



ZUE Capital Group

**ABBREVAITED CONSOLIDATED FINANCIAL STATEMENTS
FOR 9 MONTHS ENDED 30 SEPTEMBER 2015**

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

Cracow, 13 November 2015

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Abbreviations and definitions:

ZUE, Company, Issuer	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 Inżynieryjnych 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. On 29 May 2015, BIUP acquired BPK Poznań and changed its name to BPK Poznań. For the purposes of this report, the company has been described under the name BPK Poznań (after the merger).
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, entered into the German Register of Entrepreneurs (<i>Handelsregister B, HRB</i>) maintained by the District Court in Hamburg (<i>Amtsgericht Hamburg</i>) under entry number HRB 125764. 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. Former subsidiary of BIUP. On 29 May 2015, BIUP acquired BPK Poznań.
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. Former associate of ZUE. Deleted from the National Court Register on 30 May 2015.
Raliway gft	Raliway 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 300,000 paid up in full.
BPK Poznań (after merger)	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań (former BIUP), 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. On 28 September 2015, the share capital was increased to PLN 5,866,600. The registration of the increase in the National Court Register is pending. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including ZUE, BPK Poznań (after merger), Raliway gft, RTI and RTI Germany.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Journal of Laws 2000, no. 94, item 1037, as amended).
Share capital details as at 30 September 2015.	

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APPROVAL OF ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

These abbreviated consolidated financial statements for the nine months ended 30 September 2015 were approved for publication by the Management Board of ZUE on 13 November 2015.

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

Cracow, 13 November 2015

I. SELECTED FINANCIAL DATA OF THE GROUP

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30 Sep 2015	Exchange rate on 31 Dec 2014	Exchange rate on 30 Sep 2014
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.2386	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	4.1585	n/a	4.1803
"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	4.2386	4.2623	4.1755

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

	As at 30-09-2015		As at 31-12-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	134,251	31,674	135,488	31,788
Current assets	324,369	76,527	275,206	64,567
Total assets	458,620	108,201	410,694	96,355
Equity	206,344	48,682	201,450	47,263
Non-current liabilities	24,849	5,863	27,044	6,345
Current liabilities	227,427	53,656	182,200	42,747
Total equity and liabilities	458,620	108,201	410,694	96,355

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

	9 months ended 30-09-2015		9 months ended 30-09-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	384,331	92,421	466,436	111,580
Cost of sales	354,419	85,228	449,081	107,428
Gross profit (loss) on sales	29,912	7,193	17,355	4,152
Operating profit (loss)	10,733	2,581	3,777	904
Gross profit (loss)	10,150	2,441	3,492	835
Net profit (loss) on continuing operations	7,302	1,756	2,241	536
Total comprehensive income	7,430	1,787	2,280	546

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

	9 months ended 30-09-2015		9 months ended 30-09-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-51,155	-12,301	34,355	8,218
Cash flows from investing activities	-5,108	-1,228	-3,192	-764
Cash flows from financing activities	-8,079	-1,943	-40,572	-9,705
Total net cash flows	-64,342	-15,472	-9,409	-2,251
Cash at the beginning of the period	71,405	16,753	49,729	11,991
Cash at the end of the period	7,066	1,667	40,320	9,656

II. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Consolidated statement of comprehensive income

	(PLN)			
	9 months ended	3 months ended	9 months ended	3 months ended
	30-09-2015	30-09-2015	30-09-2014	30-09-2014
Revenue	384,330,792.86	175,900,852.84	466,435,952.87	176,601,282.47
Cost of sales	354,418,781.53	162,660,914.86	449,080,752.38	168,734,901.64
Gross profit (loss) on sales	29,912,011.33	13,239,937.98	17,355,200.49	7,866,380.83
General and administrative expenses	17,046,446.98	6,120,661.32	12,626,935.33	3,989,677.94
Other operating income	5,437,437.07	902,673.78	3,339,585.09	491,770.62
Other operating expenses	7,652,109.79	2,453,350.88	4,290,478.67	837,331.37
Gain on bargain purchase	82,470.57	0.00	0.00	0.00
Operating profit (loss)	10,733,362.20	5,568,599.56	3,777,371.58	3,531,142.14
Financial income	661,998.30	106,679.20	741,014.10	-159,317.71
Financial expenses	1,245,290.42	532,439.69	1,026,267.76	215,461.43
Pre-tax profit (loss)	10,150,070.08	5,142,839.07	3,492,117.92	3,156,363.00
Corporate income tax	2,847,819.19	1,031,633.30	1,250,845.18	1,024,912.68
Net profit (loss) on continuing operations	7,302,250.89	4,111,205.77	2,241,272.74	2,131,450.32
Net profit (loss)	7,302,250.89	4,111,205.77	2,241,272.74	2,131,450.32
Other net comprehensive income				
Items that will not be reclassified subsequently to profit or loss:	127,372.52	0.00	39,123.11	0.00
Remeasurement of liabilities under employee benefits	127,372.52	0.00	39,123.11	0.00
Other total net comprehensive income	127,372.52	0.00	39,123.11	0.00
Total comprehensive income	7,429,623.41	4,111,205.77	2,280,395.85	2,131,450.32
Number of shares	23,030,083	23,030,083	23,030,083	23,030,083
Consolidated net profit attributable to:				
Shareholders of the parent	6,977,841.34	3,962,176.12	2,241,272.74	2,133,555.58
Minority shareholders	324,409.55	149,029.65	0.00	-2,105.26
Net profit (loss) per share (PLN) (basic and diluted)	0.30	0.17	0.10	0.09
Total comprehensive income attributable to:				
Shareholders of the parent	7,105,213.86	3,962,176.12	2,280,395.85	2,172,678.69
Minority shareholders	324,409.55	149,029.65	0.00	-2,105.26
Total comprehensive income per share (PLN)	0.31	0.17	0.10	0.09

Consolidated statement of financial position

	(PLN)	
	As at	As at
	30-09-2015	31-12-2014
ASSETS		
Non-current assets		
Property, plant and equipment	73,334,157.22	73,147,738.38
Investment property	5,651,428.40	7,822,850.34
Intangible assets	11,102,936.08	11,683,138.28
Goodwill	31,171,913.65	32,646,001.12
Investments in non-consolidated subsidiaries	28,585.50	28,585.50
Advance payments for investments in subordinates	0.00	0.00
Long-term receivables	0.00	0.00
Retentions on construction contracts	5,249,182.80	3,197,273.08
Deferred tax assets	7,713,013.55	6,827,025.26
Other assets	0.00	135,850.61
Total non-current assets	134,251,217.20	135,488,462.57
Current assets		
Inventories	42,480,060.21	17,920,760.21
Trade and other receivables	270,417,828.54	180,429,243.49
Retentions on construction contracts	3,190,444.33	1,524,900.01
Current tax assets	75,222.00	1,913,208.00
Other financial receivables	0.00	0.00
Other assets	991,331.72	1,877,364.94
Loans advanced	147,752.33	134,601.32
Cash and cash equivalents	7,066,375.81	71,405,462.83
Total current assets	324,369,014.94	275,205,540.80
Total assets	458,620,232.14	410,694,003.37

	As at 30-09-2015	As at 31-12-2014
EQUITY AND LIABILITIES		
Equity		
Share capital	5,757,520.75	5,757,520.75
Share premium account	93,836,665.29	93,836,665.29
Treasury shares	-2,660,884.20	0.00
Retained earnings	108,961,133.31	101,855,919.45
Total equity attributable to shareholders of ZUE	205,894,435.15	201,450,105.49
Equity attributable to non-controlling interests	449,754.09	0.00
Total equity	206,344,189.24	201,450,105.49
Non-current liabilities		
Long-term bank borrowings and other debt instruments and other financing sources	5,194,501.48	5,255,088.17
Retentions on construction contracts	8,230,414.46	8,796,402.77
Other financial liabilities	1,050,000.00	1,190,000.00
Liabilities under employee benefits	2,332,629.29	2,484,574.25
Deferred tax liabilities	153,397.80	907,679.23
Long-term provisions	7,888,346.37	8,410,239.28
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total non-current liabilities	24,849,289.40	27,043,983.70
Current liabilities		
Trade and other payables	175,369,708.69	132,587,339.56
Retentions on construction contracts	13,195,103.50	18,180,247.62
Short-term bank borrowings and other debt instruments and other financing sources	7,086,417.88	10,269,020.97
Other financial liabilities	322,431.71	282,791.69
Liabilities under employee benefits	20,434,957.13	14,198,823.58
Current tax liabilities	316,494.00	66,522.00
Short-term provisions	10,701,640.59	6,615,168.76
Total current liabilities	227,426,753.50	182,199,914.18
Total liabilities	252,276,042.90	209,243,897.88
Total equity and liabilities	458,620,232.14	410,694,003.37

Consolidated statement of changes in equity

(PLN)

	Share capital	Share premium account	Treasury shares	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
Balance at 1 Jan 2015	5,757,520.75	93,836,665.29	0.00	101,855,919.45	201,450,105.49	0.00	201,450,105.49
Change of interest in subsidiaries	0.00	0.00	0.00	0.00	0.00	125,344.54	125,344.54
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
Repurchase of shares	0.00	0.00	-2,660,884.20	0.00	-2,660,884.20	0.00	-2,660,884.20
Profit (loss) for the year	0.00	0.00	0.00	6,977,841.34	6,977,841.34	324,409.55	7,302,250.89
Other net comprehensive income	0.00	0.00	0.00	127,372.52	127,372.52	0.00	127,372.52
Balance at 30 Sep 2015	5,757,520.75	93,836,665.29	-2,660,884.20	108,961,133.31	205,894,435.15	449,754.09	206,344,189.24
Balance at 1 Jan 2014	5,757,520.75	93,836,665.29	0.00	91,802,270.33	191,396,456.37	-341,924.05	191,054,532.32
Change of interest in subsidiaries	0.00	0.00	0.00	-511,411.73	-511,411.73	341,924.05	-169,487.68
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	2,241,272.74	2,241,272.74	0.00	2,241,272.74
Other net comprehensive income	0.00	0.00	0.00	39,123.11	39,123.11	0.00	39,123.11
Balance at 30 Sep 2014	5,757,520.75	93,836,665.29	0.00	93,571,254.45	193,165,440.49	0.00	193,165,440.49

Consolidated statement of cash flows

(PLN)

	9 months ended	9 months ended
	30-09-2015	30-09-2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	10,150,070.08	3,492,117.92
Adjustments:		
Depreciation and amortisation	6,955,538.03	6,366,186.00
Foreign exchange gains / (losses)	-3,197.52	-541.07
Interest and share in profit (dividends)	-68,769.87	-89,793.27
(Gain) / loss on disposal of investments	4,944,626.95	463,859.11
Accrued expenses under commission on loans	156,093.75	156,093.75
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
Operating profit before changes in working capital	22,134,361.42	10,387,922.44
Change in receivables and retentions on construction contracts	-81,444,967.01	-45,031,449.78
Change in inventories	-22,482,904.69	-4,624,162.23
Change in provisions and liabilities under employee benefits	9,532,039.15	4,719,674.13
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	22,090,150.18	80,200,409.16
Change in accrued expenses	1,106,734.58	-1,656,633.28
Change in funds of limited availability	0.00	0.00
Other adjustments	240,000.00	0.00
Income tax paid / (refunded)	-2,330,467.47	-9,640,675.00
NET CASH FROM OPERATING ACTIVITIES	-51,155,053.84	34,355,085.44
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	4,306,119.06	113,262.98
Purchase of property, plant and equipment and intangible assets	-8,012,508.81	-3,936,576.72
Investments in real property and intangible assets	0.00	0.00
Sale / (purchase) of financial assets in other entities	3,425.00	0.00
Sale / (purchase) of financial assets from non-controlling shareholders	-3,500.00	-53,887.68
Purchase of financial assets available for sale	-2,660,884.20	0.00
Loans advanced	-10,000.00	-10,000.00
Repayment of advanced loans	0.00	0.00
Dividends received	0.00	0.00
Interest received	420,597.23	694,907.87
Settlement of financial instruments – expenses	0.00	0.00
Cash from acquisition of subsidiary	848,592.01	0.00
Sale of financial assets in associates	0.00	0.00
Other cash provided by / (used in) investing activities	0.00	-9.00

NET CASH FROM INVESTING ACTIVITIES	-5,108,159.71	-3,192,302.55
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings and other debt instruments received	220,765.47	708,288.21
Repayment of borrowings and other debt instruments	-4,333,333.31	-36,733,579.71
Decrease in finance lease liabilities	-3,678,114.10	-3,919,283.37
Interest paid	-375,044.11	-611,191.01
Other cash provided by / (used in) financing activities – dividends	-1,844.94	-15,958.87
Net cash provided by issue of shares	88,500.00	0.00
NET CASH FLOWS FROM FINANCING ACTIVITIES	-8,079,070.99	-40,571,724.75
TOTAL NET CASH FLOWS	-64,342,284.54	-9,408,941.86
Net foreign exchange gains / (losses)	3,197.52	181.51
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	71,405,462.83	49,729,062.27
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7,066,375.81	40,320,301.92

III. NOTES TO ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

1. General information

1.1. Composition of the Group and its core business

At the end of the reporting period, the Group was composed of ZUE S.A. (the parent company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after merger), Railway Technology International Sp. z o.o., Railway Technology International Germany GmbH (indirect subsidiary) and Railway gft Polska Sp. z o.o.

ZUE Spółka Akcyjna with registered office in Cracow (the Kazimierza Czapińskiego Street no. 3) is the parent of the 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 Group's operating expenses through, *inter alia*, the coordination of investment and credit policy, financial management and the management of human resources as well as the management of the supply of materials. In addition, ZUE's task is to create a uniform trade and marketing policy of the 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	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

Supervisory Board:

Mariusz Szubra

Supervisory Board Chairman

Magdalena Lis

Supervisory Board Member

Bogusław Lipiński

Supervisory Board Member

Piotr Korzeniowski

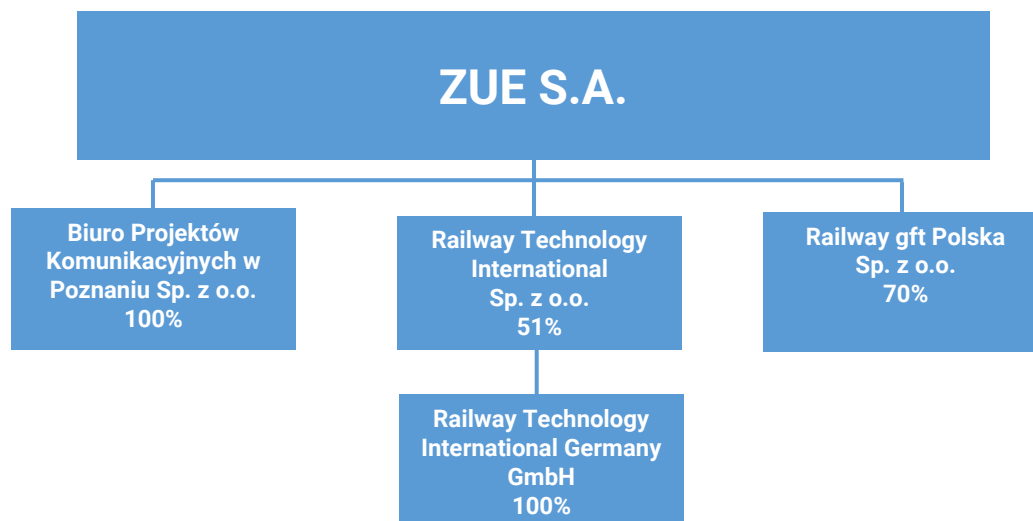
Supervisory Board Member

Michał Lis

Supervisory Board Member

Mr. Arkadiusz Wierciński resigned from the position of Member of the Management Board of ZUE on 31 July 2015. The composition of the Management Board remains unchanged because his duties have been taken over by the remaining members of the Company's Management Board (Current report 78/2015).

Structure of the Group at this report approval date:



Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after merger) 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). Poznań 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 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, the Lubicz Street no. 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.

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 Group consist of:

- Construction and assembly services related to urban, rail and power infrastructure;
- Design services; and
- Trade activities related to the materials used in connection with the construction and repair of tracks.

1.2. Consolidated companies

Consolidated companies as at 30 September 2015:

Name	Registered office	Interests as at			Consolidation method
		30 Sep 2015	31 Dec 2014	30 Sep 2014	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after merger)	Poznań	100%	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	70%	n/a	n/a	Full

ZUE is entitled to manage the financial and operating policy of BPK Poznań (after merger) and Railway gft because it holds a 100% and 70%, respectively, interest in the 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 30 September 2015.

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 30 September 2015.

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

BPK Gdańsk

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

On 29 April 2015, the District Court for Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, decided to remove Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji from the National Court Register. The decision became final on 30 May 2015. The aim of the operation of BPK Gdańsk was to liquidate the assets to satisfy the liabilities that exceed the value thereof.

Merger of BIUP and 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 new shares of 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 30 January 2015, the increase of the share capital of BIUP was registered with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register.

On 12 May 2015, the Extraordinary Shareholders Meeting of Biuro Inżynieryjnych 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.

On 29 May 2015, the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, issued the decision concerning the merger of BPK Poznań and BIUP.

Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. emerged as a result of the merger of BIUP and BPK Poznań. For the purposes of this report, the company was described under the name BPK Poznań (after the merger).

BPK Poznań (after merger)

On 28 September 2015, the Extraordinary Shareholders Meeting of BPK Poznań (after merger) resolved to increase the share capital of BPK Poznań (after merger) from PLN 2,017,850 to PLN 5,866,600 through the creation of 76,975 new shares with a par value of PLN 50 each. All the new shares of the total value of PLN 3,848,750 were acquired in full by ZUE and paid up with cash of PLN 3,848,750 through the set-off of ZUE's claims under loans granted and services provided to BPK Poznań (after merger).

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") to the Company 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 could be performed on 15 April 2015.

Consequently, ZUE gained control of Railway gft on 15 April 2015 and Railway gft became a subsidiary.

The table below sets out the calculation of gain on bargain purchase of Railway gft:

Acquisition of Railway gft	Settlement of transaction as at 15 April 2015
% of shares	70.00%
Fair value of consideration	3,500.00
Assets of Railway gft according to the IFRS	12,231,687.36
Liabilities of Railway gft	12,108,872.26
Net assets	122,815.10
Net assets attributable to ZUE	85,970.57
Minority interests	36,844.53
Gain on bargain purchase	82,470.57

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 new shares of the total value of PLN 295,000.00 were acquired by the existing Shareholders

(including ZUE) proportionally to the shares already held by them and paid up with contributions of the total value of PLN 295,000.00.

On 3 June 2015, the District Court for Cracow – Śródmieście in Cracow, XI Commercial Division of the National Court Register, entered ZUE as the holder of 70% of shares in Railway gft.

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 presented in Polish złoty.

2. Shareholders of the Parent

According to the information held by the Management Board of ZUE, the Parent Company had the following shareholder structure at the date of publication of this report:

Shareholder	Number of shares at 13.11.2015	Ownership interest at 13.11.2015	Number of votes at the GM at 13.11.2015	% of votes at the GM at 13.11.2015	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***	1,400,000	6.08	6.08
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	5,729,763	24.88	24.88
Total	23,030,083	100	23,030,083	100	23,030,083	100	100

* Date of publication of the last quarterly report (Consolidated quarterly report of ZUE S.A. for I Q 2015): 14 May 2015.

** 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.

***** Including 264,652 ZUE shares repurchased by the Company as part of the buy-back of own shares.

3. Use of International Financial Reporting Standards

3.1. Statement of compliance

The abbreviated consolidated quarterly financial statements of the Group cover the nine months ended 30 September 2015 and the comparable data for the nine months ended 30 September 2014.

The abbreviated consolidated quarterly financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 September 2015 as approved by the European Union.

The abbreviated consolidated quarterly 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 for both current and comparable period.

The abbreviated consolidated quarterly financial statements for the nine months ended 30 September 2015 have been prepared according to the requirements binding on public companies.

The abbreviated consolidated quarterly financial statements do not include all the information and 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 annual financial statements of the 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 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 13 November 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.

4. Important accounting principles used in the consolidated financial statements for the period 1 January 2015 - 30 September 2015

4.1. Preparation basis

The abbreviated consolidated quarterly 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 abbreviated consolidated quarterly 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 has been presented by the Group according to its net balance (IAS 12). The consolidated financial statements present the total of the companies' individual balances.

Given the comparability 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
Balance of assets and liabilities	5,919,346.03	5,919,346.03

5. Revisions to estimates

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

Change in provisions

Provisions	(PLN)				
	01-01-2015	Created	Utilised	Released	30-09-2015
Long-term provisions:	10,894,813.53	2,241,786.53	133,411.15	2,782,213.25	10,220,975.66
Provisions for employee benefits	2,484,574.25	1,665,528.90	0.00	1,817,473.86	2,332,629.29
Provisions for warranty claims	8,410,094.87	576,257.63	133,411.15	964,594.98	7,888,346.37
Other provisions	144.41	0.00	0.00	144.41	0.00
Short-term provisions:	14,421,937.62	23,406,587.97	8,758,471.79	4,597,436.36	24,472,617.44
Provisions for employee benefits	7,806,768.86	16,142,993.30	8,535,691.02	1,643,094.29	13,770,976.85
Provisions for warranty claims	3,037,026.75	3,203,953.15	222,780.77	428,237.87	5,589,961.26
Provision for loss on contracts	889,296.86	3,926,526.43	0.00	2,412,741.99	2,403,081.30
Other provisions	2,688,845.15	133,115.09	0.00	113,362.21	2,708,598.03
Total provisions:	25,316,751.15	25,648,374.50	8,891,882.94	7,379,649.61	34,693,593.10

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.

Provisions for employee benefits include the provisions for leaves, bonuses, overtime as well as liabilities under salaries and social security premiums. The increase in provisions for employee benefits in the reporting period is mainly a result of provisions for incentive bonuses.

Provisions for loss on contracts are created if the budgeted expenses are higher than the total revenue under a contract.

Deferred tax assets and liabilities

Provisions	(PLN)			
	01-01-2015	Created	Utilised	30-09-2015
Deferred tax assets	30,853,979.38	9,086,362.17	0.00	39,940,341.55
Deferred tax liabilities	24,934,633.35	7,446,092.45	0.00	32,380,725.80
Balance of assets and liabilities	5,919,346.03			7,559,615.75

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 has been presented by the Group according to its net balance (IAS 12). The consolidated financial statements present the total of the companies' individual balances.

6. Trade and other receivables

	As at 30-09-2015	(PLN) As at 31-12-2014
Trade receivables	164,612,429.95	122,081,256.20
Trade receivables write-downs	-15,073,153.89	-13,274,897.31
Receivables from the state budget other than corporate income tax	1,176,499.48	636,817.43
Receivables under contracts (valuation)	114,621,977.28	67,876,571.06
Advance payments	4,667,814.01	2,969,965.72
Other receivables	412,261.71	139,530.39
Total trade and other receivables	270,417,828.54	180,429,243.49

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

	As at 30-09-2015	(PLN) As at 31-12-2014
Counterparty A	36,352,409.70	36,352,409.70

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 believe there is no need to create additional allowances.

7. Trade and other payables

	As at 30-09-2015	(PLN) As at 31-12-2014
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Trade payables	68,012,921.16	64,751,266.11
Liabilities to the state budget other than corporate income tax	5,142,776.85	1,046,835.68
Accruals	81,696,980.04	40,827,856.26
Liabilities under contracts (valuation)	18,092,155.85	25,305,612.48
Other payables	2,424,874.79	655,769.03
Total trade and other payables	175,369,708.69	132,587,339.56

Accruals include, in particular, provisions for the costs of subcontractors and provisions for claims under contracts.

8. Discontinued operations

No operations were discontinued within the meaning of the IFRS 5 during the nine months ended on 30 September 2015 or the nine months ended on 30 September 2014.

9. Segment reporting

The Group's reporting is based on operating segments. Given the development of design and trade activities, the Management Board of ZUE identified the three 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;
- Design; and
- Trade.

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; and
- 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 (BPK Poznań after merger).

The sale of materials used in connection with the construction and repair of tracks also supplements the construction activities. Sales activities are conducted by Railway gft.

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 the sales and transfers between the segments based on current market prices like with transactions with third parties.

Operating segments' results in the three quarters of 2015:

(PLN '000)

	Construction	Sales	Design	Exclusions	Total
Revenue	362,106	48,723	3,770	-30,268	384,331
Including:					
Revenue from external customers	343,818	37,886	2,707	-80	384,331
Inter-segment revenues	18,288	10,837	1,063	-30,188	0
Gross profit	27,968	3,316	-894	-478	29,912
Financial income / expenses	-380	-69	-134	0	-583
Interest received	480	0	0	-59	421
Interest paid	-321	-22	-92	60	-375
Pre-tax profit	14,521	1,377	-3,308	-2,440	10,150
Corporate income tax	3,400	296	-649	-199	2,848
Net profit	11,121	1,081	-2,658	-2,242	7,302
Depreciation and amortisation	6,516	196	183	61	6,956
Property, plant and equipment	72,918	274	140	2	73,334
Non-current assets	136,002	544	484	-2,779	134,251
Total assets	437,606	26,845	8,380	-14,211	458,620

10. Factors and events with a significant influence on the Group's financial results in the three quarters of 2015

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

Revenue generated by the Group in the three quarters of 2015 amounted to PLN 384,331 thousand – down by 17.6% compared to the figure recorded in the analogous period of 2014. An internal factor influencing the Group's revenue was the accumulation of expiring contracts; i.e. the contracts at the stage of settlements and acceptance and the performance of lower value contracts. An external factor was a delayed transition to the 2014-2020 EU's financial perspective. Consequently, a number of contracts performed on the rail infrastructure market was smaller, the contracts' value was lower and they were financed with the funds provided by the previous 2007-2013 perspective.

Despite a drop in revenue, gross profit in the period under analysis was PLN 29,912 thousand – up by 72.4% compared to the result of the analogous period of 2014. Gross margin in the three quarters of 2015 was 7.8% while in the three quarters of 2014, it stood at 3.7%. This more than a double increase was a result of the Management Board's consistent policy aimed at the reduction of risks related to the performance of contracts and the optimization of costs supported by an incentive system.

Railway gft joined the Group in the second quarter of the reporting period. Consequently, general and administrative expenses increased from PLN 12,627 thousand in the three quarters of 2014 to PLN 17,046 thousand in the analogous period of 2015.

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 1,639 thousand.

At the end of the reporting period, EBITDA stood at PLN 17,689 thousand – up by 74.4% compared to the analogous period of 2014. EBITDA margin in the three quarters of 2015 was 4.6%. EBITDA margin in the three quarters of 2014 was 2.2%.

Compared to the analogous period of 2014, the Group's profit on operating activities increased by 184% to PLN 10,733 thousand. In the three quarters of 2014, profit on operating activities was PLN 3,777 thousand.

Financial expenses in the period under analysis stood at PLN 1,245 thousand while in the first three quarters of 2014, they amounted to PLN 1,026 thousand.

The Group's net profit in the period under analysis was PLN 7,302 thousand – up by 226% (PLN 5,061 thousand) when compared with the analogous period of 2014. Net margin for the three quarters of 2015 was 1.9% while in

the analogous period of 2014, it stood at 0.5%.

The Group's total assets and liabilities at 30 September 2015 stood at PLN 458,620 thousand and increased by PLN 47,926 thousand over the analogous figure reported at the end of 2014.

At the end of the reporting period, non-current assets amounted to PLN 134,251 thousand. A change in non-current assets was influenced by the write-down of goodwill of PLN 1,474 thousand following the merger of design companies at the Group and the restructuring of the newly established company. Other important factors with a bearing on non-current assets in the three quarters of 2015 included a write-down of real estate in Poznań of PLN 1,332 thousand as a result of updated market value and increase in retentions on construction contracts by PLN 2,052 thousand.

Compared to 31 December 2014, current assets increased by PLN 49,163 thousand to PLN 324,369 thousand. The change was a result of a decrease in cash and cash equivalents by PLN 64,339 thousand as a result of partial repayment of investment credit facility and greater use of own funds to finance the contracts. The result was also significantly influenced by increase in receivables by PLN 89,989 thousand and increase in inventories by PLN 24,559 thousand. Receivables increased after a part of the *Franowo* Depot contract attributable to Elektrobudowa S.A. and the Košice contract had been finally settled. Receivables under contracts (valuation) also increased in connection with the performance of the *Szczecin Pogodno* tram depot contract. The contract provided for the issue of one invoice after the final acceptance. Inventories increased after Railway gft had been included in the Group as a result of which the Group's total revenue was fuelled by the revenue from sales activities.

Compared to the end of 2014, total liabilities at 30 September 2015 increased by PLN 43,032 thousand (21%) and amounted to PLN 252,276 thousand. Liabilities increased over the figure reported at the end of 2014 following the increase in trade payables, provisions for employee benefits and the creation of provisions for risks connected with the settlement of the *Franowo* Depot contract.

When compared to the end of 2014, consolidated equity in the period under analysis increased by PLN 4,894 thousand to PLN 206,344 thousand as a result of the consolidated total comprehensive income of PLN 7,430 thousand, the buy-back of own shares of PLN 2,661 thousand and changes in minority interests of PLN 125 thousand.

11. Major events in and after the reporting period

11.1. Major events in the period 1 January 2015 – 30 September 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 19.6m plus VAT. The said amount was paid in the following manner:

- I instalment of PLN 9.8m plus VAT – by 31 March 2015;
- II instalment of PLN 9.8m 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 9.9m 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 thousand 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 instalments, by 31 January 2016. **(Current report 19/2015)**

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 9.9m each payable on first demand to ThyssenKrupp GFT Polska Sp. z o.o. with registered office in Cracow (the "Seller"). Thus, the condition precedent under the abovementioned contract was met.

The amount of the fees the Company was obliged to pay in connection with the Guarantees issued by the Bank had been determined on arm's length. The Guarantees expired after the payment had been made in line with the agreement. **(Current report 24/2015)**

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. **(Current report 33/2015)**

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. **(Current report 47/2015)**

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 transaction was under the condition precedent that the consent was given to the Company by the President of the OCCP. The consent was given and the condition precedent was met. The decision fully complied with the Company's request and could be performed on 15 April 2015. Consequently, ZUE gained control of Railway gft on 15 April 2015 and Railway gft became its subsidiary. **(Current report 53/2015)**

On 27 March 2015, ZUE and PKP Polskie Linie Kolejowe S.A. entered into the contract for 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 Company informed of the submission of the lowest price tender in the current report 44/2014 and the selection of the Company's tender as the most advantageous offer in the current report 40/2014. The contract gross value was PLN 52.3m. The contract net value was PLN 42.5m. The completion date was set at 30 November 2015. **(Current report 49/2015)**

On 15 June 2015, ZUE and mBank S.A. signed the annex to the cooperation agreement of 30 June 2015 for the Company's use of the Bank's products and services to finance the Company's day-to-day operations. Under the annex, the limit for non-revolving working capital facilities was raised from PLN 20m to PLN 90m and the security clauses were amended. **(Current report 69/2015)**

On 18 June 2015, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit earned by the Company in 2014 to reserve funds. **(Current report 71/2015)**

On 30 June 2015, the Company informed that Mr. Arkadiusz Wierciński had resigned from the position of the Management Board Member as of 31 July 2015. **(Current report 78/2015)**

On 7 July 2015, the Company ended the buy-back of own shares. The shares had been bought back since 7 January 2015 on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back the shares. The transaction was closed because the six-month period for reporting by the eligible parties of their demand to buy back the shares had passed. The Company bought back the total of 264,652 ZUE shares. **(Current report 83/2015)**

On 17 July 2015, the Company and Zarząd Infrastruktury Komunalnej i Transportu w Krakowie entered into the contract in connection with the following project: "Maintenance and repair of tram infrastructure in Cracow in the period 2015 – 2018." The Company informed of the submission of the lowest price tender in the current report 74/2015 and the selection of the Company's tender as the most advantageous offer in the current report 80/2015. The contract net value would not exceed PLN 42.3m (gross value of PLN 52.0). The contract value included a lump-sum remuneration for maintenance works in the gross amount of PLN 19.7m, remuneration for repairs in the gross amount up to PLN 14.9m and remuneration for other services, including additional tasks under the Contract, in the gross amount up to PLN 17.4m. The contract would be performed in the period 1 August 2015 – 31 July 2018. **(Current report 85/2015)**

On 30 July 2015, a contract was entered into between PKP Polskie Linie Kolejowe S.A. and the consortium of the Company (Leader) and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. (Partner) (jointly referred to as the "Consortium"). The contract provided for the performance by the Consortium of a set of tasks in connection with "Upgrade of the track no. 2 of the railway line no. 131 on the Tarnowskie Góry

– Kalety section, reconstruction of the Baronów station and the reconstruction of 18 crossovers at the Tarnowskie Góry station, as part of the following project: “Upgrade of the Chorzów Batory - Tczew railway line no. 131, the Bydgoszcz Główna - Zduńska Wola - Chorzów Batory section.” The Company informed of the submission of the lowest price tender by the Consortium in the current report 58/2015 and the selection of the Consortium’s tender as the most advantageous offer in the current report 82/2015. The contract net value used for the calculation of contractual penalties was PLN 45.9m and the net remuneration attributable to the Company under the said contract was PLN 27.4m. The contract gross value was PLN 56.5m. The completion date was set at 31 December 2015. **(Current report 86/2015)**

On 12 August 2015, ZUE and Tramwaje Warszawskie Sp. z o.o. signed the contract for the reconstruction (upgrade) of the tram route on the Dworzec Wileński – Żerań Wschodni section. The Company informed of the submission of the lowest price tender in the current report 75/2015 and the selection of the Company’s tender as the most advantageous offer in the current report 84/2015. The contract net value was PLN 53.0m. The contract gross value was PLN 65.2m. The completion date was set at 16 April 2016 and the completion date for construction works was set at 15 November 2015. **(Current report 88/2015)**

An annex to the abovementioned contract was signed following the end of the reporting period; i.e. in November 2015, whereby the completion date for construction works was rescheduled for the second half of December 2015.

11.2. Other events in the period 1 January 2015 – 30 September 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 extended from 728 days from the commencement date to 12 July 2015. In addition, the Company waived its claims in connection with a delay in the site delivery (22 days) or failure to provide an access to one of the plots (74 days). The total delay through the fault of the Contracting Authority coincided with a new deadline contained in the Annex no. 2.

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 new shares of the total value of PLN 295,000.00 were acquired by the existing Shareholders (including ZUE) proportionally to the shares already held by them and paid up with contributions of the total value of PLN 295,000.00.

On 13 May 2015, the Company and BGŻ BNP Paribas S.A. signed the Annex no. 1 to the Revolving Credit Facility Agreement. Under the said Annex, the credit term was extended until 4 January 2016, the security was extended to include registered pledge on the Company’s machines and the assignment of rights under insurance policy and the credit disbursement schedule was defined.

On 13 May 2015, the Company and mBank S.A. signed the Annex no. 13 to the overdraft agreement. Under the Annex, the term of the credit was extended until 13 May 2016.

On 29 May 2015, ZUE and PZU S.A. signed the Annex no. 10 to the bond and guarantee agreement 29 April 2010. The Annex dealt mainly with the increase of maximum limit by PLN 12.9m.

On 15 June 2015, the Issuer and mBank S.A. signed the annex to the cooperation agreement for the Company’s use of the Bank’s products and services to finance the Company’s day-to-day operations. Under the annex, the limit for non-revolving working capital facilities was raised to PLN 90m and the security clauses were amended.

On 19 August 2015, the Company and TU Euler Hermes S.A. signed an annex to the agreement for the provision of project-related guarantees under a revolving guarantee facility. The most important amendment under the annex was a transfer from a fixed-term to indefinite agreement.

On 22 September 2015, the Issuer and mBank S.A. signed the annex to the cooperation agreement for the Company’s use of the Bank’s products and services to finance the Company’s day-to-day operations. The annex changed the rules governing the calculation of interest payable to mBank S.A. for its services.

On 28 September 2015, the Company entered into the set-off agreement with BPK Poznań (after merger). Under the agreement, ZUE's claims up to PLN 3.85m related to the loans and services provided to BPK Poznań (after merger) were set off against the claims of BPK Poznań (after merger) connected with ZUE's acquisition of 76,975 shares in BPK Poznań (after merger) created as a result of the share capital increase effected on 28 September 2015.

On 28 September 2015, the Company and BPK Poznań (after merger) concluded the sales agreement whereby ZUE bought the leasehold to the plot in Poznań and the ownership of an office building situated therein. Transaction value: PLN 3.7m.

11.3. Events after the reporting period

On 1 October 2015, ZUE and Strabag Sp. z o.o. entered into the subcontract connected with the following project: "Reconstruction (upgrade) of the tram route on the Dworzec Wileński – Żerań Wschodni section" executed by the Company for Tramwaje Warszawskie Sp. z o.o. The contract net value: PLN 24.9m. The contract gross value: PLN 30.6m. The completion date was set at 14 April 2016 but all construction works, except for the green area management, had to be done by 14 November 2015. **(Current report 89/2015)**

On 20 October 2015, ZUE and Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE) entered into the master agreement for the provision of bonding products guaranteed by the State Treasury. Under the Agreement, KUKE was obliged to provide the bonding products to the Company's foreign counterparties (the "Beneficiaries") to secure the performance of the Company's obligation to the Beneficiary if the security was required by the Beneficiary. The agreement net value was EUR 5m; i.e. approx. PLN 21.2m at the exchange rate quoted by the National Bank of Poland on the agreement date. The agreement was concluded for a definite term until 3 September 2016. **(Current report 90/2015)**

On 26 October 2015, ZUE was provided by Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE) with a signed annex to the master agreement for project-related bonding products whereby the limit of the facility was raised from PLN 15m to PLN 30m. **(Current report 91/2015)**

On 10 November 2015, the Company and Laboratorium Kosmetyków Naturalnych Farmona Sp. z o.o. entered into the contingent sales agreement whereby the leasehold to the real estate and the real estate in Cracow were sold by ZUE provided that no pre-emptive right was exercised by the Mayor of Cracow. Transaction value: PLN 3.1m.

12. Factors believed by the Group to have an impact on its results in subsequent periods

The factors believed to have a bearing on the Group's financial results in 2015:

- **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, rail and power infrastructure 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. Project execution may also be conditional on other factors; e.g. the date of closing the tracks by the contracting authority or the dates on which trees and bushes may be cut down. 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 HV tram and rail OCL network 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 fluctuating prices of these materials, the Company is exposed to a price risk.

- **Higher fees charged by subcontractors**

When executing its contracts, the Group subcontracts certain construction and assembly tasks. Changing prices of raw materials and liquid fuels contribute to the growth of risk of estimating the costs incurred by subcontractors 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 EUR-denominated contract in Slovakia. This will increase a foreign exchange risk and may have a positive or negative impact on the Group's financial results. In addition, certain products are purchased in EUR or certain products are purchased 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 by the Group to have an impact on its results in subsequent periods

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

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

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

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

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

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

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

The Group sometimes needs to obtain administrative decisions required to execute certain projects. Such decisions are specified, *inter alia*, in the Construction Law, Code of Administrative Procedure or Environmental Protection Law. One cannot exclude the possibility of a failure to obtain such decisions or to avoid lengthy procedures. A risk of third parties' failure to complete or timely complete the tasks necessary for the Group companies 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 and concludes consortium agreements. Under the Polish Civil Code and the Polish Public Procurement Act, a contractor that has concluded a contract with a subcontractor, has a joint and several liability to pay for the construction services provided by further subcontractors. 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. The Group may be obliged to pay the remuneration to further subcontractors and be liable for a consortium member's failure to perform or duly perform their obligations under public procurement contracts. These risks may have a negative impact on the Group's financial results.

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

Construction contracts and work-for-hire 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 work-for-hire contracts or the failure to meet the deadline for 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 or damages. 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 bankruptcy of counterparties**

One cannot exclude the risk of bankruptcy of the Group's counterparties. The Group may not be able to perform a contract or remove defects in a timely fashion following the bankruptcy of its subcontractors, suppliers or construction members as a result of which it may be obliged to pay contractual penalty or damages. It could also be liable on a joint and several basis for the failure to pay further subcontractors or the failure to perform a contract by a consortium member. In addition, it would have to cover the cost of tasks or supplies, which have not been completed by a bankrupt. If the Group's customer/contracting authority go bankrupt, the Group may not receive remuneration for the performed services. 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 Company 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 companies. 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 circumstances may occur in which the Group could be excluded from tender procedure on the terms specified in the Public Procurement Act. 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, power 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.

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.

- **Risk related to greater employment costs**

Given the changeable economic conditions, the Group's aspirations for constant development and raising the quality of the Group's services, the costs of employment may grow and influence Group'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 Group's operations

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

Rail, urban and power infrastructure projects undertaken by the 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 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. 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 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, 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 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 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 or their legal successors. The number of shares, which could be repurchased, was 381,217. The demands were reported directly to ZUE S.A. and the company was 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 would expire if it was 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.

Acting pursuant to the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE to buy back own shares, ZUE repurchased 264,652 shares as part of the buy-back of own shares from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie Spółka Akcyjna. The shares were acquired by the Company outside organised trading for resale. The average unit price was PLN 10.05. The buy-back of own shares ended on 7 July 2015. The Company's Management Board intends to sell the acquired own shares in favourable market conditions on the stock exchange or outside organised trading by 31 December 2016.

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 net profit for the financial year 2014 to reserve funds.

On 18 June 2015, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit earned by the Company in 2014 to reserve funds.

17. Statement by the Management Board of ZUE 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 13.11.2015	Number of votes at the GM	% 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	7,405	7,405	0.03	Purchase of 165 shares**
Michał Lis	Supervisory Board Member	661	661	< 0.01	None

* Date of publication of the last quarterly report (Consolidated quarterly report of ZUE S.A. for Q1 2015): 14 May 2015.

** No notice referred to in Art. 160.1 of the Polish Act on Trade in Financial Instruments was received by the Company by this report publication date in connection with the purchase of shares.

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 management or supervisory bodies.

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

19. Transactions with related entities

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

	Receivables		Payables	
	As at		As at	
	30-09-2015	31-12-2014	30-09-2015	31-12-2014
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	3,690.00	1,230.00	0.00	0.00
RTI Germany	188,841.75	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	192,531.75	1,230.00	0.00	0.00

	Revenue		Purchases	
	Period ended		Period ended	
	30-09-2015	30-09-2014	30-09-2015	30-09-2014
BPK Gdańsk	n/a	100,373.00	n/a	34,000.78
RTI	9,000.00	9,000.00	0.00	0.00
RTI Germany	0.00	0.00	664,369.68	536,820.57
Wiesław Nowak	0.00	650.40	0.00	66,400.00
Total	9,000.00	110,023.40	664,369.68	637,221.35

	Advanced loans		Financial income (interest on loans)	
	As at		Period ended	
	30-09-2015	31-12-2014	30-09-2015	30-09-2014
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	147,752.33	134,601.32	3,786.36	1,831.21
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	147,752.33	134,601.32	3,786.36	1,831.21

	Received loans		Financial expenses (interest on loans)	
	As at		Period ended	
	30-09-2015	31-12-2014	30-09-2015	30-09-2014
BPK Gdańsk	n/a	0.00	n/a	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
Total	0.00	500,000.00	15,934.13	0.00

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, RTI leased business establishments from ZUE on the basis of the lease of 16 November 2012.

On 27 May 2015, ZUE and RTI entered into the loan agreement whereby RTI was granted a loan of PLN 10 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 20 December 2015.

On 29 January 2015, BPK Poznań repaid a loan with interest to Mr. Wiesław Nowak, Management Board President of ZUE. The loan of PLN 500 thousand was advanced under the agreement of 8 May 2014.

In the reporting period, RTI Germany provided market research services for future projects to ZUE.

In the reporting period, ZUE entered into the guarantee agreements for the liabilities of Railway gft up to PLN 15.8m and EUR 500 thousand and the surety agreements for the liabilities of Railway gft up to PLN 15.5m.

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

At 13 November 2015, the Group was a party to the pending court proceedings concerning the Group's claims and liabilities of the total value of PLN 44,318,164.17; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning liabilities was PLN 10,084,150.80 and the total value of the proceedings concerning claims was PLN 34,234,013.37.

The pending court proceedings were related to companies' operating activities.

The biggest pending court proceeding concerning 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 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 December 2015.

The biggest pending court proceeding concerning claims:

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.

On 10 February 2015, the Company received a copy of an application for conciliation proceedings (the “Application”) filed by PKP Polskie Linie Kolejowe S.A. of Warsaw (“PKP PLK”) and information about the Court hearing scheduled for 17 March 2015. In their Application, PKP PLK asked the consortium of:

- 1) Bilfinger Infrastructure S.A of Warsaw (Leader);
- 2) ZUE S.A. of Cracow (Partner);
- 3) Przedsiębiorstwo Budowy Kopalń PEBEKA S.A of Lubin (Partner);
- 4) Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. (Partner); and
- 5) Kolejowe Zakłady Automatyki Katowice S.A. (Partner);

(hereinafter jointly referred to as the “Participants” or the “Contractor”) to take part in the conciliation proceedings concerning the Defendant’s payment, on a joint and several basis, of PLN 27,963,053.62 plus statutory interest (the “Claim”) to PKP PLK for the Defendant’s delay in the completion of the construction works concerning 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 works 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” (the “Contract”). The Court hearing was held on 17 March 2015 but no agreement was reached between PKP PLK and the consortium. The Company believed it had properly performed its services and a part of the Claim of PKP PLK attributable to the Company was groundless.

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 6,417,154.80 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 6,417,154.80 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.

On 22 May 2015, the Petitioner expanded the suit for interest of PLN 1,467,605 (PLN 30,582.37 attributable to ZUE).

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<<”*

On 1 June 2015, ZUE S.A. of Cracow (Petitioner) sued PKP Polskie Linie Kolejowe S.A. of Warsaw (Defendant) for PLN 4,444,883.05 plus statutory interest and the costs of proceedings for the performance of additional works commissioned by the Contract Engineer (the Defendant’s representative). The said works involved the replacement of the track structure, incorporating a subgrade protective layer, installation of geotextile and the filtration layer and installation of a deep drainage system at the section 288,850 – 291,609 km; i.e. 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>>.”

The Petitioner was obliged to perform the abovementioned works on the basis of the Contract Engineer’s Order no. 17 although they went beyond the scope specified in the Functional Plan. According to the Plan, the Petitioner was obliged to perform the said works at the section 0.750 km and the location thereof had to be specified on the basis of geotechnical research. The purpose of the research was to identify the most “doubtful” land, which required the reinforcement of track substructure.

Before the lawsuit, the Defendant said that a risk of any works aimed at meeting specified parameters was borne by the Petitioner and that indicating the scope of works at 0,750 km in the Functional Plan was an obvious editorial mistake.

The Petitioner could not agree with the Defendant because a risk of incorrect description of an order was borne by the Defendant and the correction of an obvious mistake could not change the order understood as the Defendant’s statement of will. The decision to impose on the Petitioner the obligation to perform any works goes beyond the risk included in the lump-sum remuneration. Therefore, the Petitioner demands the payment for the additional works commissioned by the Contract Engineer.

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 Company created a provision for future liabilities in connection with a dispute with a Consortium Member (Elektrobudowa SA) and the Consortium Member’s failure to issue an invoice to ZUE. According to the acceptance protocol signed on 10 June 2015, ZUE (the Consortium Leader) issued an invoice to MPK (the Contracting Authority) for all the services provided by the Partners.

On 7 August 2015, the amount payable to ZUE was transferred to the Leader’s bank account. The amount payable to the Partner was transferred by the Contracting Authority to the court deposit. The collection by ZUE of the amount kept in the deposit was made conditional by Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu Sp. z o.o. (MPK) upon the submission of the following documents:

- Administrative order against MPK including the amounts receivable in connection with the performance of construction works by ZUE or Elektrobudowa SA; or
- Final and enforceable judgment according to which the termination of the consortium contract by Elektrobudowa SA and revocation of the power of attorney were ineffective.

In addition, according to the letter of MKP, Elektrobudowa SA failed to settle its liabilities to subcontractors as a result of which the amount payable to Elektrobudowa SA could not be paid and had to be transferred to the deposit.

As regards the amount payable to Elektrobudowa SA, ZUE has a financial claim in connection with the company’s failure to cover shared costs, general contracting costs and additional costs incurred by ZUE in connection with the company’s failure to perform its tasks properly.

Elektrobudowa SA issued the invoices for the construction works performed by the company directly to the Contracting Authority. However, this was in breach of the consortium contract.

According to the public procurement contract and the consortium contract, ZUE was the entity authorised to issue invoices for the Contractor (i.e. the Consortium of ZUE and Elektrobudowa SA). However, Elektrobudowa SA continued to issue and provide the Contracting Authority with its invoices. MPK returned the invoices issued by Elektrobudowa SA without posting them. MKP decided the documents had been groundlessly issued in breach of the terms of final settlement set out in the public procurement contract. The Contracting Authority noted it was obliged to pay ZUE directly on the basis of an invoice issued by the Company. The performance of the said obligation in any way other than specified in the contract would be in breach thereof and of the law.

The Company created provisions for any risks connected with the final settlement of the contract and recognised them in these financial statements.

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 30-09-2015	As at 31-12-2014
Bonds and guarantees	191,270,356.19	196,926,463.38
Sureties	11,674,839.47	2,100,444.01
Bills of exchange	133,944,736.97	126,864,850.23
Mortgages	51,017,550.00	54,347,550.00
Pledges	14,230,142.10	0.00
Total	402,137,624.73	380,239,307.62

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

Contingent liabilities are also the guarantees of payment of liabilities of Railway gft provided by ZUE (see section: "Transactions with related entities").

In June 2015, a pledge to the benefit of BGŻ BNP PARIBAS S.A. was entered into the register of pledges to secure the revolving credit facility agreement no. WAR/2001/14/66/CB of 19 November 2014, as amended.

Contingent liabilities secured by bills of exchange and mortgages mainly include credit facility and lease agreements. No guarantees or sureties of at least 10% of the Company's equity were provided by the Group companies in the three quarters of 2015.

22.2. Contingent assets

	(PLN)	
	As at 30-09-2015	As at 31-12-2014
Bonds and guarantees	32,723,175.27	38,902,011.04
Bills of exchange	3,960,744.78	3,734,560.03
Sureties	0.00	0.00
Mortgages	0.00	0.00
Total	36,683,920.05	42,636,571.07

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



ZUE S.A.

**ABBREVIATED SEPARATE FINANCIAL STATEMENTS
FOR 9 MONTHS ENDED 30 SEPTEMBER 2015**

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

Cracow, 13 November 2015

IV. SELECTED FINANCIAL DATA OF ZUE S.A.

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30 Sep 2015	Exchange rate on 31 Dec 2014	Exchange rate on 30 Sep 2014
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.2386	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	4.1585	n/a	4.1803
"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	4.2386	4.2623	4.1755

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

	As at 30-09-2015		As at 31-12-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	136,002	32,087	130,999	30,734
Current assets	301,604	71,156	271,177	63,622
Total assets	437,606	103,243	402,176	94,356
Equity	207,570	48,971	202,963	47,618
Non-current liabilities	21,935	5,175	23,169	5,435
Current liabilities	208,101	49,097	176,044	41,303
Total equity and liabilities	437,606	103,243	402,176	94,356

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

	9 months ended 30-09-2015		9 months ended 30-09-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Revenue	362,106	87,076	462,055	110,532
Cost of sales	334,138	80,350	444,324	106,290
Gross profit (loss) on sales	27,968	6,726	17,731	4,242
Operating profit (loss)	14,901	3,583	4,632	1,108
Gross profit (loss)	9,607	2,310	4,473	1,070
Net profit (loss) on continuing operations	7,141	1,717	3,314	793
Total comprehensive income	7,268	1,748	3,354	802

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

	9 months ended 30-09-2015		9 months ended 30-09-2014	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-53,198	-12,792	37,650	9,006
Cash flows from investing activities	-8,926	-2,146	-5,961	-1,426
Cash flows from financing activities	-7,709	-1,854	-41,046	-9,819
Total net cash flows	-69,833	-16,792	-9,357	-2,239
Cash at the beginning of the period	71,116	16,685	49,645	11,971
Cash at the end of the period	1,286	303	40,289	9,649

V. SEPARATE FINANCIAL STATEMENTS OF ZUE S.A.

Separate statement of comprehensive income

(PLN)

	9 months ended 30-09-2015	3 months ended 30-09-2015	9 months ended 30-09-2014	3 months ended 30-09-2014
Revenue	362,106,186.44	159,355,713.52	462,055,221.22	175,787,466.44
Cost of sales	334,137,864.26	148,367,227.44	444,324,271.36	166,807,862.39
Gross profit (loss) on sales	27,968,322.18	10,988,486.08	17,730,949.86	8,979,604.05
General and administrative expenses	13,244,979.40	4,352,322.45	12,262,229.73	3,996,050.47
Other operating income	4,445,545.78	734,166.42	2,725,747.65	648,353.54
Other operating expenses	4,268,059.89	1,022,966.38	3,562,113.50	1,009,817.28
Operating profit (loss)	14,900,828.67	6,347,363.67	4,632,354.28	4,622,089.84
Financial income	566,125.44	123,713.57	755,355.09	-141,900.61
Financial expenses	5,859,545.99	2,454,138.70	914,753.01	175,688.87
Pre-tax profit (loss)	9,607,408.12	4,016,938.54	4,472,956.36	4,304,500.36
Corporate income tax	2,466,815.90	1,143,321.46	1,158,564.00	1,117,583.00
Net profit (loss) on continuing operations	7,140,592.22	2,873,617.08	3,314,392.36	3,186,917.36
Net profit (loss)	7,140,592.22	2,873,617.08	3,314,392.36	3,186,917.36
Other net comprehensive income				
Items that will not be reclassified subsequently to profit or loss:	127,372.52	0.00	39,123.11	0.00
Remeasurement of liabilities under employee benefits	127,372.52	0.00	39,123.11	0.00
Other total net comprehensive income	127,372.52	0.00	39,123.11	0.00
Total comprehensive income	7,267,964.74	2,873,617.08	3,353,515.47	3,186,917.36
Weighted average number of shares	23,030,083	23,030,083	23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)	0.31	0.12	0.14	0.14
Total comprehensive income per share (PLN)	0.32	0.12	0.15	0.14

Separate statement of financial position

	As at 30-09-2015	(PLN) As at 31-12-2014
ASSETS		
Non-current assets		
Property, plant and equipment	72,917,849.80	68,546,838.87
Investment property	5,651,428.40	7,822,850.34
Intangible assets	10,989,922.68	10,968,515.75
Goodwill	31,171,913.65	31,171,913.65
Investments in subordinates	2,087,335.50	2,942,271.06
Advance payments for investments in subordinates	0.00	0.00
Long-term receivables	0.00	0.00
Retentions on construction contracts	4,957,442.92	2,878,799.59
Deferred tax assets	8,226,058.00	6,659,431.00
Other assets	0.00	7,981.60
Total non-current assets	136,001,950.95	130,998,601.86
Current assets		
Inventories	31,794,111.98	17,920,760.21
Trade and other receivables	264,602,240.80	176,478,349.72
Retentions on construction contracts	2,988,272.33	844,047.06
Current tax assets	0.00	1,907,521.00
Other financial receivables	0.00	0.00
Other assets	784,006.12	1,771,723.90
Loans advanced	149,134.85	1,138,555.73
Cash and cash equivalents	1,285,827.39	71,116,102.58
Total current assets	301,603,593.47	271,177,060.20
Total assets	437,605,544.42	402,175,662.06

	As at 30-09-2015	As at 31-12-2014
EQUITY AND LIABILITIES		
Equity		
Share capital	5,757,520.75	5,757,520.75
Share premium account	93,836,665.29	93,836,665.29
Treasury shares	-2,660,884.20	0.00
Retained earnings	110,636,852.49	103,368,887.75
Total equity	207,570,154.33	202,963,073.79
Non-current liabilities		
Long-term bank borrowings and other debt instruments and other financing sources	5,160,125.61	5,223,987.77
Retentions on construction contracts	8,218,663.95	8,768,069.50
Other financial liabilities	0.00	0.00
Liabilities under employee benefits	667,100.39	765,808.21
Deferred tax liabilities	0.00	0.00
Long-term provisions	7,888,346.37	8,410,094.87
Deferred income	0.00	0.00
Other liabilities	0.00	0.00
Total non-current liabilities	21,934,236.32	23,167,960.35
Current liabilities		
Trade and other payables	159,353,367.41	130,020,755.10
Retentions on construction contracts	13,132,572.09	18,121,876.48
Short-term bank borrowings and other debt instruments and other financing sources	6,017,588.80	9,213,948.27
Other financial liabilities	42,431.71	2,791.69
Liabilities under employee benefits	19,117,346.40	13,049,852.41
Current tax liabilities	230,578.00	0.00
Short-term provisions	10,207,269.36	5,635,403.97
Total current liabilities	208,101,153.77	176,044,627.92
Total liabilities	230,035,390.09	199,212,588.27
Total equity and liabilities	437,605,544.42	402,175,662.06

Separate statement of changes in equity

(PLN)

	Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at 1 Jan 2015	5,757,520.75	93,836,665.29	0.00	103,368,887.75	202,963,073.79
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
Repurchase of shares	0.00	0.00	-2,660,884.20	0.00	-2,660,884.20
Profit (loss) for the year	0.00	0.00	0.00	7,140,592.22	7,140,592.22
Other net comprehensive income	0.00	0.00	0.00	127,372.52	127,372.52
Balance at 30 Sep 2015	5,757,520.75	93,836,665.29	-2,660,884.20	110,636,852.49	207,570,154.33

	Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at 1 Jan 2014	5,757,520.75	93,836,665.29	0.00	92,840,726.72	192,434,912.76
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	3,314,392.36	3,314,392.36
Other net comprehensive income	0.00	0.00	0.00	39,123.11	39,123.11
Balance at 30 Sep 2014	5,757,520.75	93,836,665.29	0.00	96,194,242.19	195,788,428.23

Separate statement of cash flows

	(PLN)	
	9 months ended	9 months ended
	30-09-2015	30-09-2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	9,607,408.12	4,472,956.36
Adjustments:		
Depreciation and amortisation	6,515,940.38	6,111,197.49
Foreign exchange gains / (losses)	-2,579.52	-541.07
Interest and share in profit (dividends)	4,751,893.32	-95,518.84
(Gain) / loss on disposal of investments	2,222,214.85	463,859.11
Accrued expenses under commission on loans	156,093.75	156,093.75
(Gain) / loss on realisation of derivative financial instruments	0.00	0.00
Remeasurement of derivative financial instruments	0.00	0.00
Operating profit before changes in working capital	23,250,970.90	11,108,046.80
Change in receivables and retentions on construction contracts	-92,346,759.68	-43,097,296.77
Change in inventories	-13,873,351.77	-4,625,381.75
Change in provisions and liabilities under employee benefits	10,018,903.05	4,741,231.04
Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources	20,411,762.30	80,819,069.98
Change in accrued expenses	994,567.78	-1,870,616.48
Change in funds of limited availability	0.00	0.00
Other adjustments	240,000.00	0.00
Income tax paid / (refunded)	-1,893,618.47	-9,425,257.00
NET CASH FROM OPERATING ACTIVITIES	-53,197,525.89	37,649,795.82
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	4,305,279.26	113,262.98
Purchase of property, plant and equipment and intangible assets	-7,985,542.89	-4,117,528.69
Investments in real property and intangible assets	0.00	0.00
Sale / (purchase) of financial assets in other entities	3,425.00	0.00
Sale / (purchase) of financial assets in subsidiaries	-4,058,750.00	-1,841,587.68
Purchase of financial assets available for sale	-2,660,884.20	0.00
Loans advanced	-1,825,250.00	-810,000.00
Repayment of advanced loans	2,815,250.00	0.00
Dividends received	0.00	0.00
Interest received	480,477.96	694,907.87
Settlement of financial instruments – expenses	0.00	0.00
Other cash provided by / (used in) investing activities	0.00	0.00
NET CASH FROM INVESTING ACTIVITIES	-8,925,994.87	-5,960,945.52
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings and other debt instruments received	0.00	0.00
Repayment of borrowings and other debt instruments	-3,833,333.31	-36,733,579.71
Decrease in finance lease liabilities	-3,552,931.33	-3,696,646.80

Interest paid	-321,224.37	-599,389.03
Other cash provided by / (used in) financing activities – dividends	-1,844.94	-15,958.87
Net cash provided by issue of shares	0.00	0.00
NET CASH FLOWS FROM FINANCING ACTIVITIES	-7,709,333.95	-41,045,574.41
TOTAL NET CASH FLOWS	-69,832,854.71	-9,356,724.11
Net foreign exchange gains / (losses)	2,579.52	181.51
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	71,116,102.58	49,645,210.98
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,285,827.39	40,288,668.38

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

1. Information about the Company

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

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

Management Board:

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

Supervisory Board:

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

Mr. Arkadiusz Wierciński resigned from the position of Member of the Management Board of ZUE on 31 July 2015. The composition of the Management Board remains unchanged because his duties have been taken over by the remaining members of the Company's Management Board (Current report 78/2015).

2. Use of International Financial Reporting Standards

2.1. Statement of compliance

The separate financial statements of ZUE cover the nine months ended 30 September 2015 and the comparable data for the nine months ended 30 September 2014.

The financial statements have been drawn up in accordance with the requirements of the International Financial Reporting Standards applicable as at 30 September 2015 as approved by the European Union.

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

The presented abbreviated separate financial statements for the three quarters of 2015 have been prepared according to the requirements binding on public companies.

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

The abbreviated 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.

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 standards, interpretations or amendments to the standards, which had been published and approved of by the EU but had not yet come into force. The abovementioned standards have been presented in the consolidated financial statements.

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 standards, amendments to the standards and interpretations not yet approved for use as at 13 November 2015. The abovementioned standards have been presented in the consolidated financial statements.

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 influence of these amendments on future separate statements of the Company is being analysed.

3. Important accounting principles used in the separate financial statements for the period 1 January 2015 - 30 September 2015

3.1. Preparation basis

The abbreviated separate quarterly 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 has been presented by the Company according to its net balance (IAS 12).

Given the comparability 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
Balance of assets and liabilities	6,659,431.00	6,659,431.00

3.3. Use of accounting principles

The abbreviated separate quarterly financial statements for the nine months ended 30 September 2015 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of ZUE as at 31 December 2014. The Company's financial statements for the financial year ended 31 December 2014 contain a detailed description of accounting principles used by the Company.

In these financial statements, the Company decided not to use the published standards or interpretations before their entry 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	30-09-2015
Long-term provisions:	9,175,903.08	576,257.63	133,411.15	1,063,302.80	8,555,446.76
Provisions for severance payments	765,808.21	0.00	0.00	98,707.82	667,100.39
Provisions for warranty claims	8,410,094.87	576,257.63	133,411.15	964,594.98	7,888,346.37
Other provisions	0.00	0.00	0.00	0.00	0.00
Short-term provisions:	12,939,985.53	22,280,226.33	8,758,471.79	3,339,540.41	23,122,199.66
Provisions for employee benefits	7,304,581.56	15,149,746.75	8,535,691.02	1,003,706.99	12,914,930.30
Provisions for warranty claims	3,037,026.75	3,203,953.15	222,780.77	428,237.87	5,589,961.26
Provision for loss on contracts	1,031,309.22	3,926,526.43	0.00	1,907,595.55	3,050,240.10
Other provisions	1,567,068.00	0.00	0.00	0.00	1,567,068.00
Total provisions:	22,115,888.61	22,856,483.96	8,891,882.94	4,402,843.21	31,677,646.42

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.

Provisions for employee benefits include the provisions for leaves, bonuses, overtime as well as liabilities under salaries and social security premiums. The increase in provisions for employee benefits in the reporting period is mainly a result of provisions for incentive bonuses.

Provisions for loss on contracts are created if the budgeted expenses are higher than the total revenue under a contract.

Deferred tax assets and liabilities

Provisions	(PLN)			
	01-01-2015	Created	Utilised	30-09-2015
Deferred tax assets	30,322,003.00	9,580,781.00	0.00	39,902,784.00
Deferred tax liabilities	23,662,572.00	8,014,154.00	0.00	31,676,726.00
Balance of assets and liabilities	6,659,431.00			8,226,058.00

Since 1 January 2015, deferred tax has been presented by the Company according to its net balance (IAS 12).

5. Trade and other receivables

	(PLN)
	As at
	30-09-2015
	31-12-2014
Trade receivables	161,326,490.60
Trade receivables write-downs	-14,621,926.05
Receivables from the state budget other than corporate income tax	0.00
Receivables under contracts (valuation)	112,251,981.04
Advance payments	5,243,174.99
Other receivables	402,520.22
Total trade and other receivables	264,602,240.80
	176,478,349.72

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

	(PLN)
	As at
	30-09-2015
Counterparty A	36,352,409.70
	36,352,409.70

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 believe there is no need to create additional allowances.

6. Trade and other payables

	(PLN)
	As at
	30-09-2015
	31-12-2014
Trade payables	54,645,102.82
Liabilities to the state budget other than corporate income tax	4,986,265.65
Accruals	81,497,966.77
Liabilities under contracts (valuation)	18,092,155.85
Other payables	131,876.32
Total trade and other payables	159,353,367.41
	130,020,755.10

Accruals include, in particular, provisions for the costs of subcontractors and provisions for claims under contracts.

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

Seasonal and cyclical nature is a distinctive feature of the entire construction and assembly industry. It has been described in detail in section 14 of the consolidated financial statements: "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 nine months ended on 30 September 2015 or the nine months ended on 30 September 2014.

9. Issue and redemption of debt and equity securities

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

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 net profit for the financial year 2014 to reserve funds.

On 18 June 2015, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit earned by the Company in 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 of the total value of PLN 21.7m out of which PLN 11.5m was spent in the three quarters of 2015.

The assets purchased by the Company include:

- Breakstone cleaner;
- Breakstone moulding machine;
- Administrative and office building;
- 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 third quarter of 2015

The construction industry is seasonal. The best revenue is reported in the second and third quarter of a year. This is strongly linked with the impact of weather conditions on the execution of projects.

Revenue generated by the Company in the three quarters of 2015 amounted to PLN 362,106 thousand – down by 21.6% compared to the figure recorded in the analogous period of 2014. An internal factor influencing the Company's revenue was the accumulation of expiring contracts; i.e. the contracts at the stage of settlements and acceptance and the performance of lower value contracts. An external factor was a delayed transition to the

2014-2020 EU's financial perspective. Consequently, a number of contracts performed on the rail infrastructure market was smaller, the contracts' value was lower and they were financed with the funds provided by the previous 2007-2013 perspective.

Despite a drop in revenue, gross profit in the period under analysis was PLN 27,968 thousand – up by 57.7% compared to the result of the analogous period of 2014. Gross margin in the three quarters of 2015 was 7.7% while in the three quarters of 2014, it stood at 3.8%. This more than a double increase was a result of the Management Board's consistent policy aimed at the reduction of risks related to the performance of contracts and the optimization of costs supported by an incentive system.

General and administrative expenses in the three quarters of 2015 were PLN 13,245 thousand while in the three quarters of 2014, they amounted to PLN 12,262 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.

At the end of the reporting period, EBITDA stood at PLN 21,417 thousand – up by 99.4% compared to the analogous period of 2014. EBITDA margin in the three quarters of 2015 was 5.9%. EBITDA margin in the three quarters of 2014 was 2.3%.

Compared to the analogous period of 2014, the Company's profit on operating activities increased by 221.7% and hit PLN 14,901 thousand. In the three quarters of 2014, profit on operating activities was PLN 4,632 thousand.

Financial expenses in the period under analysis stood at PLN 5,860 thousand while in the first three quarters of 2014, they amounted to PLN 915 thousand. The increase in financial expenses was influenced by the write-down of shares of PLN 4,914 thousand.

The Company did not use any revolving credit facilities in the reporting period.

The Company's net profit in the period ended 30 September 2015 amounted to PLN 7,141 thousand and increased by 115.5% (PLN 3,826 thousand) over the figure reported in the analogous period of 2014. Net margin for the three quarters of 2015 was 2% while in the analogous period of 2014, it stood at 0.7%.

The Company's total assets and liabilities at 30 September 2015 stood at PLN 437,606 thousand and increased by PLN 35,430 thousand over the analogous figure reported at the end of 2014.

At the end of the reporting period, non-current assets amounted to PLN 136,002 thousand. A change in non-current assets was influenced by the purchase of real estate in Poznań from BPK Poznań (after merger), write-down on the investment property and increase in retentions on construction contracts.

Compared to 31 December 2014, the Company's current assets increased by PLN 30,427 thousand and amounted to PLN 301,604 thousand. The change was a result of a decrease in cash and cash equivalents by PLN 69,830 thousand as a result of partial repayment of investment credit facility and greater use of own funds to finance the contracts. The result was also significantly influenced by increase in receivables by PLN 88,124 thousand and increase in inventories by PLN 13,873 thousand. Receivables increased after a part of the *Franowo Depot* contract attributable to Elektrobudowa S.A. and the Košice contract had been finally settled. Receivables under contracts (valuation) also increased in connection with the performance of the Szczecin *Pogodno* tram depot contract. The contract provided for the issue of one invoice after the final acceptance. Inventories increased in connection with the purchase of materials intended for sale.

Compared to the end of 2014, total liabilities at 30 September 2015 increased by 16%; i.e. PLN 30,823 thousand and hit PLN 230,035 thousand. Liabilities increased over the figure reported at the end of 2014 following the increase in trade payables, provisions for employee benefits and the creation of provisions for risks connected with the settlement of the *Franowo Depot* contract.

When compared to the end of 2014, the Company's equity in the period under analysis increased by PLN 4,607 thousand to PLN 207,570 thousand as a result of generating the comprehensive income of PLN 7,268 thousand and the buy-back of own shares of PLN 2,661 thousand.

14. Transactions with related entities

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

	Receivables		(PLN) Payables	
	As at		As at	
	30-09-2015	31-12-2014	30-09-2015	31-12-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	6,917,886.95	0.00	142,833.52	0.00
BIUP	0.00	749,413.50	0.00	831,529.20
BPK Poznań	0.00	29,947.86	0.00	0.00
BPK Poznań (after merger)	10,278.28	0.00	3,761,004.50	0.00
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	3,690.00	1,230.00	0.00	0.00
RTI Germany	188,841.75	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	7,120,696.98	780,591.36	3,903,838.02	831,529.20
	Revenue		Purchases	
	Period ended		Period ended	
	30-09-2015	30-09-2014	30-09-2015	30-09-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	18,020,704.32	0.00	10,837,328.38	0.00
BIUP	113,502.98	179,460.14	1,255.03	1,593,301.88
BPK Poznań	0.00	1,494.87	596,158.83	1,624,987.15
BPK Poznań (after merger)	153,556.29	0.00	4,102,696.00	0.00
BPK Gdańsk	n/a	0.00	n/a	15,861.78
RTI	9,000.00	9,000.00	0.00	0.00
RTI Germany	0.00	0.00	664,369.68	536,820.57
Wiesław Nowak	0.00	650.40	0.00	66,400.00
Total	18,296,763.59	190,605.41	16,201,807.92	3,837,371.38
	Advanced loans		Financial income (interest on loans)	
	As at		As at	
	30-09-2015	31-12-2014	30-09-2015	30-09-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	0.00	0.00	0.00	0.00
BIUP	0.00	100,851.01	537.29	18,484.85
BPK Poznań	0.00	903,103.40	0.00	6,251.09
BPK Poznań (after merger)	1,382.52	0.00	57,117.55	0.00
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	147,752.33	134,601.32	3,786.36	1,831.21
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	149,134.85	1,138,555.73	61,441.20	26,567.15
	Received loans		Financial expenses (interest on loans)	
	As at		As at	
	30-09-2015	31-12-2014	30-09-2015	30-09-2014
ZUE	0.00	0.00	0.00	0.00
Railway GFT	0.00	0.00	0.00	0.00

BIUP	0.00	0.00	0.00	0.00
BPK Poznań	0.00	0.00	0.00	0.00
BPK Poznań (after merger)	0.00	0.00	0.00	0.00
BPK Gdańsk	n/a	0.00	n/a	0.00
RTI	0.00	0.00	0.00	0.00
RTI Germany	0.00	0.00	0.00	0.00
Wiesław Nowak	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

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:

- Sale of materials used in connection with the construction and repairs of tracks;
- Sale of design services;
- Lease of rooms and phone services;
- Vehicle diagnostics and repairs;
- Fees for language courses for employees.

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

- Purchase of materials used in connection with the construction and repairs of tracks;
- Purchase of real estate;
- Design services;
- Market research services;
- Printing services.

On 29 January 2015, ZUE and BPK Poznań signed the annex no. 1 to the loan agreement of 1 December 2014 whereby the repayment date was extended until 20 December 2015.

Under the agreement of 12 March 2015, a loan of PLN 1000 thousand was granted by ZUE to BPK Poznań, a subsidiary. Repayment date: 31 December 2015. Annual interest rate: 3M WIBOR + margin.

On 17 April 2015, ZUE and BPK Poznań entered into the loan agreement whereby BPK Poznań was granted a special-purpose loan of PLN 140 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 31 December 2015. The loan was secured with a blank bill of exchange.

On 14 May 2015, ZUE and BPK Poznań entered into the loan agreement whereby BPK Poznań was granted a special-purpose loan of PLN 675 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 31 December 2015. The loan was secured with a blank bill of exchange.

The abovementioned loans were repaid as at 28 September 2015 except for a part of interest paid in October 2015

On 28 September 2015, ZUE and BPK Poznań (after merger) entered into the agreement whereby real estate was bought in Poznań for PLN 3.7m.

On 27 May 2015, ZUE and RTI entered into the loan agreement whereby RTI was granted a loan of PLN 10 thousand at variable annual interest rate – 3M WIBOR + margin. Repayment date: 20 December 2015.

In the reporting period, RTI Germany provided market research services for future projects to ZUE.

In the reporting period, ZUE entered into the guarantee agreements for the liabilities of Railway gft up to PLN 15.8m and EUR 500 thousand and the surety agreements for the liabilities of Railway gft up to PLN 15.5m.

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

At 13 November 2015, the Company was a party to the pending court proceedings concerning the Company's claims and liabilities of the total value of PLN 43,869,019.24; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning liabilities was PLN 9,952,014.80 and the total value of the proceedings concerning claims was PLN 33 917 004,44.

The pending court proceedings were related to Company's operating activities. Court cases have been described in detail in the consolidated financial statements.

16. Off-balance sheet items

16.1 Contingent liabilities

	As at 30-09-2015	(PLN) As at 31-12-2014
Bonds and guarantees	184,636,829.81	196,926,463.38
Sureties	12,155,770.31	2,100,444.01
Bills of exchange	132,654,736.97	126,864,850.23
Mortgages	51,017,550.00	51,017,550.00
Pledges	14,230,142.10	0.00
Total	394,695,029.19	376,909,307.62

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

Contingent liabilities are also the guarantees of payment of liabilities of Railway gft provided by ZUE (see section: "Transactions with related entities").

In June 2015, a pledge to the benefit of BGŻ BNP PARIBAS S.A. was entered into the register of pledges to secure the revolving credit facility agreement no. WAR/2001/14/66/CB of 19 November 2014, as amended.

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

16.2 Contingent assets

	As at 30-09-2015	(PLN) As at 31-12-2014
Bonds and guarantees	32,159,301.66	38,902,011.04
Bills of exchange	5,979,908.55	3,734,560.03
Sureties	0.00	0.00
Mortgages	0.00	0.00
Total	38,139,210.21	42,636,571.07

Contingent assets resulting from guarantees and sureties are the bonds and guarantees provided by banks and insurance companies to ZUE's counterparties to secure their liabilities to the Company.

The mortgage of PLN 1m presented in the half-yearly financial statements was created for the benefit of ZUE to secure the loan agreement no. 1/2015 concluded on 12 March 2015 in Cracow between ZUE (Lender) and Biuro Projektów Komunikacyjnych w Poznaniu (Borrower). The mortgage will be deleted as a result of confusion. A relevant application was submitted on 28 September 2015. Consequently, the mortgage was not recognized in the foregoing table.

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

Cracow, 13 November 2015