <b>0.00</b>             |

  

|               | Received loans   |                  | Financial expenses      |                         |
|---------------|------------------|------------------|-------------------------|-------------------------|
|               | As at 31/03/2014 | As at 31/12/2013 | Period ended 31/03/2014 | Period ended 31/03/2013 |
| 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                    |
| <b>Total</b>  | <b>0.00</b>      | <b>0.00</b>      | <b>0.00</b>             | <b>0.00</b>             |

During the reporting period, no major transactions were entered into by ZUE or the subsidiaries and the related entities on any terms other than at arm's length.

## 20. Proceedings before court, arbitration court or public administration authority at this report publication date

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

## 21. Other information believed by the Issuer to be significant for the assessment of its staff, economic and financial position, profit or loss and changes therein, and information significant for the assessment of the Issuer's ability to perform its obligations

The Management Board of ZUE believe there is no information significant for the assessment of its staff, economic and financial position, profit or loss and changes therein, or information significant for the assessment of the Company's or the Group's ability to perform their obligations other than presented in this report.

## 22. Off-balance sheet items

### 22.1. Contingent liabilities

(PLN)

|                      | As at 31/03/2014      | As at 31/12/2013      |
|----------------------|-----------------------|-----------------------|
| Bonds and guarantees | 229,752,194.27        | 191,811,696.21        |
| Sureties             | 2,089,701.01          | 2,105,028.42          |
| Bills of exchange    | 77,539,671.03         | 130,136,815.31        |
| Mortgages            | 53,747,550.00         | 38,150,550.00         |
| Pledges              | 0.00                  | 11,034,573.75         |
| <b>Total</b>         | <b>363,129,116.31</b> | <b>373,238,663.69</b> |

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

The contingent liabilities secured by the bills of exchange, mortgages and pledges are mainly credit facility and lease agreements. On 7 January 2014, registered pledge was released in connection with the credit repayment (agreement no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A.).

### 22.2. Contingent assets

(PLN)

|                      | As at 31/03/2014     | As at 31/12/2013     |
|----------------------|----------------------|----------------------|
| Bonds and guarantees | 34,863,747.94        | 29,641,187.66        |
| Bills of exchange    | 687,381.00           | 1,324,625.61         |
| Sureties             | 0.00                 | 0.00                 |
| Mortgages            | 0.00                 | 0.00                 |
| <b>Total</b>         | <b>35,551,128.94</b> | <b>30,965,813.27</b> |

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

#### IV. QUARTERLY FINANCIAL REPORT OF ZUE

##### Selected financial data of the abbreviated separate financial statements

Rules adopted to translate selected financial data into EUR:

| Items  | Exchange rate   | Exchange rate     | Exchange rate     | Exchange rate     |
|--|---|-------------------|-------------------|-------------------|
|  |   | on<br>31 Mar 2014 | on<br>31 Dec 2013 | on<br>31 Mar 2013 |
| Items of assets, equity and liabilities  | Mid exchange rate prevailing at the end of the reporting period   | 4.2163            | 4.0882            | n/a               |
| Items of statement of profit or loss and statement of cash flows   | Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period | 4.2231            | n/a               | 4.1948            |
| "Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows | Mid exchange rate prevailing at the end of the reporting period   | 4.2163            | 4.0882            | 4.1138            |

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

|                                     | As at 31/03/2014 |               | As at 31/12/2013 |               |
|-------------------------------------|------------------|---------------|------------------|---------------|
|                                     | PLN '000         | EUR '000      | PLN '000         | EUR '000      |
| Non-current assets                  | 147,901          | 35,457        | 141,907          | 34,218        |
| Current assets                      | 232,731          | 55,793        | 248,262          | 59,862        |
| <b>Total assets</b>                 | <b>380,632</b>   | <b>91,250</b> | <b>390,169</b>   | <b>94,080</b> |
| Equity                              | 190,937          | 45,774        | 192,435          | 46,401        |
| Non-current liabilities             | 53,155           | 12,743        | 45,810           | 11,046        |
| Current liabilities                 | 136,540          | 32,733        | 151,924          | 36,633        |
| <b>Total equity and liabilities</b> | <b>380,632</b>   | <b>91,250</b> | <b>390,169</b>   | <b>94,080</b> |

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

|  | Period ended 31/03/2014 |             | Period ended 31/03/2013 |               |
|--|-------------------------|-------------|-------------------------|---------------|
|  | PLN '000                | EUR '000    | PLN '000                | EUR '000      |
| Revenue                                      | 107,087                 | 25,562      | 20,049                  | 4,803         |
| Cost of sales                                | 104,470                 | 24,937      | 21,957                  | 5,260         |
| <b>Gross profit (loss) on sales</b>          | <b>2,617</b>            | <b>625</b>  | <b>-1,908</b>           | <b>-457</b>   |
| <b>Profit (loss) on operating activities</b> | <b>-1,883</b>           | <b>-450</b> | <b>-4,391</b>           | <b>-1,052</b> |
| <b>Gross profit (loss)</b>                   | <b>-1,721</b>           | <b>-411</b> | <b>-4,604</b>           | <b>-1,103</b> |
| <b>Net profit (loss)</b>                     | <b>-1,498</b>           | <b>-358</b> | <b>-3,761</b>           | <b>-901</b>   |
| <b>Total comprehensive income</b>            | <b>-1,498</b>           | <b>-358</b> | <b>-3,761</b>           | <b>-901</b>   |

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

|                                      | Period ended 31/03/2014 |               | Period ended 31/03/2013 |               |
|--------------------------------------|-------------------------|---------------|-------------------------|---------------|
|                                      | PLN '000                | EUR '000      | PLN '000                | EUR '000      |
| Cash flows from operating activities | 14,910                  | 3,559         | 2,706                   | 648           |
| Cash flows from investing activities | -2,202                  | -526          | -106                    | -25           |
| Cash flows from financing activities | -35,348                 | -8,437        | -10,429                 | -2,499        |
| <b>Total net cash flows</b>          | <b>-22,640</b>          | <b>-5,404</b> | <b>-7,829</b>           | <b>-1,876</b> |
| Cash at the beginning of the period  | 49,645                  | 11,971        | 10,232                  | 2,503         |
| Cash at the end of the period        | 26,984                  | 6,469         | 2,399                   | 574           |

## Separate statement of comprehensive income

|   | (PLN)                        |                              |
|---|------------------------------|------------------------------|
|   | 3 months ended<br>31/03/2014 | 3 months ended<br>31/03/2013 |
| Revenue   | 107,086,938.25               | 20,048,815.80                |
| Cost of sales   | 104,470,391.52               | 21,956,892.94                |
| <b>Gross profit (loss) on sales</b>                                 | <b>2,616,546.73</b>          | <b>-1,908,077.14</b>         |
| General and administrative expenses                                 | 4,486,962.83                 | 2,394,781.27                 |
| Other operating income  | 426,242.96                   | 110,025.64                   |
| Other operating expenses  | 439,257.02                   | 198,516.21                   |
| <b>Profit (loss) on operating activities</b>                        | <b>-1,883,430.16</b>         | <b>-4,391,348.98</b>         |
| Financial income  | 773,400.70                   | 71,523.76                    |
| Financial expenses  | 611,250.71                   | 283,836.67                   |
| <b>Pre-tax profit (loss)</b>  | <b>-1,721,280.17</b>         | <b>-4,603,661.89</b>         |
| Corporate income tax  | -223,018.86                  | -842,942.81                  |
| <b>Net profit (loss)</b>  | <b>-1,498,261.31</b>         | <b>-3,760,719.08</b>         |
| Net profit (loss)   | -1,498,261.31                | -3,760,719.08                |
| <b>Other net comprehensive income</b>                               |                              |                              |
| Items that will not be reclassified subsequently to profit or loss: | <b>0.00</b>                  | <b>0.00</b>                  |
| Remeasurement of liabilities under employee benefits                | 0.00                         | 0.00,                        |
| <b>Other total net comprehensive income</b>                         | <b>0.00</b>                  | <b>0.00</b>                  |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                   | <b>-1,498,261.31</b>         | <b>-3,760,719.08</b>         |
| Weighted average number of shares                                   | 23,030,083                   | 22,000,000                   |
| Net profit (loss) per share (PLN) (Basic and diluted)               | -0.07                        | -0.17                        |
| Total comprehensive income (loss) per share (PLN)                   | -0.07                        | -0.17                        |

## Separate statement of financial position

|   | (PLN)                 |                       |
|---|-----------------------|-----------------------|
|   | As at 31/03/2014      | As at 31/12/2013      |
| <b>ASSETS</b>   |                       |                       |
| <b>Non-current assets</b>                             |                       |                       |
| Property, plant and equipment                         | 65,710,182.54         | 64,165,586.06         |
| Investment property                                   | 8,568,031.37          | 8,659,761.20          |
| Intangible assets                                     | 11,059,995.84         | 11,222,515.87         |
| Goodwill  | 31,171,913.65         | 31,171,913.65         |
| Investments in subsidiaries                           | 3,139,721.06          | 3,100,292.38          |
| Advance payments for investments in subsidiaries      | 0.00                  | 0.00                  |
| Non-current receivables                               | 0.00                  | 0.00                  |
| Retentions on construction contracts                  | 3,348,879.16          | 1,644,247.14          |
| Deferred tax assets                                   | 24,874,229.86         | 21,915,295.86         |
| Other assets  | 27,594.92             | 27,435.88             |
| <b>Total non-current assets</b>                       | <b>147,900,548.40</b> | <b>141,907,048.04</b> |
| <b>Current assets</b>                                 |                       |                       |
| Inventories   | 24,386,500.30         | 18,010,068.74         |
| Trade and other receivables                           | 172,085,905.11        | 171,695,587.58        |
| Retentions on construction contracts                  | 3,586,988.02          | 5,219,036.44          |
| Current tax assets                                    | 0.00                  | 0.00                  |
| Other financial receivables                           | 0.00                  | 0.00                  |
| Other assets  | 3,914,905.19          | 1,938,211.90          |
| Loans advanced  | 1,773,045.22          | 1,753,960.18          |
| Cash and cash equivalents                             | 26,983,628.30         | 49,645,210.98         |
| <b>Total current assets</b>                           | <b>232,730,972.14</b> | <b>248,262,075.82</b> |
| <b>Total assets</b>                                   | <b>380,631,520.54</b> | <b>390,169,123.86</b> |
| <b>EQUITY AND LIABILITIES</b>                         |                       |                       |
| <b>Equity</b>   |                       |                       |
| Share capital   | 5,757,520.75          | 5,757,520.75          |
| Share premium account                                 | 93,836,665.29         | 93,836,665.29         |
| Retained earnings                                     | 91,342,465.41         | 92,840,726.72         |
| <b>Total equity</b>                                   | <b>190,936,651.45</b> | <b>192,434,912.76</b> |
| <b>Non-current liabilities</b>                        |                       |                       |
| Long-term bank borrowings and other debt instruments  | 7,907,047.62          | 9,550,685.66          |
| Retentions on construction contracts                  | 14,764,010.46         | 8,957,972.44          |
| Other financial liabilities                           | 0.00                  | 0.00                  |
| Liabilities under employee benefits                   | 704,984.88            | 704,984.88            |
| Deferred tax liabilities                              | 22,695,434.64         | 19,959,519.50         |
| Long-term provisions                                  | 7,082,938.73          | 6,636,926.15          |
| Deferred revenue                                      | 0.00                  | 0.00                  |
| Other liabilities                                     | 0.00                  | 0.00                  |
| <b>Total non-current liabilities</b>                  | <b>53,154,416.33</b>  | <b>45,810,088.63</b>  |
| <b>Current liabilities</b>                            |                       |                       |
| Trade and other payables                              | 106,290,971.91        | 88,317,908.85         |
| Retentions on construction contracts                  | 7,064,122.54          | 6,629,847.11          |
| Short-term bank borrowings and other debt instruments | 7,383,292.99          | 40,376,960.45         |
| Other financial liabilities                           | 0.00                  | 0.00                  |
| Liabilities under employee benefits                   | 9,749,355.05          | 7,321,351.22          |
| Current tax liabilities                               | 0.00                  | 2,942,830.00          |
| Short-term provisions                                 | 6,052,710.27          | 6,335,224.84          |
| <b>Total current liabilities</b>                      | <b>136,540,452.76</b> | <b>151,924,122.47</b> |
| <b>Total liabilities</b>                              | <b>189,694,869.09</b> | <b>197,734,211.10</b> |
| <b>Total equity and liabilities</b>                   | <b>380,631,520.54</b> | <b>390,169,123.86</b> |



## Separate statement of changes in equity

(PLN)

|                            |                       | Share capital       | Share premium account | Retained earnings    | Total                 |
|----------------------------|-----------------------|---------------------|-----------------------|----------------------|-----------------------|
| <b>Balance at</b>          | <b>1 January 2014</b> | <b>5,757,520.75</b> | <b>93,836,665.29</b>  | <b>92,840,726.72</b> | <b>192,434,912.76</b> |
| Dividend payment           |                       | 0.00                | 0.00                  | 0.00                 | <b>0.00</b>           |
| Issue of shares            |                       | 0.00                | 0.00                  | 0.00                 | <b>0.00</b>           |
| Issue costs                |                       | 0.00                | 0.00                  | 0.00                 | <b>0.00</b>           |
| Profit (loss) for the year |                       | 0.00                | 0.00                  | <b>-1,498,261.31</b> | <b>-1,498,261.31</b>  |
| <b>Balance at</b>          | <b>31 March 2014</b>  | <b>5,757,520.75</b> | <b>93,836,665.29</b>  | <b>91,342,465.41</b> | <b>190,936,651.45</b> |
| <b>Balance at</b>          | <b>1 January 2013</b> | <b>5,500,000.00</b> | <b>85,360,680.68</b>  | <b>80,551,515.00</b> | <b>171,412,195.68</b> |
| Correction of errors       |                       | 0.00                | 0.00                  | -1,020,772.71        | -1,020,772.71         |
| <b>Balance at</b>          | <b>1 January 2013</b> | <b>5,500,000.00</b> | <b>85,360,680.68</b>  | <b>79,530,742.29</b> | <b>170,391,422.97</b> |
| Dividend payment           |                       | 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                  | <b>-3,760,719.08</b> | <b>-3,760,719.08</b>  |
| <b>Balance at</b>          | <b>31 March 2013</b>  | <b>5,500,000.00</b> | <b>85,360,680.68</b>  | <b>75,770,023.21</b> | <b>166,630,703.89</b> |

**Separate statement of cash flows**

|  | Period ended<br>31/03/2014 | (PLN)<br>Period ended<br>31/03/2013 |
|--|----------------------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                                     |
| <b>Net profit before tax</b>   | <b>-1,721,280.17</b>       | <b>-4,603,661.89</b>                |
| <b>Adjustments:</b>  |                            |                                     |
| Depreciation and amortisation  | 1,926,521.10               | 778,474.11                          |
| Foreign exchange gains / (losses)  | 21,064.13                  | 144.81                              |
| Interest and share in profit (dividends)   | -165,899.45                | -406,605.22                         |
| (Gain) / loss on disposal of investments   | -11,785.26                 | 28,606.09                           |
| Accrued expenses under commission on loans   | 52,031.25                  | 52,031.25                           |
| (Gain) / loss on realisation of derivative financial instruments   | 0.00                       | 0.00                                |
| Remeasurement of derivative financial instruments  | 0.00                       | 0.00                                |
| <b>Operating profit (loss) before changes in working capital</b>   | <b>100,651.60</b>          | <b>-4,151,010.85</b>                |
| Change in receivables and retentions on construction contracts   | -462,901.13                | 65,159,380.47                       |
| Change in inventories  | -6,376,431.56              | -505,417.61                         |
| Change in provisions and liabilities under employee benefits   | 2,591,501.84               | -588,165.58                         |
| Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources | 23,976,861.92              | -54,895,881.06                      |
| Change in accrued expenses   | -1,976,852.33              | -2,312,909.84                       |
| Change in funds of limited availability  | 0.00                       | 0.00                                |
| Other adjustments  | 0.00                       | 0.00                                |
| Income tax paid  | -2,942,830.00              | 0.00                                |
| <b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>   | <b>14,910,000.34</b>       | <b>2,705,995.53</b>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                                     |
| Sale of property, plant and equipment and intangible assets  | 15,136.44                  | 0.00                                |
| Purchase of property, plant and equipment and intangible assets  | -2,528,543.68              | -97,253.80                          |
| Investments in real property and intangible assets   | 0.00                       | 0.00                                |
| Sale / (purchase) of financial assets in non-consolidated subsidiaries   | 0.00                       | 0.00                                |
| Sale / (purchase) of financial assets in consolidated subsidiaries   | -39,037.68                 | -25,532.00                          |
| Purchase of financial assets available for sale  | 0.00                       | 0.00                                |
| Loans advanced   | 0.00                       | 0.00                                |
| Dividends received   | 0.00                       | 0.00                                |
| Interest received  | 350,259.46                 | 16,655.45                           |
| Settlement of financial instruments – expenses   | 0.00                       | 0.00                                |
| Other investment income / (expenses)   | 0.00                       | 0.00                                |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>  | <b>-2,202,185.46</b>       | <b>-106,130.35</b>                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                            |                                     |
| Borrowings and other debt instruments received   | 0.00                       | 22,144,042.49                       |
| Repayment of borrowings and other debt instruments   | -34,178,024.17             | -31,999,212.01                      |
| Decrease in finance lease liabilities  | -972,022.78                | -187,445.27                         |
| Interest paid  | -184,360.01                | -386,838.61                         |
| Other cash provided by / (used in) financing activities – dividends  | -13,293.96                 | 0.00                                |
| Net cash provided by issue of shares   | 0.00                       | 0.00                                |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>  | <b>-35,347,700.92</b>      | <b>-10,429,453.40</b>               |
| <b>TOTAL NET CASH FLOWS</b>  | <b>-22,639,886.04</b>      | <b>-7,829,588.22</b>                |
| Net foreign exchange gains / (losses)  | -21,696.64                 | -2,957.96                           |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>  | <b>49,645,210.98</b>       | <b>10,231,528.46</b>                |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>  | <b>26,983,628.30</b>       | <b>2,398,982.28</b>                 |

## V. NOTES TO THE ABBREVIATED SEPARATE FINANCIAL STATEMENTS OF ZUE

### 1. Analysis of ZUE's financial results for the first quarter of 2014

The Company's statement of comprehensive income covers the period ended 31 March 2014 and the comparative period at 31 March 2013. Given the merger of ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna effected on 20 December 2013, the data for the prior year comes from the financial statements of ZUE Spółka Akcyjna (the parent company). This is the main reason for highly dynamic changes in certain items of the statement of comprehensive income that occurred on a year-on-year basis.

Comparative data at 31 December 2013 including the financial data of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. is presented in the consolidated financial statements of the Capital Group. Prior to the merger, PRK was a subsidiary of ZUE.

In the three months ended 31 March 2014, revenue generated by ZUE stood at PLN 107,087 thousand; i.e. it increased by 434.1% compared to the analogous period of 2013.

Cost of sales in the first quarter of 2014 of PLN 104,470 thousand was an increase of 375.8% over the last year's figure.

Gross profit on sales in the three months ended 31 March 2014 was PLN 2,617 thousand and increased by PLN 4,525 thousand compared to the item reported at the end of the first quarter 2013.

Gross margin in the first quarter of 2014 was 2.4% compared to -9.5% at the end of the first quarter of 2013.

General and administrative expenses at 31 March 2014 amounted to PLN 4,487 thousand and increased year-over-year by PLN 2,092 thousand.

Other operating income in the first quarter of 2014 increased year-on-year by PLN 316 thousand to PLN 426 thousand. Other operating expenses at 31 March 2014 increased year-on-year by PLN 241 thousand to PLN 439 thousand.

In the three months ended 31 March 2014, ZUE recorded a loss on operating activities of PLN 1,883 thousand while in the analogous period of 2013, a loss on operating activities recorded by the Company was PLN 4,391 thousand.

Financial income in the first quarter of 2014 was PLN 773 thousand and this is an increase of PLN 702 thousand compared to the item reported at the end of the first quarter 2013. Financial expenses in the period under analysis stood at PLN 611 thousand and increased year-on-year by PLN 327 thousand.

At 31 March 2014, ZUE recorded a gross loss of PLN 1,721 thousand while in the analogous period of 2013, it stood at PLN 4,604 thousand. Net loss in the period under analysis was PLN 1,498 thousand.

ZUE's total assets and liabilities at the end of the first quarter of 2014 amounted to PLN 380,632 thousand and declined by PLN 9,538 thousand compared to the analogous figure at the end of 2013.

In the three months ended 31 March 2014, non-current assets grew by PLN 5,994 thousand to reach PLN 147,901 thousand. Deferred tax assets saw the greatest growth and increased by PLN 2,959 thousand compared to the end of 2013. Growth was also reported in retentions on construction contracts (by PLN 1,705 thousand) and property, plant and equipment (by PLN 1,545 thousand).

Compared to the end of 2013, current assets as at 31 March 2014 decreased by PLN 15,531 thousand to reach PLN 232,731 thousand. Cash and cash equivalents saw the greatest change and dropped at 31 March 2014 by PLN 22,662 thousand to PLN 26,984 thousand.

A change in the Company's equity at 31 March 2014 by PLN 1,498 thousand when compared with the end of 2013 was caused by a drop in retained earnings.

Compared to the end of 2013, total liabilities at 31 March 2014 decreased by PLN 8,039 thousand and reached PLN 189,695 thousand.

Non-current liabilities at the end of the first quarter increased by PLN 7,344 thousand compared to the figure reported at the end of 2013. Retentions on construction contracts saw the greatest change and grew by PLN 5,806 thousand. Long-term bank borrowings and other debt instruments decreased by PLN 1,644 thousand.

Current liabilities at the end of the reporting period stood at PLN 136,540 thousand and decreased by PLN 15,384 thousand compared to the value recognized at the end of 2013. The greatest change was reported in the case of

short-term bank borrowings and other debt instruments (drop by PLN 32,994 thousand).

The abovementioned results of the Company reflected typical trends in the construction industry in the first quarter of 2014.

## 2. Investments in non-current assets

By this report publication date, the Company made a number of investments in non-current assets with the total value of approx. PLN 9.0m. The total value of investments made in the first quarter of 2014 was PLN 2.6m.

The assets purchased by the Company include:

- Unimat tamping machine;
- Caterpillar and Liebherr excavators;
- Dump cars; and
- Other vehicles.

## 3. 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)                |
|-----------------------------------|----------------------|---------------------|-------------------|---------------------|----------------------|
|                                   | As at<br>01/01/2014  | Created             | Released          | Utilised            | As at<br>31/03/2014  |
| <b>Long-term provisions:</b>      | <b>7,341,911.03</b>  | <b>507,492.83</b>   | <b>0.00</b>       | <b>61,480.25</b>    | <b>7,787,923.61</b>  |
| Provisions for employee benefits  | 704,984.88           | 0.00                | 0.00              | 0.00                | <b>704,984.88</b>    |
| Provisions for warranty repairs   | 6,636,926.15         | 507,492.83          | 0.00              | 61,480.25           | <b>7,082,938.73</b>  |
| Other provisions                  | 0.00                 | 0.00                | 0.00              | 0.00                | <b>0.00</b>          |
| <b>Short-term provisions:</b>     | <b>9,628,016.43</b>  | <b>1,129,644.38</b> | <b>225,996.03</b> | <b>1,369,065.82</b> | <b>9,162,598.96</b>  |
| Provisions for employee benefits  | 3,292,791.59         | 1,129,229.65        | 0.00              | 1,312,132.55        | <b>3,109,888.69</b>  |
| Provisions for warranty repairs   | 3,701,183.76         | 414.73              | 30,000.00         | 56,933.27           | <b>3,614,665.22</b>  |
| Provision for a loss on contracts | 600,000.03           | 0.00                | 195,996.03        | 0.00                | <b>404,004.00</b>    |
| Other provisions                  | 2,034,041.05         | 0.00                | 0.00              | 0.00                | <b>2,034,041.05</b>  |
| <b>Total provisions:</b>          | <b>16,969,927.46</b> | <b>1,637,137.21</b> | <b>225,996.03</b> | <b>1,430,546.07</b> | <b>16,950,522.57</b> |

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

### Deferred tax assets and liabilities

|                                       | (PLN)               |                   |                   |                     |
|---------------------------------------|---------------------|-------------------|-------------------|---------------------|
|                                       | As at 01/01/2014    | Created           | Utilised          | As at 31/03/2014    |
| Deferred tax assets                   | 21,915,295.86       | 3,245,415.06      | 286,481.06        | 24,874,229.86       |
| Deferred tax liabilities              | 19,959,519.50       | 2,735,915.14      | 0.00              | 22,695,434.64       |
| <b>Assets and liabilities balance</b> | <b>1,955,776.36</b> | <b>509,499.92</b> | <b>286,481.06</b> | <b>2,178,795.22</b> |

In the first quarter of 2014, deferred tax assets grew by PLN 2,959 thousand over the figure reported as at 31 December 2013. Deferred tax liabilities increased by PLN 2,736 thousand compared to the figure disclosed at the end of 2013.

#### 4. Trade and other receivables

##### Trade and other receivables

|   | (PLN)                 |                       |
|---|-----------------------|-----------------------|
|   | As at 31/03/2014      | As at 31/12/2013      |
| Trade receivables   | 118,416,094.44        | 135,087,028.80        |
| Trade receivables write-downs                                     | -13,370,324.50        | -13,132,656.85        |
| Receivables from the state budget other than corporate income tax | 278,401.84            | 0.00                  |
| Receivables under contracts (measurement)                         | 61,579,597.96         | 47,016,071.48         |
| Advance payments  | 5,149,682.95          | 2,526,025.56          |
| Other receivables   | 32,452.42             | 199,118.59            |
| <b>Total trade and other receivables</b>                          | <b>172,085,905.11</b> | <b>171,695,587.58</b> |

##### Ageing analysis of trade receivables

|   | (PLN)                 |                       |
|---|-----------------------|-----------------------|
|   | As at 31/03/2014      | As at 31/12/2013      |
| Not past due receivables                                  | <b>88,628,794.72</b>  | <b>93,752,397.37</b>  |
| Receivables that are past due but not impaired            | <b>16,416,975.22</b>  | <b>28,201,974.58</b>  |
| 1-30 days   | 353,297.08            | 23,337,172.36         |
| 31-60 days  | 9,446,067.78          | 721,038.58            |
| 61-90 days  | 139,498.04            | 30,154.03             |
| 91-180 days   | 1,938,545.70          | 3,599,364.35          |
| 181-360 days  | 3,787,285.17          | 49,979.65             |
| 360 + days  | 752,281.45            | 464,265.61            |
| Past due receivables on which write-downs were recognised | <b>13,370,324.50</b>  | <b>13,132,656.85</b>  |
| 1-30 days   | 11,531.25             | 0.00                  |
| 31-60 days  | 110.69                | 457,089.07            |
| 61-90 days  | 164,712.49            | 18,800.20             |
| 91-180 days   | 751,388.52            | 3,177,395.06          |
| 181-360 days  | 3,420,864.50          | 4,914,421.44          |
| 360 + days  | 9,021,717.05          | 4,564,951.08          |
| <b>Total trade receivables (gross)</b>                    | <b>118,416,094.44</b> | <b>135,087,028.80</b> |
| <b>Write-downs of trade receivables</b>                   | <b>-13,370,324.50</b> | <b>-13,132,656.85</b> |
| <b>Total trade receivables (net)</b>                      | <b>105,045,769.94</b> | <b>121,954,371.95</b> |

#### 5. Trade and other payables

##### Trade and other payables

|   | (PLN)                 |                      |
|---|-----------------------|----------------------|
|   | As at 31/03/2014      | As at 31/12/2013     |
| Trade payables  | 53,180,433.62         | 56,131,983.22        |
| Liabilities to the state budget other than corporate income tax | 684,691.50            | 6,036,000.39         |
| Accruals  | 31,478,770.15         | 12,914,008.55        |
| Liabilities under contracts (measurement)                       | 20,908,112.09         | 13,064,266.10        |
| Other payables  | 38,964.55             | 171,650.59           |
| <b>Total trade and other payables</b>                           | <b>106,290,971.91</b> | <b>88,317,908.85</b> |

**Ageing analysis of trade payables**

|                              | As at 31/03/2014     | As at 31/12/2013     |
|------------------------------|----------------------|----------------------|
| <b>Not past due payables</b> | <b>44,795,599.13</b> | <b>52,458,735.82</b> |
| <b>Past due payables</b>     | <b>8,384,834.49</b>  | <b>3,673,247.40</b>  |
| 1-30 days                    | 4,178,269.53         | 3,009,713.81         |
| 31-60 days                   | 1,849,893.41         | 1,185.91             |
| 61-90 days                   | 1,082,193.87         | 585,333.52           |
| 91-180 days                  | 1,211,131.85         | 2,376.57             |
| 181-360 days                 | 11,530.15            | 27,999.55            |
| 360 + days                   | 51,815.68            | 46,638.04            |
| <b>Total trade payables</b>  | <b>53,180,433.62</b> | <b>56,131,983.22</b> |

**6. Transactions with related entities**

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

**Transactions with related entities**

|               | Receivables       |                   | Payables         |                   |
|---------------|-------------------|-------------------|------------------|-------------------|
|               | As at             |                   | As at            |                   |
|               | 31/03/2014        | 31/12/2013        | 31/03/2014       | 31/12/2013        |
| BIUP          | 259,796.83        | 203,815.01        | 974.97           | 0.00              |
| BPK Poznań    | 32,361.60         | 38,050.96         | 31,291.20        | 12,841.20         |
| BPK Gdańsk    | 0.00              | 750.30            | 300.00           | 0.00              |
| RTI           | 1,230.00          | 4,320.78          | 0.00             | 0.00              |
| RTI Germany   | 0.00              | 0.00              | 62,900.08        | 172,361.96        |
| Wiesław Nowak | 0.00              | 0.00              | 0.00             | 0.00              |
| <b>Total</b>  | <b>293,388.43</b> | <b>246,937.05</b> | <b>95,466.25</b> | <b>185,203.16</b> |

  

|               | Revenue          |                   | Purchase            |                     |
|---------------|------------------|-------------------|---------------------|---------------------|
|               | Period ended     |                   | Period ended        |                     |
|               | 31/03/2014       | 31/03/2013        | 31/03/2014          | 31/03/2013          |
| PRK           | n/a              | 364,107.09        | n/a                 | 1,126,766.83        |
| BIUP          | 58,123.94        | 8,088.59          | 155,791.93          | 96,880.00           |
| BPK Poznań    | 874.68           | 1,478.59          | 694,399.11          | 0.00                |
| BPK Gdańsk    | 0.00             | 0.00              | 14,805.50           | 0.00                |
| RTI           | 3,000.00         | 3,000.00          | 0.00                | 0.00                |
| RTI Germany   | 0.00             | 0.00              | 195,228.57          | 0.00                |
| Wiesław Nowak | 0.00             | 0.00              | 29,520.00           | 120,000.00          |
| <b>Total</b>  | <b>61,998.62</b> | <b>376,674.27</b> | <b>1,089,745.11</b> | <b>1,343,646.83</b> |

  

|               | Advanced loans      |                     | Financial income |             |
|---------------|---------------------|---------------------|------------------|-------------|
|               | As at               |                     | Period ended     |             |
|               | 31/03/2014          | 31/12/2013          | 31/03/2014       | 31/03/2013  |
| BIUP          | 1,243,138.01        | 1,229,039.39        | 14,098.62        | 0.00        |
| BPK Poznań    | 419,827.07          | 416,076.41          | 3,750.66         | 0.00        |
| BPK Gdańsk    | 0.00                | 0.00                | 0.00             | 0.00        |
| RTI           | 110,080.14          | 108,844.38          | 603.25           | 0.00        |
| RTI Germany   | 0.00                | 0.00                | 0.00             | 0.00        |
| Wiesław Nowak | 0.00                | 0.00                | 0.00             | 0.00        |
| <b>Total</b>  | <b>1,773,045.22</b> | <b>1,753,960.18</b> | <b>18,452.53</b> | <b>0.00</b> |

|               | Received loans |             | Financial expenses |             |
|---------------|----------------|-------------|--------------------|-------------|
|               | As at          |             | Period ended       |             |
|               | 31/03/2014     | 31/12/2013  | 31/03/2014         | 31/03/2013  |
| BIUP          | 0.00           | 0.00        | 0.00               | 0.00        |
| BPK Poznań    | 0.00           | 0.00        | 0.00               | 0.00        |
| BPK Gdańsk    | 0.00           | 0.00        | 0.00               | 0.00        |
| RTI           | 0.00           | 0.00        | 0.00               | 0.00        |
| RTI Germany   | 0.00           | 0.00        | 0.00               | 0.00        |
| Wiesław Nowak | 0.00           | 0.00        | 0.00               | 0.00        |
| <b>Total</b>  | <b>0.00</b>    | <b>0.00</b> | <b>0.00</b>        | <b>0.00</b> |

The Company sold goods and services to the related entities according to the rules set out in the transaction price policy.

## 7. Off-balance sheet items

### 6.1. Contingent liabilities

|                      | (PLN)                 |                       |
|----------------------|-----------------------|-----------------------|
|                      | As at<br>31/03/2014   | As at<br>31/12/2013   |
| Bonds and guarantees | 229,752,194.27        | 191,811,696.21        |
| Sureties             | 2,089,701.01          | 2,105,028.42          |
| Bills of exchange    | 77,539,671.03         | 130,136,815.31        |
| Mortgages            | 51,017,550.00         | 35,420,550.00         |
| Pledges              | 0.00                  | 11,034,573.75         |
| <b>Total</b>         | <b>360,399,116.31</b> | <b>370,508,663.69</b> |

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

The contingent liabilities secured by the bills of exchange and mortgages are mainly credit facility and lease agreements and credit line agreements. On 7 January 2014, registered pledge was released in connection with the credit repayment (agreement no. WAR/2001/11/198/CB with BNP Paribas Bank Polska S.A.).

**6.2. Contingent assets**

|                      | <b>As at<br/>31/03/2014</b> | <b>As at<br/>31/12/2013</b> | <i>(PLN)</i> |
|----------------------|-----------------------------|-----------------------------|--------------|
| Bonds and guarantees | 34,863,747.94               | 29,641,187.66               |              |
| Bills of exchange    | 687,381.00                  | 1,324,625.61                |              |
| Sureties             | 0.00                        | 0.00                        |              |
| Mortgages            | 0.00                        | 0.00                        |              |
| <b>Total</b>         | <b>35,551,128.94</b>        | <b>30,965,813.27</b>        |              |

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.



The financial statements have been prepared by:

Ewa Bosak – Chief Accountant .....

The financial statements have been presented by the  
Management Board:

Wiesław Nowak – Management Board President .....

Marcin Wiśniewski – Management Board Vice-  
President .....

Jerzy Czeremuga – Management Board Vice-President .....

Maciej Nowak – Management Board Member .....

Anna Mroczek – Management Board Member .....

Arkadiusz Wierciński – Management Board Member .....

Cracow, 9 May 2014