

**ZUE Capital Group**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR  
3 MONTHS ENDED 31 MARCH 2015**

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



**GRUPA ZUE**

**Cracow, 14 May 2015**

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

---

- I. Selected Financial Data of ZUE Capital Group.
- II. Consolidated Financial Statements of ZUE Capital Group.
- III. Notes to the Condensed Consolidated Financial Statements of ZUE Capital Group.
- IV. Selected Financial Data of ZUE.
- V. Separate Financial Statements of ZUE.
- VI. Notes to the Condensed Separate Financial Statements of ZUE.

Abbreviations and definitions:

ZUE, Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the ZUE Capital Group.
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 2,017,850 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full. Subsidiary of ZUE.
RTI Germany	Railway Technology International Germany GmbH with registered office in Hamburg, Germany. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 2,170,000 paid up in full. Subsidiary of BIUP.
BPK Gdańsk	Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji with registered office in Gdańsk, entered into the National Court Register maintained by the District Court Gdańsk-Północ, VII Commercial Division of the National Court Register, under entry no. KRS 0000273363, share capital of PLN 1,000,000 paid up in full. Associate.
Railway gft	Railway gft Polska 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 0000532311, share capital of PLN 5,000 paid up in full.
ZUE Group, Group, Capital Group	ZUE Capital Group including ZUE S.A., Biuro Inżynierskich Usług Projektowych Sp. z o.o., Railway Technology International Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Railway Technology International Germany GmbH.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Dz.U. 2000, no. 94, item 1037, as amended).

Share capital details as at 31 March 2015.

## CONTENTS

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	6
I. SELECTED FINANCIAL DATA OF ZUE CAPITAL GROUP.....	7
II. CONSOLIDATED FINANCIAL STATEMENTS OF ZUE CAPITAL GROUP .....	8
<b>Consolidated statement of comprehensive income .....</b>	<b>8</b>
<b>Consolidated statement of financial position .....</b>	<b>9</b>
Consolidated statement of changes in equity .....	11
<b>Consolidated statement of cash flows .....</b>	<b>12</b>
III. NOTES TO THE CONSENSED CONSOLIDATED FINANCIAL STATEMENTS OF ZUE CAPITAL GROUP .....	13
<b>1. General information .....</b>	<b>13</b>
1.1. Capital Group composition and core business .....	13
1.2. Consolidated entities.....	16
1.3. Changes in the Group's structure and their consequences .....	17
1.4. Functional and reporting currency .....	18
<b>2. Shareholders of the Parent.....</b>	<b>18</b>
<b>3. Use of International Financial Reporting Standards .....</b>	<b>19</b>
3.1. Statement of compliance .....	19
3.2. Standards and interpretations used for the first time in the reporting period .....	19
3.3. Amendments to the standards published but not yet effective .....	19
3.4. Standards and interpretations adopted by the IASB but not yet approved by the EU.....	19
<b>4. Important accounting principles used in the consolidated financial statements for the period 1 January 2015 - 31 March 2015 .....</b>	<b>20</b>
4.1. Preparation basis.....	20
4.2. Comparability of data .....	20
<b>5. Revisions to estimates.....</b>	<b>21</b>
<b>6. Trade and other receivables .....</b>	<b>22</b>
<b>7. Trade and other payables .....</b>	<b>24</b>
<b>8. Discontinued operations .....</b>	<b>24</b>
<b>9. Segment reporting .....</b>	<b>24</b>
<b>10. Factors and events with a bearing on the Group's financial results in the first quarter of 2015 .....</b>	<b>25</b>
<b>11. Major events in the first quarter of 2015 and after the reporting period .....</b>	<b>26</b>
11.1. Major events in the period 1 January 2015 – 31 March 2015 .....	26
11.2. Other events in the period 1 January 2015 – 31 March 2015 .....	27
11.3. Events after the reporting period .....	28
<b>12. Factors believed to have an impact on the Group's results in subsequent periods .....</b>	<b>28</b>
<b>13. Risks believed to have an impact on the Group's results in subsequent periods.....</b>	<b>29</b>
<b>14. Notes on seasonal and cyclical nature of the Capital Group's operations.....</b>	<b>31</b>
<b>15. Issue and redemption of debt and equity securities.....</b>	<b>31</b>
<b>16. Information on dividend.....</b>	<b>32</b>
<b>17. Management Board Board statement on forecast financial results.....</b>	<b>32</b>
<b>18. ZUE shareholding structure at the report publication date and changes therein since the last quarterly report</b>	<b>32</b>
<b>19. Transactions with related entities .....</b>	<b>33</b>
<b>20. Proceedings before court, arbitration court or public administration authority at the date of this report publication .....</b>	<b>34</b>
<b>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.....</b>	<b>39</b>
<b>22. Off-balance sheet items .....</b>	<b>39</b>
22.1. Contingent liabilities .....	39
22.2. Contingent assets .....	39

IV.	SELECTED FINANCIAL DATA OF ZUE .....	41
V.	SEPARATE FINANCIAL STATEMENTS OF ZUE.....	42
	<b>Separate statement of comprehensive income .....</b>	<b>42</b>
	<b>Separate statement of financial position.....</b>	<b>43</b>
	<b>Separate statements of changes in equity.....</b>	<b>45</b>
	<b>Separate statements of cash flows.....</b>	<b>46</b>
VI.	NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS OF ZUE .....	47
	<b>1. Information about the Company.....</b>	<b>47</b>
	<b>2. Use of International Financial Reporting Standards .....</b>	<b>48</b>
	2.1. Statement of compliance .....	48
	2.2. Standards and interpretations used for the first time in the reporting period .....	48
	2.3. Amendments to the standards published but not yet effective .....	48
	2.4. Standards and interpretations adopted by the IASB but not yet approved by the EU.....	48
	<b>3. Important accounting principles used in the separate financial statements for the period 1 January 2015 - 31</b>	
	<b>March 2015 .....</b>	<b>49</b>
	3.1. Preparation basis.....	49
	3.2. Comparability of data.....	49
	3.3. Accounting principles .....	50
	<b>4. Revisions to estimates.....</b>	<b>50</b>
	<b>5. Trade and other receivables .....</b>	<b>51</b>
	<b>6. Trade and other payables .....</b>	<b>52</b>
	<b>7. Notes on seasonal and cyclical nature of the Company's operations.....</b>	<b>53</b>
	<b>8. Discontinued operations .....</b>	<b>53</b>
	<b>9. Information on issue and redemption of debt and equity securities .....</b>	<b>53</b>
	<b>10. Information on dividend.....</b>	<b>53</b>
	<b>11. Investments in non-current assets.....</b>	<b>53</b>
	<b>12. Segment reporting .....</b>	<b>53</b>
	<b>13. Analysis of the Company's financial results at the end of the first quarter of 2015 .....</b>	<b>54</b>
	<b>14. Transactions with related entities .....</b>	<b>55</b>
	<b>15. Proceedings before court, arbitration court or public administration authority at the date of this report</b>	
	<b>publication .....</b>	<b>56</b>
	<b>16. Off-balance sheet items .....</b>	<b>56</b>
	16.1 Contingent liabilities.....	56
	16.2 Contingent assets.....	57

## APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements for 3 months ended 31 March 2015 were approved for publication by the Management Board of ZUE on 14 May 2015.

Wiesław Nowak – President of the Management Board \_\_\_\_\_

Marcin Wiśniewski – Vice-President of the Management Board \_\_\_\_\_

Jerzy Czeremuga – Vice-President of the Management Board \_\_\_\_\_

Maciej Nowak – Member of the Management Board \_\_\_\_\_

Anna Mroczek – Member of the Management Board \_\_\_\_\_

Arkadiusz Wierciński – Member of the Management Board \_\_\_\_\_

Cracow, 14 May 2015

## I. SELECTED FINANCIAL DATA OF ZUE CAPITAL GROUP

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 31 Mar 2015	Exchange rate on 31 Dec 2014	Exchange rate on 31 Mar 2014
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.0890	4.2623	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	4.1489	n/a	4.1894
“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	4.0890	4.2623	4.1713

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

	As at 31-03-2015		As at 31-12-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	135,999	33,260	135,488	31,788
Current assets	240,687	58,862	275,206	64,567
<b>Total assets</b>	<b>376,686</b>	<b>92,122</b>	<b>410,694</b>	<b>96,355</b>
Equity	199,145	48,703	201,450	47,263
Non-current liabilities	26,638	6,515	27,044	6,345
Current liabilities	150,903	36,904	182,200	42,747
<b>Total equity and liabilities</b>	<b>376,686</b>	<b>92,122</b>	<b>410,694</b>	<b>96,355</b>

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

	3 months ended 31-03-2015		3 months ended 31-03-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	65,406	15,765	108,350	25,863
Cost of sales	61,685	14,868	106,274	25,367
Gross profit (loss) on sales	3,721	897	2,076	496
Profit (loss) on operating activities	464	112	-2,378	-568
Gross profit (loss)	388	93	-2,271	-542
Net profit (loss) on operations	18	4	-2,119	-506
Total comprehensive income	18	4	-2,119	-506

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

	3 months ended		3 months ended	
	31-03-2015		31-03-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-11,515	-2,775	14,616	3,489
Cash flows from investing activities	-3,226	-778	-1,942	-464
Cash flows from financing activities	-3,233	-779	-35,283	-8,422
<b>Total net cash flows</b>	<b>-17,974</b>	<b>-4,332</b>	<b>-22,609</b>	<b>-5,397</b>
Cash at the beginning of the period	71,405	16,753	49,729	11,991
Cash at the end of the period	53,449	13,072	27,098	6,496

**II. CONSOLIDATED FINANCIAL STATEMENTS OF ZUE CAPITAL GROUP**

**Consolidated statement of comprehensive income**

(PLN)

	3 months ended	
	31-03-2015	31-03-2014
Revenue	65,406,252.59	108,349,362.94
Cost of sales	61,685,016.25	106,273,539.57
<b>Gross profit (loss) on sales</b>	<b>3,721,236.34</b>	<b>2,075,823.37</b>
General and administrative expenses	5,053,399.86	4,732,337.13
Other operating income	3,619,654.50	752,015.90
Other operating expenses	1,823,079.71	473,258.26
<b>Operating profit (loss)</b>	<b>464,411.27</b>	<b>-2,377,756.12</b>
Financial income	353,761.26	768,125.17
Financial expenses	430,326.89	661,060.38
<b>Pre-tax profit (loss)</b>	<b>387,845.64</b>	<b>-2,270,691.33</b>
Corporate income tax	369,674.06	-151,355.53
<b>Net profit (loss) on operations</b>	<b>18,171.58</b>	<b>-2,119,335.80</b>
<b>Net profit (loss)</b>	<b>18,171.58</b>	<b>-2,119,335.80</b>
<b>Other net comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss:		
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>18,171.58</b>	<b>-2,119,335.80</b>
Number of shares	23,030,083	23,030,083

**Consolidated net profit attributable to:**



Shareholders of the parent	18,171.58	-1,734,889.31
Minority shareholders	0.00	-384,446.49
Net profit (loss) per share (PLN) (basic and diluted)	0.00	-0.08
<b>Total comprehensive income attributable to:</b>		
Shareholders of the parent	18,171.58	-1,734,889.31
Minority shareholders	0.00	-384,446.49
Total comprehensive income per share (PLN)	0.00	-0.08

### Consolidated statement of financial position

	As at 31-03-2015	(PLN) As at 31-12-2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	73,095,933.03	73,147,738.38
Investment property	7,829,559.40	7,822,850.34
Intangible assets	11,451,784.49	11,683,138.28
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
Long-term receivables	0.00	0.00
Retentions on construction contracts	4,280,024.46	3,197,273.08
Deferred tax assets	6,544,686.21	6,827,025.26
Other assets	122,670.00	135,850.61
<b>Total non-current assets</b>	<b>135,999,244.21</b>	<b>135,488,462.57</b>
<b>Current assets</b>		
Inventories	42,253,583.92	17,920,760.21
Trade and other receivables	131,698,273.23	180,429,243.49
Retentions on construction contracts	10,628,523.50	1,524,900.01
Current tax assets	876,084.00	1,913,208.00
Other financial receivables	0.00	0.00
Other assets	1,650,360.46	1,877,364.94
Loans advanced	130,697.99	134,601.32
Cash and cash equivalents	53,449,444.47	71,405,462.83
<b>Total current assets</b>	<b>240,686,967.57</b>	<b>275,205,540.80</b>
<b>Total assets</b>	<b>376,686,211.78</b>	<b>410,694,003.37</b>

	As at 31-03-2015	(PLN) As at 31-12-2014
<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
Treasury shares	-2,323,525.80	0.00
Retained earnings	101,874,091.03	101,855,919.45
<b>Total equity</b>	<b>199,144,751.27</b>	<b>201,450,105.49</b>
Equity attributable to non-controlling interests	0.00	0.00
<b>Total equity</b>	<b>199,144,751.27</b>	<b>201,450,105.49</b>
<b>Non-current liabilities</b>		
Long-term bank borrowings and other debt instruments and other financing sources	4,524,097.48	5,255,088.17
Retentions on construction contracts	9,601,748.05	8,796,402.77
Other financial liabilities	1,120,000.00	1,190,000.00
Liabilities under employee benefits	2,492,277.69	2,484,574.25
Deferred tax liabilities	995,014.24	907,679.23
Long-term provisions	7,904,854.58	8,410,239.28
Deferred revenue	0.00	0.00
Other liabilities	0.00	0.00
<b>Total non-current liabilities</b>	<b>26,637,992.04</b>	<b>27,043,983.70</b>
<b>Current liabilities</b>		
Trade and other payables	106,826,217.53	132,587,339.56
Retentions on construction contracts	15,055,432.50	18,180,247.62
Short-term bank borrowings and other debt instruments and other financing sources	8,326,589.43	10,269,020.97
Other financial liabilities	322,781.70	282,791.69
Liabilities under employee benefits	13,124,772.17	14,198,823.58
Current tax liabilities	39,934.00	66,522.00
Short-term provisions	7,207,741.14	6,615,168.76
<b>Total current liabilities</b>	<b>150,903,468.47</b>	<b>182,199,914.18</b>
<b>Total liabilities</b>	<b>177,541,460.51</b>	<b>209,243,897.88</b>
<b>Total equity and liabilities</b>	<b>376,686,211.78</b>	<b>410,694,003.37</b>

**Consolidated statement of changes in equity**

	Share capital	Share premium account	Treasury shares	Retained earnings	Total	(PLN) Equity attributable to non-controlling interests	Total equity
<b>Balance as at 1 Jan 2015</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>0.00</b>	<b>101,855,919.45</b>	<b>201,450,105.49</b>	<b>0.00</b>	<b>201,450,105.49</b>
Change of interest in subsidiaries	0.00	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	0.00
Issue of shares	0.00	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	0.00
Purchase of shares	0.00	0.00	-2,323,525.80	0.00	-2,323,525.80	0.00	-2,323,525.80
Profit (loss) for the year	0.00	0.00	0.00	18,171.58	18,171.58	0.00	18,171.58
Other net comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Balance as at 31 Mar 2015</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>-2,323,525.80</b>	<b>101,874,091.03</b>	<b>199,144,751.27</b>	<b>0.00</b>	<b>199,144,751.27</b>
<b>Balance as at 1 Jan 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>0.00</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	0.00	60,383.57	60,383.57	-99,421.25	-39,037.68
Dividend	0.00	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	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	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	0.00
<b>Balance as at 31 Mar 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>0.00</b>	<b>90,127,764.59</b>	<b>189,721,950.63</b>	<b>-825,791.79</b>	<b>188,896,158.84</b>

## Consolidated statement of cash flows

(PLN)

	3 months ended 31-03-2015	3 months ended 31-03-2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>387,845.64</b>	<b>-2,270,691.33</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	2,229,947.34	2,020,908.86
Foreign exchange gains / (losses)	-18,288.27	21,064.13
Interest and share in profit (dividends)	-113,002.67	-161,316.23
(Gain) / loss on disposal of investments	263,618.19	10,845.78
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 before changes in working capital</b>	<b>2,802,151.48</b>	<b>-327,157.54</b>
Change in receivables and retentions on construction contracts	38,713,323.98	377,078.55
Change in inventories	-24,332,823.71	-6,375,212.04
Change in provisions and liabilities under employee benefits	-851,039.99	2,577,260.60
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	-28,882,827.40	23,237,113.75
Change in accrued expenses	24,895.97	-1,896,344.76
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	0.00
Income tax paid / tax refund	1,011,053.00	-2,976,936.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>-11,515,266.67</b>	<b>14,615,802.56</b>
Sale of property, plant and equipment and intangible assets	182,513.53	280,584.52
Purchase of property, plant and equipment and intangible assets	-1,358,665.78	-2,534,119.36
Sale of investments in real property and intangible assets	0.00	0.00
Sale / (purchase) of financial assets in other units	3,425.00	0.00
Sale / (purchase) of financial assets from non-controlling shareholders	0.00	-39,037.68
Purchase of financial assets available for sale	-2,323,525.80	0.00
Loans advanced	0.00	0.00
Dividends received	0.00	0.00
Interest received	270,544.73	350,259.46
Settlement of financial instruments – expenses	0.00	0.00
Funds from acquisition of subsidiary	0.00	0.00
Sale of financial assets in associates	0.00	0.00
Other cash provided by/(used in) investing activities	0.00	0.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-3,225,708.32</b>	<b>-1,941,922.06</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments received	0.00	139,899.09
Repayment of borrowings and other debt instruments	-1,881,947.83	-34,178,024.17
Decrease in finance lease liabilities	-1,202,811.73	-1,046,167.40
Interest paid	-147,077.14	-185,192.57

Other cash provided by / (used in) financing activities – dividends	-1,494.94	-13,293.96
Cash provided by / (used in) issue of shares	0.00	0.00
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-3,233,331.64</b>	<b>-35,282,779.01</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-17,974,306.63</b>	<b>-22,608,898.51</b>
Net foreign exchange gains / (losses)	18,288.27	-21,696.64
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>71,405,462.83</b>	<b>49,729,062.27</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>53,449,444.47</b>	<b>27,098,467.12</b>

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

#### 1. General information

##### 1.1. Capital Group composition and core business

At the end of the reporting period, the Capital Group was composed of ZUE S.A., Biuro Inżynierskich Usług Projektowych Sp. z o.o., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (indirect subsidiary), Railway Technology International Sp. z o.o., Railway Technology International GmbH (indirect subsidiary) and Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji (associate).

Railway gft Polska Sp. z o.o. with registered office in Cracow joined the Group on 15 April 2015 after control had been gained.

ZUE Spółka Akcyjna with registered office in Cracow (ul. Kazimierza Czapińskiego 3) is the parent 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.

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

#### Management Board:

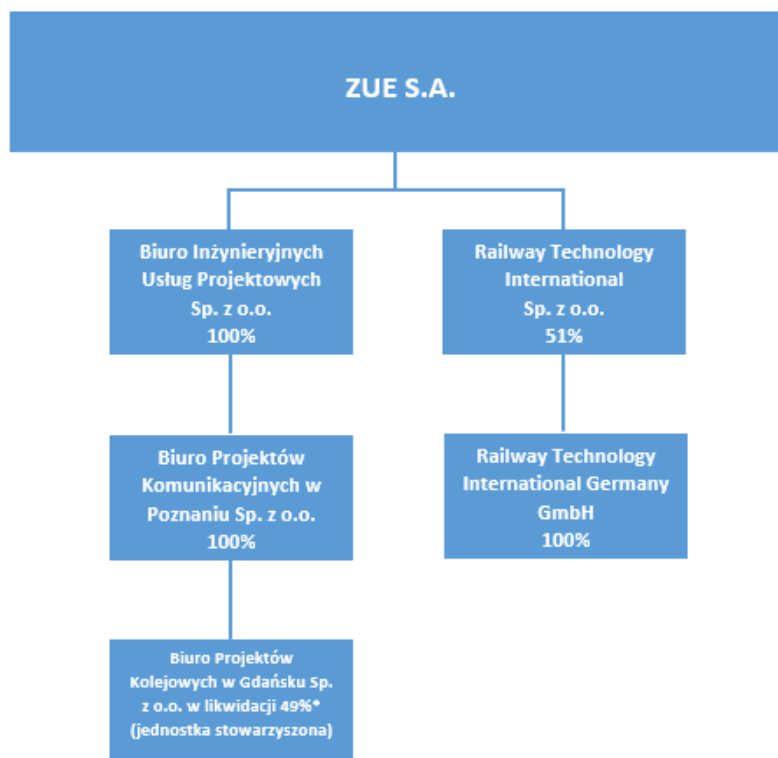
Wiesław Nowak	President of the Management Board
Marcin Wiśniewski	Vice-President of the Management Board
Jerzy Czeremuga	Vice-President of the Management Board
Maciej Nowak	Member of the Management Board
Anna Mroczek	Member of the Management Board
Arkadiusz Wierciński	Member of the Management Board

#### Supervisory Board:

Mariusz Szubra	Chairman of the Supervisory Board
----------------	-----------------------------------

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

ZUE Capital Group structure as at 31 March 2015:



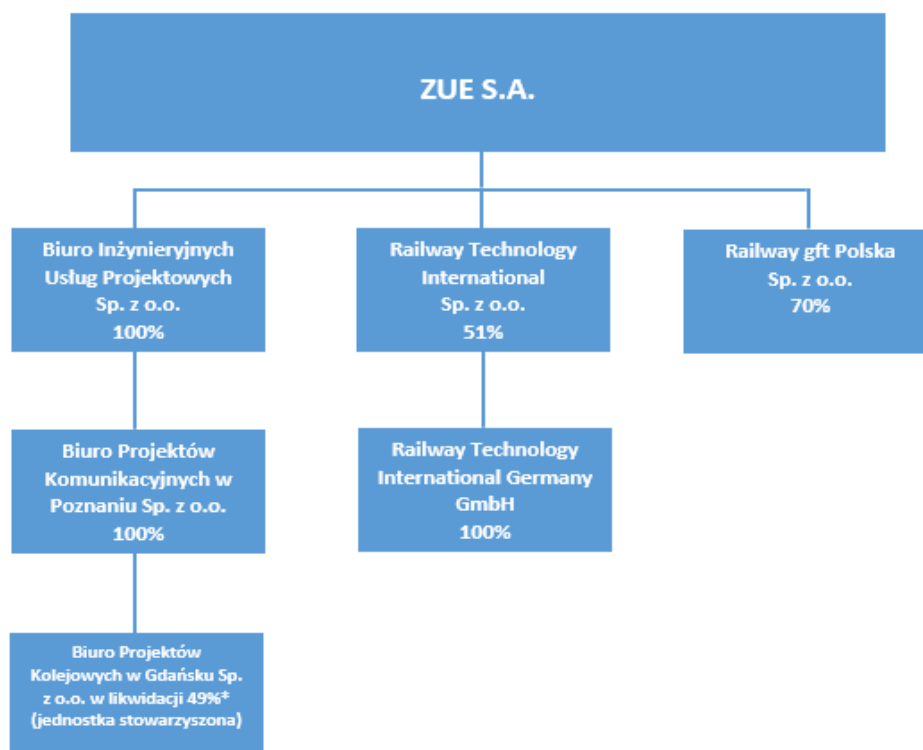
"Jednostka stowarzyszona" – associate

\*Direct interest of BPK Poznań in BPK Gdańsk. Indirect interest of ZUE in BPK Gdańsk as at 31 March 2015 was 49%.

On 15 April 2015, the Company learnt of the approval by the President of the Office of Competition and Consumer Protection (the "OCCP") of the concentration; i.e. gaining control by the Company of Railway gft Polska Sp. z o.o. with registered office in Cracow through the acquisition of shares in Railway gft. The acquisition of 70% of shares was under the condition precedent that the consent was given by the President of the OCCP. The condition was met after the consent had been given. The decision fully complied with the Company's request and was performed on 15 April 2015.

At the date of these statements publication, ZUE did not receive any notice from the National Court Register about the entry of the Company as the owner of Railway gft Polska Sp. z o.o.

Structure of the Capital Group at the date of the financial statements' approval:



“Jednostka stowarzyszona” – associate

\*Direct interest of BPK Poznań in BPK Gdańsk. Indirect interest of ZUE in BPK Gdańsk as at 31 March 2015 was 49%.

Subsidiary – Biuro Inżynieryjnych 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 (indirectly through BIUP) – 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.

Subsidiary – Railway gft Polska Sp. z o.o. has been established under the notarial deed of 21 October 2014 in the Notary's Office in Cracow, ul. Lubicz 3 (Rep. A no. 3715/2014). 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 0000532311.

At the date of this report publication, ZUE S.A. was not entered in the National Court Register as the holder of shares in Railway gft Polska Sp. z o.o.

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 Capital Group consist of:

- design, construction and comprehensive modernisation of city transport systems;
- design, construction and comprehensive modernisation of railway lines;
- services related to power networks and power electronics; and
- wholesale of materials used in the construction and repair of tracks.

#### Associates:

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

The direct interest of BPK Poznań in BPK Gdańsk as at 31 March 2015 was 49%.

The indirect interest of ZUE in BPK Gdańsk as at 31 March 2015 was 49%.

### 1.2. Consolidated entities

Consolidated entities at 31 March 2015:

Name	Registered office	Interests as at			Consolidation method
		31 Mar 2015	31 Dec 2014	31 Mar 2014	
Biuro Inżynieryjnych Usług Projektowych Sp. z o.o.	Cracow	100%	100%	49%	Full
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	100%	100%	92%	Full

Biuro Inżynieryjnych Usług Projektowych Sp. z o.o. has been a member of the Capital Group since its creation. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial position, it was not consolidated until the end of 2011. The Management Board of ZUE decided to consolidate the company as of 1 January 2012.

ZUE is entitled to manage the financial and operating policy of BIUP (directly) and BPK Poznań (indirectly) because it holds a 100% interest in these companies.

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 Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 31 March 2015.

Railway Technology International Sp. z o.o. Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Germany GmbH was not consolidated as at 31 March 2015.



Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. holds a 49% interest in Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji. The aim of Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji is only to liquidate the assets to satisfy the liabilities that exceed the value thereof. Given the fact that ZUE does not exercise control within the meaning of IFRS 10 "Consolidated Financial Statements" and that an impact of the financial data of BPK Gdańsk on the Group's economic and financial condition is insignificant, the company was not consolidated as at 31 March 2015.

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

#### **BIUP**

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

ZUE holds 100% of shares in the share capital of BIUP.

#### **BPK Poznań**

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

On 7 January 2015, BPK Poznań was informed of the acquisition of shares by BIUP. On 30 January 2015, the increase of the share capital of BIUP was registered with the National Court Register. Consequently, BPK Poznań became a subsidiary of BIUP in 2015.

At 31 December 2014, BPK Poznań was a subsidiary of ZUE. Given the transfer of BPK Poznań shares to BIUP in January 2015, BPK Poznań became a subsidiary of BIUP and an indirect subsidiary of ZUE.

BIUP holds 100% of shares in the share capital of BPK Poznań.

On 12 May 2015, the Extraordinary Shareholders Meeting of Biuro Inżynierskich Usług Projektowych Sp. z o. o. and the Extraordinary Shareholders Meeting of Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. resolved to merge BIUP and BPK Poznań, design companies, and make relevant amendments to the Articles of Association of BIUP.

The registration of the merger resolutions in the Register of Entrepreneurs of the National Court Register, the notice of merger by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register and removal of BPK Poznań from the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register are expected in June 2015.

#### **Railway gft**

On 16 February 2015, ZUE signed a letter of intent concerning the acquisition of 70% of shares in Railway gft.

On 23 March 2015, the Company and Ms. Katarzyna Reszczyńska (the "Seller"), a majority shareholder of Railway gft, entered into the sales agreement. The Company acquired 35 shares; i.e. 70% of the share capital of Railway gft for PLN 3,500.00. The transaction was under the condition precedent that the consent was given by the President of the Office of Competition and Consumer Protection (the "OCCP") or there were circumstances in which the consent was not required; i.e.:

- a) The Company received an unconditional consent of the President of the OCCP to the concentration; or
- b) The Company received a decision of the President of the OCCP to discontinue the concentration proceedings as there was no notice requirement; or
- c) The notice was returned because the President of the OCCP decided it was not required; or

- d) The deadline for the decision of the President of the OCCP expired as a result of which it was assumed, under the Polish Competition and Consumer Protection Act, that the unconditional consent to the concentration had been given by the President of the OCCP.

On 15 April 2015, the Company learnt of the approval by the President of the OCCP of the concentration; i.e. gaining control by the Company of Railway gft through the acquisition of shares in Railway gft. The decision fully complied with the Company's request and was performed on 15 April 2015.

On 15 April 2015, ZUE gained control of Railway gft and, consequently, Railway gft became a subsidiary. The event took place after the end of the reporting period.

On 30 April 2015, the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 5,000.00 to PLN 300,000.00 through the creation of 2,950 new shares with a par value of PLN 100 each. All the shares of the total value of PLN 295,000.00 were acquired by the existing shareholders (including ZUE) proportionally to the number of shares already held by them and paid up by contributions of the total value of PLN 295,000.00. The event took place after the end of the reporting period.

New members of the Supervisory Board of Railway gft; i.e. Ms. Anna Mroczek, Mr. Wiesław Nowak and Mr. Jordan Świerczewski, were appointed at the Extraordinary Shareholders Meeting of Railway gft of 30 April 2015.

#### 1.4. 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

According to the information held, the Parent Company had the following shareholder structure at this report publication date:

Shareholder	Number of shares at 14.05.2015	Ownership interest at 14.05.2015	Number of votes at the GM at 14.05.2015	% of votes at the GM at 14.05.2015	Number of votes at the GM at publication of last quarterly report*	Ownership interest at publication of last quarterly report *	% of votes at the GM at publication of last quarterly report*
Wiesław Nowak	14,400,320	62.53	14,400,320	62.53	14,400,320	62.53	62.53
METLIFE OFE**	1,400,000***	6.08***	1,400,000***	6.08***	1,461,659	6.35	6.35
PKO Bankowy OFE	1,500,000****	6.51****	1,500,000****	6.51****	1,500,000	6.51	6.51
Other	5,729,763	24.88	5,729,763	24.88	5,668,104	24.61	24.61
<b>Total</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>	<b>100</b>

\* Previous quarterly report publication date (Consolidated quarterly report of ZUE S.A. for III quarter of 2014): 14 November 2014. Date of publication of correction to the consolidated quarterly report for III quarter of 2014: 15 December 2014.

\*\* Previously Amplico OFE.

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

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

### 3. Use of International Financial Reporting Standards

#### 3.1. Statement of compliance

The condensed quarterly consolidated financial statements of the Capital Group cover the three months ended 31 March 2015 and the comparable data of the three months ended 31 March 2014.

The condensed quarterly consolidated financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 31 March 2015 as endorsed by the European Union.

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

The condensed quarterly consolidated financial statements for the three months ended 31 March 2015 have been prepared according to the requirements binding on public companies.

These condensed 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 approved of by the European Union come into force in 2015:

- **Amendments to various standards "Improvements to IFRSs (2011-2013 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 "Public Fees"** approved of in the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

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

#### 3.3. Amendments to the standards published but not yet effective

When approving these financial statements, the Group did not apply the following standards, interpretations or amendments to the standards, which had been published and approved of by the EU but had not yet come into force:

- **Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 19 "Employee Benefits"** – Specific benefit programmes: employee benefits, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

#### 3.4. Standards and interpretations adopted by the IASB but not yet approved by the EU

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 14 May 2015:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016);

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

The Group decided not to apply the foregoing standards or amendments to the standards. According to the estimates by the Group, these standards or 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. Important accounting principles used in the consolidated financial statements for the period 1 January 2015 - 31 March 2015**

##### **4.1. Preparation basis**

The condensed quarterly 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 this report preparation date.

The condensed quarterly 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 2014.

##### **4.2. Comparability of data**

After 31 December 2015, the Group changed the accounting policy regarding the presentation of deferred tax in the financial statements. Until 31 December 2014, deferred tax was presented by the Group separately as asset and liability. Since 1 January 2015, deferred tax assets and liabilities have been presented by the Group according to their netted balance (IAS 12).

Given the comparability of data requirement, the table below presents the influence of changes on the financial statements as at 31 December 2014.

(PLN)

	Presentation before the change	Presentation after the change
Deferred tax assets	30,853,979.38	6,827,025.26
Deferred tax liabilities	24,934,633.35	907,679.23
<b>Balance of assets and liabilities</b>	<b>5,919,346.03</b>	<b>5,919,346.03</b>

## 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)

#### Changes in provisions

Provisions	01-01-2015	Created	Utilised	Released	31-03-2015
<b>Long-term provisions:</b>	<b>10,894,813.53</b>	<b>508,554.19</b>	<b>0.00</b>	<b>1,006,235.45</b>	<b>10,397,132.27</b>
Provisions for employee benefits	2,484,574.25	132,629.19	0.00	124,925.75	2,492,277.69
Provisions for warranty claims	8,410,094.87	375,925.00	0.00	881,309.70	7,904,710.17
Other provisions	144.41	0.00	0.00	0.00	144.41
<b>Short-term provisions:</b>	<b>14,421,937.62</b>	<b>4,264,434.92</b>	<b>4,041,561.61</b>	<b>1,187,936.37</b>	<b>13,456,874.56</b>
Provisions for employee benefits	7,806,768.86	3,233,743.76	4,041,561.61	749,817.59	6,249,133.42
Provisions for warranty claims	3,037,026.75	946,897.61	0.00	55,951.64	3,927,972.72
Provision for loss on contracts	889,296.86	83,793.55	0.00	305,901.40	667,189.01
Other provisions	2,688,845.15	0.00	0.00	76,265.74	2,612,579.41
<b>Total provisions:</b>	<b>25,316,751.15</b>	<b>4,772,989.11</b>	<b>4,041,561.61</b>	<b>2,194,171.82</b>	<b>23,854,006.83</b>

Provision for warranty claims 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

Provisions	(PLN)			
	01-01-2015	Created	Utilised	31-03-2015
Deferred tax assets	30,853,979.38	2,133.51	0.00	30,856,112.89
Deferred tax liabilities	24,934,633.35	371,807.57	0.00	25,306,440.92
<b>Balance of assets and liabilities</b>	<b>5,919,346.03</b>	<b>-369,674.06</b>	<b>0.00</b>	<b>5,549,671.97</b>

After 31 December 2015, the Group changed the presentation of deferred tax in the financial statements. Until 31 December 2014, deferred tax was presented by the Group companies separately as deferred tax asset and liability. Since 1 January 2015, deferred tax assets and liabilities have been presented by the Group companies according to their netted balance (IAS 12).

The consolidated financial statements present the total of individual net balances of the companies.

## 6. Trade and other receivables

Trade and other receivables	(PLN)	
	As at 31-03-2015	As at 31-12-2014
Trade receivables	65,686,705.90	122,081,256.20
Trade receivables write-downs	-14,399,203.13	-13,274,897.31
Receivables from the state budget other than corporate income tax	3,813,989.93	636,817.43
Receivables under contracts (measurement)	73,321,022.45	67,876,571.06
Advance payments	3,074,125.06	2,969,965.72
Other receivables	201,633.02	139,530.39
<b>Total trade and other receivables</b>	<b>131,698,273.23</b>	<b>180,429,243.49</b>

### Ageing analysis of trade receivables

(PLN)

#### Ageing analysis of trade receivables

Not past due receivables	As at	
	31-03-2015	31-12-2014
<b>Not past due receivables</b>	<b>37,606,424.94</b>	<b>81,258,218.79</b>
<b>Receivables that are past due but not impaired</b>	<b>13,681,077.83</b>	<b>27,548,140.10</b>
1-30 days	7,255,177.97	25,952,542.27
31-60 days	5,739,433.48	214,631.67
61-90 days	38,087.29	307,841.03
91-180 days	26,779.64	658,140.21
181-360 days	155,197.18	22,458.84
360 + days	466,402.27	392,526.08

<b>Past due receivables on which write-downs were recognized</b>	<b>14,399,203.13</b>	<b>13,274,897.31</b>
1-30 days	0.00	514,954.59
31-60 days	14,615.92	12,893.31
61-90 days	510,198.00	45,585.72
91-180 days	564,768.06	138,295.22
181-360 days	2,195,771.24	2,000,598.02
360 + days	11,113,849.91	10,562,570.45
<b>Total trade receivables (gross)</b>	<b>65,686,705.90</b>	<b>122,081,256.20</b>
<b>Write-downs on trade receivables</b>	<b>-14,399,203.13</b>	<b>-13,274,897.31</b>
<b>Total trade receivables (net)</b>	<b>51,287,502.77</b>	<b>108,806,358.89</b>

**Concentration of gross receivables that exceed 10% of total receivables:**

(PLN)

	<b>As at</b>
	<b>31-03-2015</b>
Counterparty A	12,825,716.93
Counterparty B	8,739,359.33
Counterparty C	8,316,625.30
Counterparty D	7,986,597.79
	<b>37,868,299.35</b>

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

## 7. Trade and other payables

(PLN)

### Trade and other payables

	As at 31-03-2015	As at 31-12-2014
Trade payables	46,703,070.10	64,751,266.11
Liabilities to the state budget other than corporate income tax	1,032,079.81	1,046,835.68
Accruals	34,106,906.63	40,827,856.26
Liabilities under contracts (measurement)	24,548,947.13	25,305,612.48
Other payables	435,213.86	655,769.03
<b>Total trade and other payables</b>	<b>106,826,217.53</b>	<b>132,587,339.56</b>

### Ageing analysis of trade payables

	As at 31-03-2015	As at 31-12-2014
<b>Not past due payables</b>	<b>44,889,354.15</b>	<b>60,735,629.29</b>
<b>Past due payables</b>	<b>1,813,715.95</b>	<b>4,015,636.82</b>
1-30 days	784,369.90	2,399,109.64
31-60 days	69,299.54	181,070.18
61-90 days	162,148.88	171,347.48
91-180 days	214,580.69	570,213.40
181-360 days	87,375.40	180,620.39
360 + days	495,941.54	513,275.73
<b>Total trade payables</b>	<b>46,703,070.10</b>	<b>64,751,266.11</b>

The significant amount of past due payables of more than 360 days refers to BPK Poznań. The company undertakes the activities to improve the ageing structure of payables (payment or payment postponement agreements).

Accruals include, in particular, provisions for the costs of subcontractors.

## 8. Discontinued operations

No operations were discontinued within the meaning of the IFRS 5 during the three months ended 31 March 2015 or 31 March 2014.

## 9. Segment reporting

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

- construction; and
- design.

These operating segments jointly meet the following rules:

- their aggregation is consistent with the objectives and principles of the IFRS 8;



- they have similar economic characteristics;
- they are similar in the following areas: the nature of the products and services, the nature of the production process, the class and type of customers and the methods used to distribute products and services.

The construction activities conducted by ZUE include the construction and comprehensive modernisation of urban transport systems, the construction and comprehensive modernisation of railway lines and power engineering and power electronics services.

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

The accounting principles applied to the segments are the same as the principles set out in the description of important 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 in the first quarter of 2015:

(PLN '000)

	Construction	Design	Exclusions	Total
<b>Revenue</b>	<b>64,899</b>	<b>814</b>	<b>-307</b>	<b>65,406</b>
including:				
Revenue from external customers	64,871	606	-71	65,406
Inter-segment revenues	28	208	-236	0
<b>Gross profit</b>	<b>4,254</b>	<b>-434</b>	<b>-99</b>	<b>3,721</b>
Financial income / expenses	-18	-59	0	-77
Interest received	272	0	-1	271
Interest paid	-130	-18	1	-147
<b>Pre-tax profit</b>	<b>1,324</b>	<b>-837</b>	<b>-99</b>	<b>388</b>
Corporate income tax	255	134	-19	370
<b>Net profit</b>	<b>1,069</b>	<b>-971</b>	<b>-80</b>	<b>18</b>
Depreciation and amortisation	2,148	59	23	2,230
Property, plant and equipment	68,556	4,528	12	73,096
Non-current assets	131,632	8,145	-3,778	135,999
<b>Total assets</b>	<b>371,066</b>	<b>12,813</b>	<b>-7,193</b>	<b>376,686</b>

## 10. Factors and events with a bearing on the Group's financial results in the first quarter of 2015

### Analysis of the Group's financial results at the end of the first quarter of 2015

In the three months ended 31 March 2015, revenue generated by the Group was PLN 65,406 thousand – down by 39.6% compared to the figure recorded in the analogous period of 2014.

A decrease in revenue was a result of the accumulation of expiring contracts; i.e. the contracts at the stage of settlements and acceptance and the contracts whose schedule provided for the works of smaller value.

Gross profit was PLN 3,721 thousand – up by PLN 1,645 thousand compared to the analogous period of 2014. Gross margin in the first quarter of 2015 was 5.7% while in the first quarter of 2014, it stood at 1.9%.

General and administrative expenses in the first three months of 2015 amounted to PLN 5,053 thousand while in the first quarter of 2014, they amounted to PLN 4,732 thousand.

An increase in other operating income was particularly influenced by the favourable outcome of court proceedings of PLN 3,281 thousand. Other operating expenses mainly included the provisions for doubtful debt of PLN 1,188 thousand.

The Group recorded profit on operating activities of PLN 464 thousand – up by PLN 2,842 thousand compared to the analogous period of 2014.

Financial expenses in the period under analysis stood at PLN 430 thousand. In the first quarter of 2014, financial

expenses amounted to PLN 661 thousand.

In the reporting period, a use of credit facilities by the Group was much smaller because working capital facilities had been repaid by ZUE in full in 2014.

The Group ended the first quarter of 2015 with the net profit of PLN 18 thousand – up by PLN 2,138 thousand compared to the net profit for the first quarter of 2014.

The Group's total assets and liabilities at 31 March 2015 stood at PLN 376,686 thousand and decreased by PLN 34,008 thousand when compared with the figure reported at the end of 2014.

Compared to 31 December 2014, total non-current assets increased by PLN 511 thousand to PLN 135,999 thousand. Major change in non-current assets occurred as a result of greater value of retention on construction contracts.

Current assets decreased by PLN 34,519 thousand in the period under analysis and stood at PLN 240,687 thousand. The change was a result of a decrease in current trade and other receivables by PLN 48,731 thousand, decrease in cash and cash equivalents by PLN 17,956 thousand and increase in inventories by PLN 24,333 thousand. Cash and cash equivalents decreased as a result of partial repayment of investment credit facility at ZUE and greater use of own funds to finance the contracts. Receivables decreased as a result of smaller sales volume and the decrease reflected a typical Q1 trend in the construction industry. The increase in inventories was caused by the purchase of materials from ThyssenKrupp GfT Polska Sp. z o.o.

Compared to the end of 2014, total liabilities at 31 March 2015 decreased by PLN 31,702 thousand to PLN 177,541 thousand. The decrease followed the reduction of costs in connection with smaller sales, the repayment of credit facilities and the refund of deposits.

## **11. Major events in the first quarter of 2015 and after the reporting period**

### **11.1. Major events in the period 1 January 2015 – 31 March 2015**

On 27 January 2015, the Management Board of ZUE entered into the contract with ThyssenKrupp GfT Polska Sp. z o.o. of Cracow (the "Seller").

Under the contract, the Company bought from the Seller the track structure materials such as tram and railway rails, track accessories, sleepers etc. for PLN 19,534,850.98 plus VAT. The said amount was paid in the following manner:

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

The contract was concluded under the condition precedent that the Company provided the Seller by 4 February 2015 with two irrevocable bank guarantees (the "Guarantees") up to PLN 9,900,000.00 each payable on first demand. In addition, the Company was obliged under the conditions precedent to buy the sleepers of the total value of PLN 265,149.02 by 31 December 2015 and other track structure materials of the total value of approx. PLN 40.4m, whose purchase would be paid for in installments, by 31 January 2016.

On 3 February 2015, the agreement was concluded by and between the Management Board of ZUE and mBank S.A. The agreement provided for the issue by the Bank, at the Company's request, of the two irrevocable bank guarantees up to PLN 9,900,000.00 each payable on first demand to ThyssenKrupp GFT Polska Sp. z o.o. with registered office in Cracow (the "Seller").

The first Guarantee was valid until 15 April 2015 and the Seller was not able to draw any amounts under the said Guarantee before 3 April 2015. The second Guarantee was valid until 15 May 2015 but expired after the actual payment had been made.

The amount of the fees the Company was obliged to pay in connection with the Guarantees issued by the Bank had been determined at arm's length.

The Guarantees expired after the payment had been made in line with the abovementioned agreement.

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

On 23 March 2015, the Company and Ms. Katarzyna Reszczyńska (the "Seller"), a majority shareholder of Railway gft, entered into the sales agreement. The Company acquired 35 shares; i.e. 70% of the share capital of

Railway gft for PLN 3,500.00. The transaction was under the condition precedent that the consent was given to the Company by the President of the OCCP or there were circumstances in which the consent was not required; i.e.:

- a) The Company received an unconditional consent of the President of the OCCP to the concentration; or
- b) The Company received a decision of the President of the OCCP to discontinue the concentration proceedings as there was no notice requirement; or
- c) The notice was returned because the President of the OCCP decided it was not required; or
- d) The deadline for the decision of the President of the OCCP expired as a result of which it was assumed, under the Polish Competition and Consumer Protection Act, that the unconditional consent to the concentration had been given by the President of the OCCP.

On 6 March 2015, the Company learnt that the tender submitted by the Company by open tender for the upgrade of the railway line no. 137 on the Katowice – Chorzów Batory section as part of the following project: “Upgrade of the railway lines no. 134, 137 and 138 on the Gliwice Łabędy - Katowice - Sosnowiec Jęzor section” had been selected by PKP Polskie Linie Kolejowe S.A. Centrum Realizacji Inwestycji – Wrocław Branch as the most economically advantageous offer.

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

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

Completion date: 30 November 2015.

Tender selection criteria:

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

The Company achieved the best score in both cases.

On 30 March 2015, the Company received from PKP PLK S.A. with registered office in Warsaw (the “Contracting Authority”) a signed contract of 27 March 2015 for the Company’s performance of a set of tasks related to the upgrade of the railway line no. 137 on the Katowice – Chorzów Batory section as part of the following project: “Upgrade of the railway lines no. 134, 137 and 138 on the Gliwice Łabędy - Katowice - Sosnowiec Jęzor section” (the “Contract”).

The Company informed of the submission of the lowest price tender and the selection of Company’s offer as the most economically advantageous tender in current reports.

Gross value of the Contract: PLN 52,274,646.99.

Net value of the Contract: PLN 42,499,713.00.

Completion date: 30 November 2015.

The warranty given to the Contracting Authority by the Company was 6 years of the acceptance protocol date.

The guarantee given by the Company was also 6 years of the acceptance protocol date.

The Contracting Authority reserved the right to charge the Company with the contractual penalties including:

- 1) 0.05% of the Contract net value for each day of delay in the Contract performance;
- 2) 0.05% of the Contract net value for each day of delay in the removal of defects by the date set by the Contracting Authority;
- 3) 20% of the Contract net value if the Company or the Contracting Authority terminated the Contract through the fault of the Company; and
- 4) 0.05% of the Contract net value for each part of the Contract specified in the schedule for each day of delay provided, however, that the penalties would not be charged if the entire project specified in the Contract was executed in a timely fashion.

The total amount of the contractual penalties specified in the Contract could not exceed 30% of the Contract net value. Regardless of the contractual penalties, the Contracting Authority could claim damages in excess of the contractual penalties on general terms set out in the Polish Civil Code.

#### **11.2. Other events in the period 1 January 2015 – 31 March 2015**

On 23 March 2015, PKP PLK S.A. (the “Contracting Authority”) signed the Annex no. 2 to the contract of 25 March 2013 for design and construction services for the following project: “Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie – Dąbrowa Górnicza Ząbkowice – Jaworzno Szczakowo section.” Under the Annex no. 2, the completion date was changed from 728 days to 12 July 2015. In addition, under the Annex no. 2, the Company

waived its claims related to a delay in the site delivery (22 days) or no access to the site on one of the plots (74 days). The total of delays through the fault of the Contracting Authority coincided with a new date for the performance of works set in the Annex no. 2.

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

On 15 April 2015, the Company learnt of the approval by the President of the OCCP of the concentration; i.e. gaining control by the Company of Railway gft Polska Sp. z o.o. with registered office in Cracow through the acquisition of shares in Railway gft.

The acquisition of shares was under the condition precedent that the consent was given to the Company by the President of the OCCP. The condition was met after the consent had been given. The decision fully complied with the Company's request and was performed on 15 April 2015.

On 15 April 2015, ZUE gained control of Railway gft and, consequently, Railway gft became a subsidiary of ZUE.

On 30 April 2015, the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 5,000.00 to PLN 300,000.00 through the creation of 2,950 new shares with a par value of PLN 100 each. All the shares of the total value of PLN 295,000.00 were acquired by the existing shareholders (including ZUE) proportionally to the number of shares already held by them and paid up by contributions of the total value of PLN 295,000.00.

New members of the Supervisory Board of Railway gft; i.e. Ms. Anna Mroczek, Mr. Wiesław Nowak and Mr. Jordan Świerczewski, were appointed at the Extraordinary Shareholders Meeting of Railway gft of 30 April 2015

On 13 May 2015, the Company and BGŻ BNP Paribas S.A. signed the Annex no. 1 to the Revolving Credit Facility Agreement. The Company informed of the said Agreement in the current report of 19 November 2014. The Annex no. 1 dealt mainly with the extension of the credit term until 4 January 2016, the extension of security to include registered pledge on the Company's machines and the assignment of rights under insurance policy, and contained the credit disbursement schedule.

On 13 May 2015, the Company and mBank S.A. signed the Annex no. 13 to the Overdraft Agreement no. 07/183/04/Z/VV. Under the Annex, the term of the credit was extended until 13 May 2016.

## **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 2015 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. 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 2015 revenue may be transferred to 2016.

- **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 Group 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**

In 2015, the Group began to perform the EUR-denominated contract in Slovakia. This will have an influence on foreign exchange risk. This may have a positive or negative impact on the Group's financial results. In addition, certain products are purchased in EUR or from entities operating in Poland and, although PLN-denominated, they are also indirectly exposed to a foreign exchange risk given the transfer of the risk from a supplier-importer to the Group companies.

- **Outcome of court proceedings**

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

### **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 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**

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

#### **Buyback of ZUE S.A. own shares from employees of former Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. in 2015**

Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna emerged as a result of the commercialisation of Przedsiębiorstwo Robót Kolejowych w Krakowie, the state-owned enterprise. The State Treasury was the company's sole shareholder until 6 January 2010. Under the sales agreements of 23 October 2009 and 12 June 2013, ZUE S.A. acquired shares from the State Treasury representing 85% and 0.9%, respectively, of the share capital of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna.

Given the privatisation of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna (PRK) which emerged as a result of the commercialisation of the state-owned enterprise, the eligible employees had the right to acquire, for no consideration, 15% of shares held by the State Treasury on the date of the Company's entry in the register. Pursuant to Art. 36 and 38 of the Polish Act on Commercialisation and Privatisation, the eligible employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna had the right to acquire the company shares from the State Treasury for no consideration. Following the privatisation process, the eligible employees acquired the total of 133,982 shares from the State Treasury.

On 16 September 2009, the Trade Unions at Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (NSZZ Pracowników PRK w Krakowie S.A. and NSZZ „Solidarność”), Zakłady Usług Energetycznych i Komunikacyjnych grupa ZUE S.A. (now ZUE S.A.) and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna signed the “Package of Social Guarantees; social and employee guarantees for the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna with registered office in Cracow.” Pursuant to section III item 1 of the said Package, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna was obliged to acquire, as of 7 January 2015, the employee shares from the employees entitled to acquire the shares for no consideration and the price of one share could not be lower than the price of one share on the date of ZUE S.A.'s purchase of 85% of shares in Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna. In addition, section III item 3 of the said Package read that ZUE S.A. would purchase the shares at the price multiplied by 1.5 per share should Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna fail to perform the abovementioned obligation.

On 8 October 2013, the parties to the Social Package signed the annex no. 2 thereto to enable the shared interpretation of the document and make it more detailed. Thus, the document specified the persons authorised to demand the repurchase. The parties agreed that as of 7 January 2015, ZUE S.A. would be obliged to acquire ZUE S.A. shares received in exchange for the shares in Przedsiębiorstwo Robót Komunikacyjnych w Krakowie

Spółka Akcyjna sold directly by the State Treasury from the eligible employees of ZUE S.A. or their legal successors. The number of shares, which could be repurchased, was 381,217. The demands should be reported directly to ZUE S.A. and the company shall be obliged to repurchase the shares for PLN 10.05 (ten złoty and five grosz) per share within 90 days of the report. The said demand shall expire if it is not reported within 6 months of 7 January 2015.

On 20 December 2013, ZUE S.A. and Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna merged through the transfer of all the assets of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna to ZUE Spółka Akcyjna in exchange for the shares issued by ZUE Spółka Akcyjna to the shareholders of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna.

At this report publication date, ZUE S.A. purchased 240,354 shares as part of the buy-back of own shares from the employees of PRK.

## 16. Information on dividend

On 11 May 2015, the Management Board of ZUE resolved to submit a proposal to the Company's Ordinary General Meeting in which they recommended to allocate the entire profit for the financial year 2014 to reserve funds.

## 17. Management Board statement on forecast financial results

The Company did not publish any forecast 2015 financial results.

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

Name	Position at ZUE	Number of shares held at 14.05.2015	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	2,300	2,300	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	7,240	7,240	0.03	Purchase of 290 shares
Michał Lis	Supervisory Board Member	661	661	< 0.01	None

\* - Date of publication of previous quarterly report (Consolidated quarterly report of ZUE S.A. for Q3 2014): 14 November 2014. Date of publication of correction to the consolidated report for III quarter of 2014: 15 December 2014.

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 the publication date of the previous quarterly report or this quarterly report.



## 19. Transactions with related entities

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

(PLN)

	Receivables		Payables	
	As at		As at	
	31-03-2015	31-12-2014	31-03-2015	31-12-2014
BPK Gdańsk	32,891.26	0.00	0.00	0.00
RTI	0.00	1,230.00	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>32,891.26</b>	<b>1,230.00</b>	<b>0.00</b>	<b>0.00</b>

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2015	31-03-2014	31-03-2015	31-03-2014
BPK Gdańsk	0.00	0.00	0.00	14,805.50
RTI	3,000.00	3,000.00	0.00	0.00
RTI Germany	0.00	0.00	403,117.48	195,228.57
Wiesław Nowak	0.00	0.00	0.00	29,520.00
<b>Total</b>	<b>3,000.00</b>	<b>3,000.00</b>	<b>403,117.48</b>	<b>239,554.07</b>

	Advanced loans		Financial income	
	As at		Period ended	
	31-03-2015	31-12-2014	31-03-2015	31-03-2014
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	130,697.99	134,601.32	742.52	603.25
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>130,697.99</b>	<b>134,601.32</b>	<b>742.52</b>	<b>603.25</b>

	Received loans		Financial expenses	
	As at		Period ended	
	31-03-2015	31-12-2014	31-03-2015	31-03-2014
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	500,000.00	15,934.13	0.00
<b>Total</b>	<b>0.00</b>	<b>500,000.00</b>	<b>15,934.13</b>	<b>0.00</b>

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

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

- Lease of rooms.

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

- Market research services.

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

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

On 8 May 2014, Wiesław Nowak, President of the Company's Management Board, and Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. entered into the agreement whereby BPK Poznań was advanced the loan of PLN 500 thousand at a variable interest rate. The loan was repaid on 29 January 2015.

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

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

At 14 May 2015, the Group was a party to the pending court proceedings concerning both the claims and liabilities of ZUE with the total value of PLN 44,447,186.70; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning the Company's liabilities was PLN 10,281,804.64 and the total value of the proceedings concerning the Company's claims was PLN 34,165,382.06.

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

### **The biggest pending court proceeding concerning the Company's liabilities:**

Case concerning the following project: "Construction of a tramway under the project KST N-S Phase II A Grzegórzeckie Roundabout – Kotlarski Bridge – Klimeckiego Street – Lipska Street, together with the reconstruction of the roadway and construction of Kuklińskiego Street, as well as the construction of a flyover along Nowohucka and Powstańców Wielkopolskich Streets in Cracow."

The lawsuit concerns the following project: "Construction of a tramway under the project KST N-S Phase II A Grzegórzeckie Roundabout – Kotlarski Bridge – Klimeckiego Street – Lipska Street, together with the reconstruction of the roadway and construction of Kuklińskiego Street, as well as the construction of a flyover along Nowohucka and Powstańców Wielkopolskich Streets in Cracow." Petitioners; i.e. Gmina Miejska Kraków [the City of Cracow] (hereinafter referred to as "GMK") and Miejskie Przedsiębiorstwo Komunikacyjne S.A. of Cracow (hereinafter referred to as "MPK") applied for the amount of PLN 7,218,600.13 to be paid on a joint and several basis by the Defendants; i.e. Przedsiębiorstwo Budownictwa Inżynieryjnego Energopol sp. z o.o., Strabag sp. z o.o., ZUE S.A. and Eiffage Polska Koleje sp. z o.o. GMK demanded the Defendants pay PLN 1,718,155.00 and MPK demanded the Defendants pay PLN 5,500,445.13. The abovementioned demand was based on the charge that the project executed by the consortium comprising the Defendants had defects. The said defects concerned the road works performed by PBI Energopol sp. z o.o. and Strabag sp. z o.o. The Petitioners believed they were entitled to demand a decrease in remuneration on the basis of warranty provisions. Thus, the Petitioners requested the repayment of a part of the remuneration paid on the basis of the main contract of 20 January 2010 and the contract for supplementary works of 4 October 2010.

The Petitioners made additional request in case their demand for the remuneration reduction was not considered. They demanded the Defendants were liable on a joint and several basis for the performance of the construction works according to the list attached to the lawsuit as the appendix no. 1 within six months of the judgment final date. They believed their demand was supported by the guarantee provisions. The Petitioners demanded a joint execution of all the works. Their claim was wrong from the legal point of view because the Defendants performed a part of the works for one Petitioner and a part of the works for the other and the Petitioners had separate claims against the Defendants.

The lawsuit did not explicitly specify the defects the Defendants were charged with. It only said the defects concerned the road works performed as part of the project executed by the consortium. Thus, liability for the

defects would be borne by PBI Energopol sp. z o.o. and Strabag sp. z o.o. In addition, according to the lawsuit, the Petitioners expected the Contractor to repay the amount spent on ground stabilisation (under the roads); i.e. the works ZUE was not responsible for.

It should also be noted that the warranty claims were reported after the deadline provided for in the Polish Civil Code and the contract. In addition, the Petitioners failed to check the service delivered to them and, consequently, lost their rights under the warranty. The Petitioners stated the defects had been insidiously concealed. If this was true, the Petitioners would still be able to make their warranty claims. To support their statements, the Petitioners referred to the activities of a consortium member other than ZUE. According to Art. 371 of the Polish Civil Code, actions/omissions by one co-debtor (which basically include the Defendants) must not harm the remaining co-debtors. Thus, it should be assumed that ZUE is not responsible for the defects concealed by another consortium member.

The warranty claims made by the Petitioners with respect to the contract for supplementing works did not have any legal basis because no warranty had been given by the Defendants. Warranty had only been given for the works covered by the main contract. It should be stressed that the lawsuit mainly concerned the works provided for under the contract for supplementing works. As regards the warranty issued as part of the main contract, the Defendants believe that the Petitioners' claim was not covered by warranty because the document did not provide for the repeated performance of the works.

The Petitioners included another claim in their pleading, namely improper contract performance. They maintained they could claim damages in connection with the said improper performance. The Defendants believed the Petitioners had no such claims for damages and even if they did, they fell under the statute of limitations. It should be noted, however, that the Petitioners filed a motion for conciliation proceedings. Their motion contained specific claims which, when liberally construed, could be the grounds for stopping the run of the statute of limitations. However, this is a quite complex legal issue, especially as the Petitioners demanded, *inter alia*, the repeated performance of the works as part of the damages. The Defendants believe this is not any claim for damages (damages differ from a basic contractual obligation; i.e. the performance of the works). There are no doubts about damages relating to the demand for a specific amount. However, ZUE maintains it cannot be blamed especially as it was not involved in the said works. The works were performed by other consortium members. In addition, if the Petitioners' claims were true, the blame could be put on the Petitioners. They employed inspectors who accepted the works and confirmed that the works had been done as a result of which the remuneration was paid.

The Petitioners based their entire lawsuit basically on the fact that preparatory proceedings had been instigated. At the end of 2014, an indictment was filed against one of the consortium members (or to be more precise, against its employees and the employees of entities related to the consortium member, including its counterparties) and the inspector employed by one of the Petitioners. According to the Petitioners, the evidence gathered during the proceedings demonstrated that the works had not been properly performed. This statement confirms the foregoing arguments relating to the legal position of ZUE. If the offence were in fact committed (the Petitioners said that except for one person, all people took the blame and applied for self-sentencing), the blame would be put both on the consortium member, which had failed to perform the works in line with the contract, and the Petitioners whose inspector had failed to do their job well. ZUE trusted it properly performed its obligations.

The Petitioners attached new appendices to their most recent pleading of 9 February 2015, which contained the grounds for their lawsuit. They stated they had reduced their claims. GMK, acting through the City Infrastructure and Transportation Authority (ZIKiT) reduced its claim from PLN 1,718,155.00 to PLN 177,439.19 and MPK "reduced" its claim from PLN 5,500,445.13 to PLN 6,344,736.56. To sum up, the initial claim was PLN 7,218,600.13 and now the total amount claimed by both Petitioners is PLN 6,522,175.75.

The Court has not asked the Defendants whether they approve of withdrawing the lawsuit without waiving the claims by the Petitioners (GMK). However, ZUE wrote it had not approved of withdrawing the lawsuit without waiving the claims. In addition, given the fact that the initial amount demanded by MPK included two claims – one of PLN 4,293,866.25 subsequently reduced to PLN 563,841.57 and the other of PLN 1,206,578.88 subsequently valued at PLN 5,780,894.99 and the fact that ZUE had not approved of withdrawing the lawsuit with regard to the first claim, the dispute concerns the amount of PLN 11,792,916.24 (i.e. the total of the initial claim – PLN 7,218,600.13 and the difference between PLN 1,206,578.88 and PLN 5,780,894.99; i.e. PLN 4,574,316.11). It should be noted that the Petitioners did not provide any new facts that would support an increase (decrease) in values and relied on exactly the same circumstances as those contained in the lawsuit. Their new pleading of 9 February 2015 contained a new calculation of the same claims. Thus, the Petitioners showed they had incorrectly calculated the value of their claims (GMK inflated its claim by PLN 1,540,715.81 and MPK by PLN 3,730,024.68; i.e. the total of PLN 5,270,740.49).

As regards the court proceedings, the Court has not issued any order of payment. The proceedings are carried out after all the Defendants have responded to the lawsuit. The next trial has been scheduled for June 2015.

Conciliation proceedings concerning the following project: "Modernisation of the railway line no. 8, construction of the Okecie airport siding:"

With reference to the description of the case contained in the previous financial statements we inform that no agreement was reached during the court session (application for conciliation proceedings whereby PKP PLK S.A. asked the consortium members to take part in the said proceedings). The Company informed thereof in the current report 45/2015 of 18 March 2015.

**The biggest pending court proceeding concerning the Company's claims:**

Case concerning the following project: "Modernisation of railway line no. 8, construction of the Okęcie airport siding."

On 14 August 2014, the Petitioner (BILFINGER INFRASTRUCTURE S.A., ZUE S.A., Przedsiębiorstwo Budowy Kopalń PEBEKA S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. and Kolejowe Zakłady Automatyki Katowice S.A.) filed a lawsuit against the Defendant (PKP Polskie Linie Kolejowe S.A.). The Petitioner sued the Defendant for the contractual penalty of PLN 72,835,010.99 plus interest from 18 August 2012 until payment (with PLN 18,521,943.30 plus interest from 18 August 2012 until payment attributable to the Company) for the Defendant's delay in the handover of the Construction Site. The lawsuit concerned the construction contract of 27 October 2009 between the Petitioner (the Contractor) and the Defendant (the Contracting Authority) for the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding. Phase 3: construction work on the siding as part of the project no. POIiŚ 7.1-18: "Modernisation of the railway line no. 8, construction of the Okęcie Airport siding." Under the Contract, the Contracting Authority was obliged to provide the Contractor with an access to the entire construction site and the right to use it on the dates as specified in an appendix to the Contract. In case of delay through the fault of the Contracting Authority, the Contractor was authorised to charge the contractual penalties for each day of delay at the rate as specified in an appendix to the Contract. The Contracting Authority failed to provide an access to all parts of the Construction Site by the dates specified in the Contract. The Defendant questioned the claims made by the Petitioner both in terms of their amount and legitimacy. In addition, the Defendant filed a motion to dismiss the action and award the Defendant costs of the proceedings, including the cost of legal representation, according to the list of costs submitted during the proceedings. The Defendant filed a claim that the contractual fee charged by the Petitioner was too high in case the said motion for the dismissal was rejected.

The case concerns ZUE's claims whose value is PLN 18,521,943.30 plus interest and, consequently, exceeds 10% of the Company's equity.

Case concerning the following project: "Construction of the tramway line from os. Lecha to Franowo."

The litigation concerns the contract of 21 March 2011 entered into between the City of Poznań [*Miasto Poznań*], represented by Infrastruktura Euro Poznań 2012 Sp. z o.o. (the "Project Manager") and the consortium of Bilfinger Infrastructure S.A., ZUE S.A. and Przedsiębiorstwo Budowy Kopalń S.A. (the "Contractor") for the execution of the following project: "Construction of the tramway line from os. Lecha to Franowo."

The completion date was set in the Terms of Reference at 30 April 2012. According to the Guidelines for Contractor (a part of the Terms of Reference) the works were to be completed and the occupancy permit was to be obtained by the abovementioned date. Special Terms of Contract read that before applying for the Taking-Over Certificate, the Contractor was only expected to prepare all the documents and perform all the activities necessary for the City of Poznań to obtain the occupancy permit. The approval of linear heat detector DTS for use in Poland was an important part of applying for the occupancy permit. The construction design submitted to the consortium by the City of Poznań did not specify the heat detector system to be used in the project. Detailed design, on the other hand, provided for DTS system. According to the explanation provided by the City of Poznań, the detailed design was supposed to be a document superior to the construction design. Design documentation was a part of contract documentation. Thus, a use of DTS system complied with the contract. On 8 June 2012, the City of Poznań (represented by the Contractor) obtained a permit to occupy a part of the project. As regards a permit to occupy the remaining part of the project, the District Building Inspector [*Powiatowy Inspektor Nadzoru Budowlanego*] stated it had not been provided with any documents evidencing proper approval of DTS system for use in Poland. On 27 July 2012, the District Building Inspector issued the occupancy permit on the condition that the documents evidencing the marketing of the system or its replacement with another marketed system would be obtained by the end of 2012. On 9 August 2012, the City of Poznań represented by its lawyers appealed against the part of the occupancy permit that concerned the abovementioned condition. In September 2012, the Project Manager stated that the Contractor had been obliged to obtain an unconditional occupancy permit (despite the fact that no part of the contract documentation said the occupancy permit had to be unconditional). Finally, on 13 December 2012, the Regional Building Inspector [*Wojewódzki Inspektor Nadzoru Budowlanego*] overruled the appealed conditional occupancy permit and issued an unconditional occupancy permit. The Regional Building Inspector decided that DTS detector had been legally marketed in Germany and, consequently, could also be used in Poland.

After the occupancy permit had been obtained, the parties (the City of Poznań represented by Infrastruktura Euro Poznań 2012 sp. z o.o. and the Contractor) talked about the final settlement of the contract. Despite a prior oral arrangement of the parties, the Project Manager informed the Contractor it had a new legal opinion according to which the Contractor was charged with a conditional nature of the occupancy permit and the contractual

obligations of the Contractor had been performed only on 13 December 2012 (i.e. on the date of issue of the unconditional occupancy permit). Consequently, contractual penalties could be charged for the period from 30 April to 13 December 2012 less 45 days defined by the Project Manager as a justified delay. On 4 September 2013, the Project Manager wrote to the Contractor that pursuant to Article 84 of the Polish Civil Code, it evaded legal consequences of statement of will. The said statement of will consisted in the signing on 21 August 2012 of the Taking-Over-Certificate no. IK/12/08/1245/RK evidencing the completion of the acceptance activities on 27 July 2012. Next, the Project Manager told the Contractor it believed there had been a delay in the contract performance between 15 June 2012 and the date on which the City of Poznań received the last legal and binding occupancy permit; i.e. 13 January 2013 (the decision of 13 December 2012). Thus, the Project Manager stated it felt entitled charge the contractual penalty in the total amount of PLN 6,417,153.00 (the sum of the contractual penalty of PLN 5,429,529.00 and PLN 987,624.00) and deduct it from the last part of the remuneration payable to the Contractor.

On 11 October 2013, the Contractor filed a lawsuit with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw to determine that the contractual penalty could not be claimed by the City of Poznań and that the Project Manager's statement of evading the legal consequences was ineffective. On 15 January 2016, Domański Zakrzewski Palinka Sp.K., the law office acting on behalf of the Contractor, expanded the lawsuit by adding a demand for PLN 6,417,154.8 as the remuneration for the construction works covered by the partially paid invoice no. 009/13/07S1 of 17 July 2013. The first trial before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw was held on 16 January 2014 and dealt with initial issues such as specifying certain evidence more precisely or determining the dispute value. On 22 January 2014, the City of Poznań made a statement about setting off the Contractor's claim for the payment of PLN 6,417,154.8 as the remuneration for the construction works covered by the partially paid invoice no. 009/13/07S1 of 17 July 2013 against the claim for the payment of the contractual penalties. On 24 January 2014, the Contractor responded to the decision of the Court of Arbitration at the Polish Chamber of Commerce and filed a pleading with its position on the claim of untimely suit filing, the claim of Infrastruktura Euro Poznań 2012 sp. z o.o. concerning the failure to file for arbitration and the value of claim for making the statement of evading the legal consequences of the statement of will ineffective. On 28 January 2014, the City of Poznań responded to the expanded suit of the Contractor and filed a motion to dismiss it. The main allegation of the City of Poznań concerned the set-off. The arbitration proceedings are pending.

On 27 June 2014, the City of Poznań transferred the disputable amount to the bank account of Bilfinger Infrastructure S.A. with the following transfer title: "The remaining balance under invoice 009/13/07/S1 subject to refund." On 3 July 2014, Bilfinger Infrastructure S.A. transferred PLN 3,654,348.88 to the bank account of ZUE. The amount corresponded to the share of ZUE in the disputable remuneration transferred by the City of Poznań to the bank account of Bilfinger Infrastructure S.A.

It should also be stressed that according to the consortium agreement concluded on 26 October 2010 by and between Bilfinger Infrastructure S.A., ZUE S.A. and Przedsiębiorstwo Budowy Kopalń S.A., each consortium member was liable for the payment/satisfaction of contractual penalties, damages or other claims that occurred through its fault and the consortium member whose action or omission caused any claim the contracting authority could refer on a joint and several basis to the consortium was obliged to indemnify the remaining consortium members against such claims. Given the division of works made by the consortium members in the consortium agreement and the executive agreement thereto, one should note that the claim of the City of Poznań concerning the payment of contractual penalties did not occur through the fault of ZUE.

On 16 September 2014, the Petitioner expanded the lawsuit by adding PLN 11,156,300.26 to satisfy their claims concerning the additional payment according to the contract with statutory interest and include the payment for additional works with statutory interest, refund of financial expenses in connection with the Defendant's refraining from issuing the Interim Payment Certificates no. 15 and 16 and the refund of legal fees. ZUE S.A.'s share in the expanded lawsuit was PLN 1,561,903.76.

A partial judgment was passed on 20 February 2015. The Arbitration Court decided that the Defendant, the City of Poznań – the Municipal Transport Authority had no claim for the payment of the contractual penalty of PLN 6,417,153 against the Petitioners; i.e. Bilfinger Infrastructure S.A., ZUE S.A. and Przedsiębiorstwo Budowy Kopalń PEBEKA S.A.

Case concerning the following project: *"Design and construction works as part of the following project: <<Raising the quality of transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie - Dąbrowa Górnicza Ząbkowice - Jaworzno Szczakowa section>>"*

With reference to the description of the said case contained in the previous report, we inform that no agreement was reached during the conciliation meeting held on 18 February 2015. Thus, on 26 February 2015, the Petitioner (ZUE S.A.) filed another motion for conciliation proceedings against PKP Polskie Linie Kolejowe S.A. in connection with the payment of the net amount of PLN 3,613,726.06 for the performance of additional works commissioned by the Contract Engineer. The said works involved the replacement of the track structure at the section 288,850 – 291,609 km, incorporating a subgrade protective layer, installation of geotextile and the filtration layer, installation of a deep drainage system, at the additional section of 2,009 km, in connection with the following Contract: "Design and construction works as part of the following project: <<Raising the quality of

transport services through the improvement of technical condition of the railway lines no. 1, 133, 160 and 186 on the Zawiercie - Dąbrowa Górnicza Ząbkowice - Jaworzno Szczakowa section>>.” According to the Petitioner, the Contracting Authority (PKP Polskie Linie Kolejowe S.A.) should pay for the additional works because they went beyond the scope of the order according to which the works were to be performed at the section 0.750km. The Contracting Authority believed that the risk of any works designated to achieve specific performance parameters should be borne by the Contractor. In addition, the Contracting Authority stated that indicating the scope of works at 0,750 km in the Functional Plan was an obvious mistake and the Contractor disagreed with this statement.

## 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 31/03/2015	As at 31/12/2014
Bonds and guarantees	233,284,785.40	196,926,463.38
Sureties	2,188,783.26	2,100,444.01
Bills of exchange	125,750,432.23	126,864,850.23
Mortgages	53,747,550.00	54,347,550.00
Pledges	0.00	0.00
<b>Total</b>	<b>414,971,550.89</b>	<b>380,239,307.62</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 and mortgages are mainly credit facility and lease agreements.

### 22.2. Contingent assets

(PLN)

	As at 31/03/2015	As at 31/12/2014
Bonds and guarantees	39,478,720.24	38,902,011.04
Bills of exchange	3,734,560.03	3,734,560.03
Sureties	0.00	0.00
Mortgages	0.00	0.00
<b>Total</b>	<b>43,213,280.27</b>	<b>42,636,571.07</b>

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

**ZUE S.A.**

**CONDENSED SEPARATE FINANCIAL STATEMENTS FOR  
3 MONTHS ENDED 31 MARCH 2015**

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



**GRUPA ZUE**

Cracow, 14 May 2015



#### IV. SELECTED FINANCIAL DATA OF ZUE

Rules adopted to translate selected financial data into EUR:

Items	Exchange rate	Exchange rate on 31 Mar 2015	Exchange rate on 31 Dec 2014	Exchange rate on 31 Mar 2014
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.0890	4.2623	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	4.1489	n/a	4.1894
“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	4.0890	4.2623	4.1713

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

	As at 31-03-2015		As at 31-12-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
	Non-current assets	131,632	32,192	130,999
Current assets	239,434	58,556	271,177	63,622
<b>Total assets</b>	<b>371,066</b>	<b>90,748</b>	<b>402,176</b>	<b>94,356</b>
Equity	201,709	49,330	202,963	47,618
Non-current liabilities	22,721	5,556	23,169	5,435
Current liabilities	146,636	35,861	176,044	41,303
<b>Total equity and liabilities</b>	<b>371,066</b>	<b>90,747</b>	<b>402,176</b>	<b>94,356</b>

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

	3 months ended 31-03-2015		3 months ended 31-03-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
	Revenue	64,899	15,642	107,087
Cost of sales	60,645	14,617	104,470	24,937
Gross profit (loss) on sales	4,254	1,025	2,617	625
Profit (loss) on operating activities	1,342	323	-1,883	-450
Gross profit (loss)	1,324	319	-1,721	-411
Net profit (loss) on operations	1,069	258	-1,498	-358
Total comprehensive income	1,069	258	-1,498	-358

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

	3 months ended 31-03-2015		3 months ended 31-03-2014	
	PLN '000	EUR '000	PLN '000	EUR '000

Cash flows from operating activities	-11,259	-2,714	14,910	3,559
Cash flows from investing activities	-4,124	-994	-2,202	-526
Cash flows from financing activities	-2,532	-610	-35,348	-8,437
<b>Total net cash flows</b>	<b>-17,915</b>	<b>-4,318</b>	<b>-22,640</b>	<b>-5,404</b>
Cash at the beginning of the period	71,116	16,685	49,645	11,971
Cash at the end of the period	53,220	13,015	26,984	6,469

## V. SEPARATE FINANCIAL STATEMENTS OF ZUE

### Separate statement of comprehensive income

	(PLN)	
	Period ended 31-03-2015	Period ended 31-03-2014
Revenue	64,899,052.27	107,086,938.25
Cost of sales	60,645,174.24	104,470,391.52
<b>Gross profit (loss) on sales</b>	<b>4,253,878.03</b>	<b>2,616,546.73</b>
General and administrative expenses	4,491,651.93	4,486,962.83
Other operating income	3,385,995.39	426,242.96
Other operating expenses	1,806,617.91	439,257.02
<b>Operating profit (loss)</b>	<b>1,341,603.58</b>	<b>-1,883,430.16</b>
Financial income	357,960.40	773,400.70
Financial expenses	375,571.11	611,250.71
<b>Pre-tax profit (loss)</b>	<b>1,323,992.87</b>	<b>-1,721,280.17</b>
Corporate income tax	254,717.00	-223,018.86
<b>Net profit (loss) on operations</b>	<b>1,069,275.87</b>	<b>-1,498,261.31</b>
<b>Net profit (loss)</b>	<b>1,069,275.87</b>	<b>-1,498,261.31</b>
<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>1,069,275.87</b>	<b>-1,498,261.31</b>
Weighted average number of shares	23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)	0.05	-0.07
<b>Total comprehensive income (loss) per share (PLN)</b>	<b>0.05</b>	<b>-0.07</b>

## Separate statement of financial position

(PLN)

	As at 31-03-2015	As at 31-12-2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	68,555,646.47	68,546,838.87
Investment property	7,829,559.40	7,822,850.34
Intangible assets	10,721,309.70	10,968,515.75
Goodwill	31,171,913.65	31,171,913.65
Investments in subsidiaries	2,942,335.18	2,942,271.06
Advance payments for investments in subsidiaries	0.00	0.00
Long-term receivables	0.00	0.00
Retentions on construction contracts	4,006,855.60	2,878,799.59
Deferred tax assets	6,404,714.00	6,659,431.00
Other assets	0.00	7,981.60
<b>Total non-current assets</b>	<b>131,632,334.00</b>	<b>130,998,601.86</b>
<b>Current assets</b>		
Inventories	42,253,583.92	17,920,760.21
Trade and other receivables	129,377,195.07	176,478,349.72
Retentions on construction contracts	10,183,880.39	844,047.06
Current tax assets	869,880.00	1,907,521.00
Other financial receivables	0.00	0.00
Other assets	1,484,722.81	1,771,723.90
Loans advanced	2,044,266.31	1,138,555.73
Cash and cash equivalents	53,219,764.59	71,116,102.58
<b>Total current assets</b>	<b>239,433,293.09</b>	<b>271,177,060.20</b>
<b>Total assets</b>	<b>371,065,627.09</b>	<b>402,175,662.06</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
Treasury shares	-2,323,525.80	0.00
Retained earnings	104,438,163.62	103,368,887.75
<b>Total equity</b>	<b>201,708,823.86</b>	<b>202,963,073.79</b>
<b>Non-current liabilities</b>		
Long-term bank borrowings and other debt instruments and other financing sources	4,491,805.58	5,223,987.77
Retentions on construction contracts	9,558,761.43	8,768,069.50
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	765,808.21	765,808.21
Deferred tax liabilities	0.00	0.00
Long-term provisions	7,904,710.17	8,410,094.87
Deferred revenue	0.00	0.00
Other liabilities	0.00	0.00

<b>Total non-current liabilities</b>	<b>22,721,085.39</b>	<b>23,167,960.35</b>
<b>Current liabilities</b>		
Trade and other payables	105,454,716.99	130,020,755.10
Retentions on construction contracts	14,996,790.76	18,121,876.48
Short-term bank borrowings and other debt instruments and other financing sources	7,848,416.86	9,213,948.27
Other financial liabilities	42,781.70	2,791.69
Liabilities under employee benefits	11,941,256.74	13,049,852.41
Current tax liabilities	0.00	0.00
Short-term provisions	6,351,754.79	5,635,403.97
<b>Total current liabilities</b>	<b>146,635,717.84</b>	<b>176,044,627.92</b>
<b>Total liabilities</b>	<b>169,356,803.23</b>	<b>199,212,588.27</b>
<b>Total equity and liabilities</b>	<b>371,065,627.09</b>	<b>402,175,662.06</b>

## Separate statements of changes in equity

	(PLN)				
	Share capital	Share premium account	Treasury shares	Retained earnings	Total
<b>Balance as at 1 Jan 2015</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>0.00</b>	<b>103,368,887.75</b>	<b>202,963,073.79</b>
Dividend	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00
Purchase of shares	0.00	0.00	-2,323,525.80	0.00	-2,323,525.80
Profit (loss) for the year	0.00	0.00	0.00	1,069,275.87	1,069,275.87
Other net comprehensive income	0.00	0.00	0.00	0.00	0.00
<b>Balance as at 31 Mar 2015</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>-2,323,525.80</b>	<b>104,438,163.62</b>	<b>201,708,823.86</b>
<b>Balance as at 1 Jan 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>0.00</b>	<b>92,840,726.72</b>	<b>192,434,912.76</b>
Dividend	0.00	0.00	0.00	0.00	0.00
Issue of shares	0.00	0.00	0.00	0.00	0.00
Issue costs	0.00	0.00	0.00	0.00	0.00
Profit (loss) for the year	0.00	0.00	0.00	-1,498,261.31	-1,498,261.31
Other net comprehensive income	0.00	0.00	0.00	0.00	0.00
<b>Balance at 31 Mar 2014</b>	<b>5,757,520.75</b>	<b>93,836,665.29</b>	<b>0.00</b>	<b>91,342,465.41</b>	<b>190,936,651.45</b>

## Separate statements of cash flows

(PLN)

	3 months ended 31-03-2015	3 months ended 31-03-2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>1,323,992.87</b>	<b>-1,721,280.17</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	2,148,186.65	1,926,521.10
Foreign exchange gains / (losses)	-18,288.27	21,064.13
Interest and share in profit (dividends)	-141,484.51	-165,899.45
(Gain) / loss on disposal of investments	263,618.19	-11,785.26
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 before changes in working capital</b>	<b>3,628,056.18</b>	<b>100,651.60</b>
Change in receivables and retentions on construction contracts	36,633,265.31	-462,901.13
Change in inventories	-24,332,823.71	-6,376,431.56
Change in provisions and liabilities under employee benefits	-897,629.56	2,591,501.84
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	-27,621,406.37	23,976,861.92
Change in accrued expenses	293,851.08	-1,976,852.33
Change in funds of limited availability	0.00	0.00
Other adjustments	0.00	0.00
Income tax paid / tax refund	1,037,641.00	-2,942,830.00
<b>NET CASH PROVIDED BY / USED IN OPERATING ACTIVITIES</b>	<b>-11,259,046.07</b>	<b>14,910,000.34</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	182,513.53	15,136.44
Purchase of property, plant and equipment and intangible assets	-1,358,665.78	-2,528,543.68
Sale of investments in real property and intangible assets	0.00	0.00
Sale / (purchase) of financial assets in other units	3,425.00	0.00
Sale / (purchase) of financial assets from non-controlling shareholders	0.00	-39,037.68
Purchase of financial assets available for sale	-2,323,525.80	0.00
Loans advanced	-900,000.00	0.00
Dividends received	0.00	0.00
Interest received	271,933.03	350,259.46
Settlement of financial instruments – expenses	0.00	0.00
Other cash provided by/(used in) investing activities	0.00	0.00
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-4,124,320.02</b>	<b>-2,202,185.46</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings and other debt instruments received	0.00	0.00
Repayment of borrowings and other debt instruments	-1,277,777.77	-34,178,024.17
Decrease in finance lease liabilities	-1,121,538.94	-972,022.78

Interest paid	-130,448.52	-184,360.01
Other cash provided by / (used in) financing activities - dividends	-1,494.94	-13,293.96
Net cash provided by issue of shares	0.00	0.00
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-2,531,260.17</b>	<b>-35,347,700.92</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-17,914,626.26</b>	<b>-22,639,886.04</b>
Net foreign exchange gains / (losses)	18,288.27	-21,696.64
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>71,116,102.58</b>	<b>49,645,210.98</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>53,219,764.59</b>	<b>26,983,628.30</b>

## VI. NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS OF ZUE

### 1. Information about the Company

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.

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

#### Management Board:

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

#### Supervisory Board:

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

## 2. Use of International Financial Reporting Standards

### 2.1. Statement of compliance

The separate financial statements of ZUE cover the three months ended 31 March 2015 and the comparable data of the three months ended 31 March 2014.

The financial statements of ZUE have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 31 March 2015 as endorsed by the European Union.

The separate financial statements have been prepared by ZUE according to the regulations set out in IAS 34 "Interim Financial Reporting." The same rules have been applied to both current and comparable period.

The condensed separate financial statements for the three months ended 31 March 2015 have been prepared according to the requirements binding on public companies.

These condensed separate 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.

The condensed financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future. No going concern risks exist at this report preparation date.

### 2.2. 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 approved of by the European Union come into force in 2015:

- **Amendments to various standards "Improvements to IFRSs (2011-2013 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 "Public Fees"** approved of in the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

According to the Management Board of ZUE, the abovementioned standards, amendments to the standards and interpretations do not have any significant impact on the financial statements of ZUE.

### 2.3. Amendments to the standards published but not yet effective

When approving these financial statements, ZUE did not apply the following standards, interpretations or amendments to the standards, which had been published and approved of by the EU but had not yet come into force:

- **Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 19 "Employee Benefits"** – Specific benefit programmes: employee benefits, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

### 2.4 Standards and interpretations adopted by the IASB but not yet approved by the EU

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 14 May 2015:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016);



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

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

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

### **3. Important accounting principles used in the separate financial statements for the period 1 January 2015 - 31 March 2015**

#### **3.1. Preparation basis**

The condensed quarterly separate 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 2014.

The financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future. No going concern risks exist at this report preparation date.

#### **3.2. Comparability of data**

After 31 December 2015, the Company changed the accounting policy regarding the presentation of deferred tax in the financial statements. Until 31 December 2014, deferred tax was presented by the Company separately as asset and liability. Since 1 January 2015, deferred tax assets and liabilities have been presented by the Company according to their netted balance (IAS 12).

Given the comparability of data requirement, the table below presents the influence of changes on the financial statements as at 31 December 2014.

(PLN)

	Presentation before the change	Presentation after the change
Deferred tax assets	30,322,003.00	6,659,431.00
Deferred tax liabilities	23,662,572.00	0.00
<b>Balance of assets and liabilities</b>	<b>6,659,431.00</b>	<b>6,659,431.00</b>

### 3.3. Accounting principles

The condensed quarterly separate financial statements for the three months ended 31 March 2015 have been prepared according to the same accounting principles and measurement methods as those used in the ZUE annual financial statements as at 31 December 2014. The financial statements for the financial year ended 31 December 2014 contain a detailed description of the accounting principles used by the Company.

The Company decided not to use in these financial statements any published standards or interpretations before they come into force.

## 4. Revisions to estimates

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

### Change in provisions

Provisions	(PLN)				
	01-01-2015	Created	Utilised	Released	31-03-2015
<b>Long-term provisions:</b>	<b>9,175,903.08</b>	<b>375,925.00</b>	<b>0.00</b>	<b>881,309.70</b>	<b>8,670,518.38</b>
Provisions for severance payments	765,808.21	0.00	0.00	0.00	765,808.21
Provisions for warranty claims	8,410,094.87	375,925.00	0.00	881,309.70	7,904,710.17
Other provisions	0.00	0.00	0.00	0.00	0.00
<b>Short-term provisions:</b>	<b>12,939,985.53</b>	<b>3,858,253.69</b>	<b>3,990,566.13</b>	<b>695,109.39</b>	<b>12,112,563.70</b>
Provisions for employee benefits	7,304,581.56	2,902,601.98	3,990,566.13	455,808.50	5,760,808.91
Provisions for warranty claims	3,037,026.75	946,897.61	0.00	55,951.64	3,927,972.72
Provision for loss on contracts	1,031,309.22	8,754.10	0.00	183,349.25	856,714.07
Other provisions	1,567,068.00	0.00	0.00	0.00	1,567,068.00
<b>Total provisions:</b>	<b>22,115,888.61</b>	<b>4,234,178.69</b>	<b>3,990,566.13</b>	<b>1,576,419.09</b>	<b>20,783,082.08</b>

Provision for warranty claims is created for the construction contracts in respect of which warranty has been given by the Company depending on the amount of revenues and taking account of subcontractors' liability for the work they have been entrusted with. 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**

Provisions	01-01-2015	Created	Utilised	(PLN)
				31-03-2015
Deferred tax assets	30,322,003.00	127,129.00	0.00	30,449,132.00
Deferred tax liabilities	23,662,572.00	381,846.00	0.00	24,044,418.00
<b>Balance of assets and liabilities</b>	<b>6,659,431.00</b>	<b>-254,717.00</b>	<b>0.00</b>	<b>6,404,714.00</b>

Since 1 January 2015, deferred tax assets and liabilities have been presented by the Company according to their netted balance (IAS 12).

**5. Trade and other receivables**

	(PLN)	
	As at 31-03-2015	As at 31-12-2014
Trade receivables	65,763,249.01	117,612,437.46
Trade receivables write-downs	-14,253,828.37	-13,129,522.55
Receivables from the state budget other than corporate income tax	3,645,013.60	636,817.43
Receivables under contracts (measurement)	70,941,538.55	68,239,121.27
Advance payments	3,084,125.06	2,979,965.72
Other receivables	197,097.22	139,530.39
<b>Total trade and other receivables</b>	<b>129,377,195.07</b>	<b>176,478,349.72</b>

**Ageing analysis of trade receivables**

	(PLN)	
	As at 31-03-2015	As at 31-12-2014
<b>Not past due receivables</b>	<b>37,355,032.92</b>	<b>76,617,039.08</b>
<b>Receivables that are past due but not impaired</b>	<b>14,154,387.72</b>	<b>27,865,875.83</b>
1-30 days	7,255,560.16	26,105,898.89
31-60 days	5,448,914.79	227,725.00
61-90 days	301,652.18	379,145.86
91-180 days	400,449.42	677,121.78
181-360 days	262,571.53	83,458.22
360 + days	485,239.64	392,526.08
<b>Past due receivables on which write-downs were recognized</b>	<b>14,253,828.37</b>	<b>13,129,522.55</b>
1-30 days	0.00	514,954.59
31-60 days	14,615.92	12,893.31
61-90 days	510,198.00	45,585.72
91-180 days	564,768.06	138,295.22
181-360 days	2,195,771.24	1,967,706.76
360 + days	10,968,475.15	10,450,086.95
<b>Total trade receivables (gross)</b>	<b>65,763,249.01</b>	<b>117,612,437.46</b>
<b>Write-downs on trade receivables</b>	<b>-14,253,828.37</b>	<b>-13,129,522.55</b>
<b>Total trade receivables (net)</b>	<b>51,509,420.64</b>	<b>104,482,914.91</b>

**Concentration of gross receivables that exceed 10% of total receivables:**

	(PLN)
	As at
	<b>31-03-2015</b>
Counterparty A	12,825,716.93
Counterparty B	8,739,359.33
Counterparty C	8,316,625.30
Counterparty D	7,986,597.79
	<b>37,868,299.35</b>

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

**6. Trade and other payables**

	(PLN)	
	As at	As at
	<b>31-03-2015</b>	<b>31-12-2014</b>
Trade payables	45,840,067.32	62,912,635.40
Liabilities to the state budget other than corporate income tax	949,217.62	892,766.50
Accruals	34,081,406.63	40,761,286.64
Liabilities under contracts (measurement)	24,438,832.13	25,305,612.48
Other payables	145,193.29	148,454.08
<b>Total trade and other payables</b>	<b>105,454,716.99</b>	<b>130,020,755.10</b>

**Ageing analysis of trade payables**

	(PLN)	
	As at	As at
	<b>31-03-2015</b>	<b>31-12-2014</b>
<b>Not past due payables</b>	<b>44,896,831.15</b>	<b>60,698,471.42</b>
<b>Past due payables</b>	<b>943,236.17</b>	<b>2,214,163.98</b>
1-30 days	753,348.96	1,958,563.49
31-60 days	25,117.52	13,701.21
61-90 days	19,628.81	18,450.00
91-180 days	9,227.34	116,633.25
181-360 days	5,240.00	47,203.20
360 + days	130,673.54	59,612.83
<b>Total trade payables</b>	<b>45,840,067.32</b>	<b>62,912,635.40</b>

## **7. Notes on seasonal and cyclical nature of the Company's operations**

The entire construction and assembly industry is marked by the seasonality of production and sales. The seasonal and cyclical nature of the Group's operations has been described in detail in section 15 of this report: "Notes on seasonal and cyclical nature of the Capital Group's operations."

## **8. Discontinued operations**

No operations were discontinued within the meaning of the IFRS 5 during the three months ended 31 March 2015 or 31 March 2014.

## **9. Information on issue and redemption of debt and equity securities**

A detailed description is contained in section 15 of the financial statements of the Capital Group.

## **10. Information on dividend**

On 11 May 2015, the Management Board of ZUE resolved to submit a proposal to the Company's Ordinary General Meeting in which they recommended to allocate the entire profit for the financial year 2014 to reserve funds.

## **11. 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 PLN 2.7m (PLN 2.6m in the first quarter of 2015).

The assets purchased by the Company include:

- Hand car;
- Cars; and
- Complete overhauls of dump cars.

## **12. Segment reporting**

ZUE's reporting is based on operating segments. According to the aggregation criteria as set out in the IFRS 8.12, the Company presents one aggregate operating segment, namely engineering construction and assembly services.

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

### 13. Analysis of the Company's financial results at the end of the first quarter of 2015

Revenue from construction and assembly services are strongly connected with the seasonal nature of the construction industry. The best sales results are usually reported in the second and third quarter of a year.

In the three months ended 31 March 2015, revenue generated by the Company was PLN 64,899 thousand – down by 39.4% compared to the figure recorded in the analogous period of 2014.

A decrease in revenue was a result of the accumulation of expiring contracts; i.e. the contracts at the stage of settlements and acceptance and the contracts whose schedule provided for the works of smaller value.

Gross profit was PLN 4,254 thousand – up by PLN 1,637 thousand compared to the analogous figure of the first quarter of 2014. Gross margin in the first quarter of 2015 was 6.6% while in the first quarter of 2014, it stood at 2.4%.

General and administrative expenses in the first three months of 2015 amounted to PLN 4,492 thousand while in the first quarter of 2014, they amounted to PLN 4,487 thousand.

An increase in other operating income was particularly influenced by the favourable outcome of court proceedings of PLN 3,281 thousand. Other operating expenses mainly included the provisions for doubtful debt of PLN 1,188 thousand.

The Company recorded profit on operating activities of PLN 1,342 thousand – up by PLN 3,225 thousand compared to the analogous period of 2014.

Financial expenses in the period under analysis stood at PLN 376 thousand. In the first quarter of 2014, financial expenses amounted to PLN 611 thousand.

In the reporting period, the Company did not use any working capital facilities.

The Company ended the first quarter of 2015 with the net profit of PLN 1,069 thousand – up by PLN 2,568 thousand compared to the net profit for the first quarter of 2014.

The Company's total assets and liabilities at 31 March 2015 stood at PLN 371,066 thousand and decreased by PLN 31,110 thousand when compared with the figure reported at the end of 2014.

Compared to 31 December 2014, total non-current assets increased by PLN 634 thousand and amounted to PLN 131,632 thousand. Major change in non-current assets occurred as a result of greater value of retention on construction contracts.

Current assets decreased by PLN 31,744 thousand in the period under analysis and stood at PLN 239,433 thousand. The change was a result of a decrease in current trade and other receivables by PLN 47,101 thousand and a decrease in cash and cash equivalents by PLN 17,896 thousand. Cash and cash equivalents decreased as a result of partial repayment of investment credit facility and greater use of own funds to finance the contracts. Receivables decreased as a result of smaller sales volume and the decrease reflected a typical Q1 trend in the construction industry. The increase in inventories was caused by the purchase of materials from ThyssenKrupp GfT Polska Sp. z o.o.

Compared to the end of 2014, total liabilities at 31 March 2015 decreased by PLN 29,856 thousand to PLN 169,357 thousand. The decrease followed the repayment of credit facilities, the repayment of liabilities and the refund of deposits.

#### 14. Transactions with related entities

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

(PLN)

	Receivables		Payables	
	As at		As at	
	31-03-2015	31-12-2014	31-03-2015	31-12-2014
BIUP	783,917.29	749,413.50	0.00	831,529.20
BPK Poznań	29,459.69	29,947.86	266,177.94	0.00
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	0.00	1,230.00	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>813,376.98</b>	<b>780,591.36</b>	<b>266,177.94</b>	<b>831,529.20</b>

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2015	31-03-2014	31-03-2015	31-03-2014
BIUP	28,458.43	58,123.94	394.43	155,791.93
BPK Poznań	0.00	874.68	205,964.83	694,399.11
BPK Gdańsk	0.00	0.00	0.00	14,805.50
RTI	3,000.00	3,000.00	0.00	0.00
RTI Germany	0.00	0.00	403,117.48	195,228.57
Wiesław Nowak	0.00	0.00	0.00	29,520.00
<b>Total</b>	<b>31,458.43</b>	<b>61,998.62</b>	<b>609,476.74</b>	<b>1,089,745.11</b>

	Advanced loans		Financial income	
	As at		As at	
	31-03-2015	31-12-2014	31-03-2015	31-03-2014
BIUP	0.00	100,851.01	537.29	14,098.62
BPK Poznań	1,913,568.32	903,103.40	10,464.92	3,750.66
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	130,697.99	134,601.32	742.52	603.25
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2,044,266.31</b>	<b>1,138,555.73</b>	<b>11,744.73</b>	<b>18,452.53</b>

	Received loans		Financial expenses	
	As at		As at	
	31-03-2015	31-12-2014	31-03-2015	31-03-2014
BIUP	0.00	0.00	0.00	0.00
BPK Poznań	0.00	0.00	0.00	0.00
BPK Gdańsk	0.00	0.00	0.00	0.00
RTI	0.00	0.00	0.00	0.00
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

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

- o Lease of rooms and phone services under agreements;
- o Small repairs;
- o Fees for language courses for employees.

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

- o Design services;
- o Market research services;
- o Printing services.

In the reporting period, ZUE advanced the loan of PLN 1,000 thousand with the repayment date of 31 December 2015 to BPK Poznań. The loan was advanced under the agreement of 12 March 2015. The annual interest rate was 3M WIBOR + margin.

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

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

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

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

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

At 14 May 2015, the Company was a party to the pending court proceedings concerning both the claims and liabilities of ZUE with the total value of PLN 43,493,303.28; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning the Company's liabilities was PLN 10,176,130.42 and the total value of the proceedings concerning the Company's claims was PLN 33,317,172.86.

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

The court cases have been described in detail in the consolidated financial statements.

## 16. Off-balance sheet items

### 16.1 Contingent liabilities

	As at 31-03-2015	As at 31-12-2014
Bonds and guarantees	233,284,785.40	196,926,463.38
Sureties	2,188,783.26	2,100,444.01
Bills of exchange	125,750,432.23	126,864,850.23
Mortgages	51,017,550.00	51,017,550.00
Pledges	0.00	0.00
<b>Total</b>	<b>412,241,550.89</b>	<b>376,909,307.62</b>

The contingent liabilities resulting from 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 guarantee line agreements.



**16.2 Contingent assets**

	<b>As at</b>	<b>As at</b>
	<b>31-03-2015</b>	<b>31-12-2014</b>
Bonds and guarantees	39,478,720.24	38,902,011.04
Bills of exchange	3,734,560.03	3,734,560.03
Sureties	0.00	0.00
Mortgages	0.00	0.00
<b>Total</b>	<b>43,213,280.27</b>	<b>42,636,571.07</b>

The contingent assets resulting from guarantees and sureties include the bonds and guarantees provided by insurance companies and banks to ZUE's counterparties to secure their liabilities 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, 14 May 2015