



ZUE Capital Group

**CONSOLIDATED QUARTERLY REPORT
FOR 9 MONTHS ENDED 30 SEPTEMBER 2023**

Cracow, 15 November 2023

Content of the consolidated quarterly report:

- I. Selected financial data of ZUE Capital Group.
- II. Selected financial data of ZUE S.A.
- III. Condensed Consolidated Financial Statements of ZUE Capital Group and Notes to the Financial Statements.
- IV. Condensed Separate Financial Statements of ZUE S.A. and Notes to the Financial Statements.

Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the Capital Group.
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 in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE until 10 August 2023.
Railway gft	Railway gft Polska Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000532311, share capital of PLN 3,000,000 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 627,500 paid up in full. Subsidiary of ZUE.
Energopol	Przedsiębiorstwo Budownictwa Inżynieryjnego ENERGOPOL 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 0000042724, share capital of PLN 2,200,000 paid up in full. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period: ZUE, Railway gft, RTI and Energopol.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Uniform text, Journal of Laws of 2022, item 1467).

Share capital details as at 30 September 2023.

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I. Selected financial data of the Capital Group

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

	30-09-2023		31-12-2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	210,372	45,382	199,433	42,524
Current assets	555,990	119,939	475,261	101,337
Total assets	766,362	165,321	674,694	143,861
Equity	189,165	40,807	180,768	38,544
Non-current liabilities	88,209	19,029	59,370	12,659
Current liabilities	488,988	105,485	434,556	92,658
Total equity and liabilities	766,362	165,321	674,694	143,861

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

	9 months ended 30 September 2023		9 months ended 30 September 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	900,658	196,766	629,265	134,228
Cost of sales	870,507	190,179	599,248	127,825
Gross profit (loss) on sales	30,151	6,587	30,017	6,403
Operating profit (loss)	13,219	2,888	11,895	2,537
Gross profit (loss)	13,547	2,960	14,809	3,159
Net profit (loss) from continuing operations	10,166	2,221	11,404	2,433
Total comprehensive income	10,061	2,198	11,823	2,522

Main items of the consolidated statement of cash flows translated into EUR:

	9 months ended 30 September 2023		9 months ended 30 September 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-59,463	-12,991	-74,432	-51,877
Cash flows from investing activities	4,065	888	-1,136	-242
Cash flows from financing activities	8,520	1,861	-14,426	-3,077
Total net cash flows	-46,878	-10,242	-89,994	-19,196
Cash at the beginning of the period	63,251	13,487	108,736	23,641
Cash at the end of the period	16,402	3,538	18,792	3,859

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	30-09-2023	31-12-2022	30-09-2022
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6356	4.6899	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	4.5773	n/a	4.6880
"Cash at the beginning of the period" and "Cash at the end of the period"	Mid exchange rate prevailing at the end of the reporting period	4.6356	4.6899	4.8698

the end of the period” items in the statement of cash flows				
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II. Selected financial data of ZUE S.A.

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

	30-09-2023		31-12-2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	202,509	43,686	191,440	40,820
Current assets	525,529	113,368	434,374	92,619
Total assets	728,038	157,054	625,814	133,439
Equity	182,056	39,273	172,708	36,826
Non-current liabilities	82,809	17,864	53,356	11,377
Current liabilities	463,173	99,917	399,750	85,236
Total equity and liabilities	728,038	157,054	625,814	133,439

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

	9 months ended 30 September 2023		9 months ended 30 September 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	824,065	180,033	570,305	121,652
Cost of sales	799,720	174,714	548,639	117,030
Gross profit (loss) on sales	24,345	5,319	21,666	4,622
Operating profit (loss)	11,841	2,587	7,112	1,517
Gross profit (loss)	14,885	3,252	11,452	2,443
Net profit (loss) from continuing operations	11,047	2,413	8,879	1,894
Total comprehensive income	10,942	2,390	9,298	1,983

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

	9 months ended 30 September 2023		9 months ended 30 September 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-58,118	-12,697	-77,762	-16,587
Cash flows from investing activities	3,099	677	-684	-146
Cash flows from financing activities	9,038	1,975	-13,948	-2,975
Total net cash flows	-45,981	-10,045	-92,394	-19,708
Cash at the beginning of the period	60,256	12,848	106,612	23,180
Cash at the end of the period	14,304	3,086	14,268	2,930

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	30-09-2023	31-12-2022	30-09-2022
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6356	4.6899	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	4.5773	n/a	4.6880

	period			
"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	4.6356	4.6899	4.8698



ZUE Capital Group

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR 9 MONTHS ENDED 30 SEPTEMBER 2023**

Cracow, 15 November 2023

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

Continuing operations	Note no.	9 months ended	3 months ended	9 months ended	3 months ended
		30-09-2023	30-09-2023	30-09-2022	30-09-2022
Sales revenue	4.3.1.	900,658	358,951	629,265	256,041
Cost of sales	4.3.2.	870,507	347,581	599,248	247,017
Gross profit (loss) on sales		30,151	11,370	30,017	9,024
General and administrative expenses	4.3.2.	22,248	7,974	18,737	6,265
Other operating income	4.3.3.	5,946	4,087	1,669	428
Other operating expenses	4.3.4.	630	237	1,054	223
Operating profit (loss)		13,219	7,246	11,895	2,964
Financial income	4.3.5.	2,884	1,358	4,449	694
Financial expenses	4.3.6.	2,556	795	1,535	653
Pre-tax profit (loss)		13,547	7,809	14,809	3,005
Income tax	4.3.7.	3,381	1,942	3,405	1,208
Net profit (loss) from continuing operations		10,166	5,867	11,404	1,797
Net profit (loss)		10,166	5,867	11,404	1,797
Other net comprehensive income		-105	0	419	0
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains (losses) relating to specific benefit schemes		-105	0	419	0
Total other net comprehensive income		-105	0	419	0
Total comprehensive income		10,061	5,867	11,823	1,797
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
Consolidated net profit attributable to:					
Shareholders of the Parent Company		10,088	5,947	10,849	1,564
Non-controlling interests		78	-80	555	233
Net profit (loss) per share (PLN) attributable to shareholders of the Parent Company (basic and diluted)		0.44	0.26	0.47	0.07
Total comprehensive income attributable to:					
Shareholders of the Parent Company		9,983	5,947	11,268	1,564
Non-controlling interests		78	-80	555	233

Total comprehensive income per share (PLN)	0.43	0.25	0.49	0.07
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Consolidated statement of financial position

ASSETS	Note	30-09-2023	31-12-2022
Non-current assets			
Property, plant and equipment		72,235	72,128
Investment property		19,012	16,095
Intangible assets		2,616	2,491
Right-of-use assets		28,564	33,234
Goodwill	4.7.1.	31,172	31,172
Investments in subordinates		328	328
Retentions on construction contracts		36,443	21,882
Deferred tax assets	4.3.7.	15,777	19,110
Advanced loans		4,117	2,931
Other financial assets		108	62
Total non-current assets		210,372	199,433
Current assets			
Inventories		68,173	81,667
Trade and other receivables	4.5.1.	194,901	170,637
Valuation of long-term construction contracts	4.4.1	240,677	128,191
Retentions on construction contracts		16,122	16,668
Advance payments		18,461	12,043
Current tax assets	4.3.7.	31	0
Advanced loans		0	1,186
Other assets		1,223	1,618
Cash and cash equivalents		16,402	63,251
Total current assets		555,990	475,261
Total assets		766,362	674,694

EQUITY AND LIABILITIES	Note	30-09-2023	31-12-2022
Equity			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		90,865	82,476
Total equity attributable to shareholders of the Parent Company		187,770	179,381
Equity attributable to non-controlling interests		1,395	1,387
Total equity		189,165	180,768
Non-current liabilities			
Long-term loans and bank credits	4.6.1.	34,823	8,696
Long-term lease liabilities	4.6.2.	16,687	15,212
Retentions on construction contracts		15,347	16,337
Liabilities under employee benefits		1,893	1,801
Deferred tax liabilities	4.3.7.	1,087	1,322
Long-term provisions	4.4.2.	18,372	16,002
Total non-current liabilities		88,209	59,370
Current liabilities			
Trade and other payables	4.5.2.	162,305	150,676
Accrued liabilities	4.4.4.	166,904	91,065
Valuation of long-term construction contracts	4.4.1.	33,476	47,775
Retentions on construction contracts		28,352	21,226
Advance payments		27,608	31,217
Short-term loans and bank credits	4.6.1.	10,550	19,639
Short-term lease liabilities	4.6.2.	4,843	5,070
Other financial liabilities		36	36
Liabilities under employee benefits		47,145	50,355
Current tax liabilities	4.3.7.	0	131
Short-term provisions	4.4.2.	7,769	17,366
Total current liabilities		488,988	434,556
Total liabilities		577,197	493,926
Total equity and liabilities		766,362	674,694

Consolidated statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2023	5,758	93,837	-2,690	82,476	179,831	1,387	180,768
Change of interest in subsidiaries	0	0	0	0	0	0	0
Dividend	0	0	0	-1,594	-1,594	-70	-1,664
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	10,088	10,088	78	10,166
Other net comprehensive income	0	0	0	-105	-105	0	-105
Total changes in equity	0	0	0	8,389	8,389	8	8,397
Balance at 30 September 2023	5,758	93,837	-2,690	90,865	187,770	1,395	189,165

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2022	5,758	93,837	-2,690	69,287	166,192	211	166,403
Change of interest in subsidiaries	0	0	0	0	0	0	0
Dividend	0	0	0	-3,415	-3,415	-24	-3,439
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	10,849	10,849	555	11,404
Other net comprehensive income	0	0	0	419	419	0	419
Total changes in equity	0	0	0	7,853	7,853	531	8,384
Balance at 30 September 2022	5,758	93,837	-2,690	77,140	174,045	742	174,787

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2022	5,758	93,837	-2,690	69,287	166,192	211	166,403
Change of interest in subsidiaries	0	0	0	0	0	304	304
Dividend	0	0	0	-3,415	-3,415	-24	-3,439

Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	16,392	16,392	896	17,288
Other net comprehensive income	0	0	0	212	212	0	212
Total changes in equity	0	0	0	13,189	13,189	1,176	14,365
Balance at 31 December 2022	5,758	93,837	-2,690	82,476	179,381	1,387	180,768

Consolidated statements of cash flows

	9 months ended 30-09-2023	9 months ended 30-09-2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	13,547	14,809
Adjustments for:		
Depreciation and amortisation	11,050	10,178
Foreign exchange gains / (losses)	-29	-52
Interest and share in profit (dividends)	790	154
Gain / (loss) on disposal of investments	-4,910	-839
Operating profit (loss) before changes in working capital	20,448	24,250
Change in receivables and retentions on construction contracts	-40,694	-16,576
Change in inventories	13,514	-41,210
Change in provisions and liabilities under employee benefits	-8,581	9,863
Change in payables and retentions on construction contracts	21,230	-29,701
Change in valuation of construction contracts	-135,326	-49,659
Change in accrued liabilities	79,691	12,068
Change in advance payments	-9,705	18,918
Change in other assets	152	-244
Other adjustments	0	-20
Income tax paid / (tax refund)	-192	-2,121
NET CASH FROM OPERATING ACTIVITIES	-59,463	-74,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	9,558	1,185
Purchase of property, plant and equipment and intangible assets	-6,748	-3,339
Sale / (purchase) of financial assets in related parties	559	0
Repayment of advanced loans	43	28
Interest received	1,040	990
Subsidiary's cash at the date of sale	-387	0
NET CASH FROM INVESTING ACTIVITIES	4,065	-1,136
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	32,323	0
Repayment of loans and bank credits	-15,000	-4,642
Decrease in lease liabilities	-4,901	-5,240
Lease interest paid	-1,055	-807
Other interest paid	-1,183	-298
Other financial inflow / (outflow) – dividends	-1,664	-3,439
NET CASH FLOWS FROM FINANCING ACTIVITIES	8,520	-14,426
TOTAL NET CASH FLOWS	-46,878	-89,994
Net foreign exchange differences	29	50
TOTAL NET CASH FLOWS NET OF FOREIGN EXCHANGE DIFFERENCES	-46,849	-89,944
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	63,251	108,736
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	16,402	18,792
- of limited availability	2,728	10,504

Notes to the condensed consolidated financial statements of the Capital Group

1. General information

1.1. Composition of the Capital Group

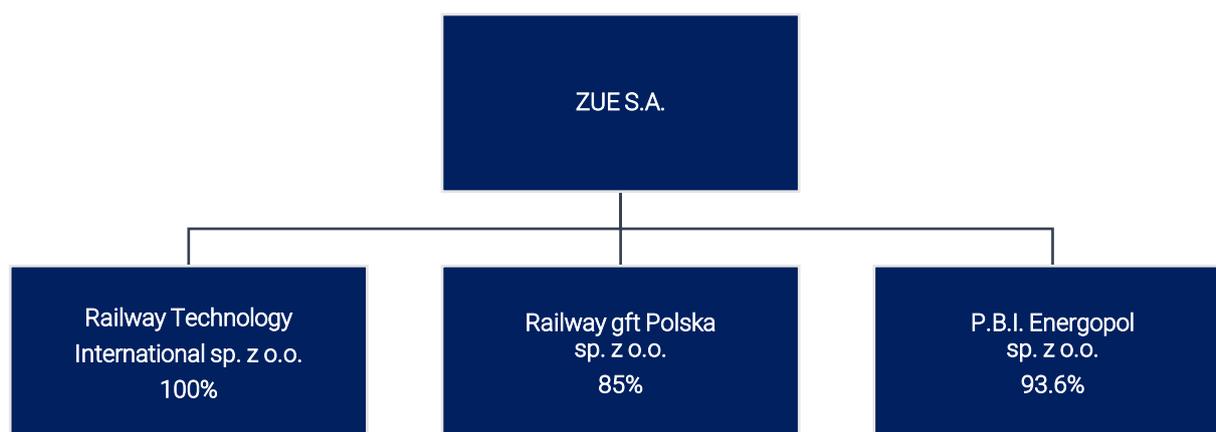
At the end of the reporting period, the Capital Group was composed of ZUE S.A. (Parent Company), Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Przedsiębiorstwo Budownictwa Inżynierskiego Energopol Sp. z o.o.

ZUE Spółka Akcyjna with registered office in Cracow (the Kazimierza Czapińskiego Street no. 3) is the parent company of the Capital Group.

The Company has been incorporated on 20 May 2002. Cracow (Poland) 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 0000135388.

Apart from being the provider of construction services, ZUE is the parent company responsible for coordinating the operation of the subsidiaries and optimising the Capital Group's operating expenses through, *inter alia*, the coordination of investment and borrowing policy as well as the management of finances, human resources and the supply of materials. In addition, ZUE's task is to create a uniform trade and marketing policy of the Capital Group and to promote the Group's potential among its customers.

Structure of the Capital Group at the date of preparation of the financial statements:



Subsidiary – Railway gft Polska Sp. z o.o. has been established on 21 October 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.

Subsidiary – Railway Technology International Sp. z o.o. has been established on 20 July 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 – Przedsiębiorstwo Budownictwa Inżynierskiego Energopol Sp. z o.o. has operated in its current legal form since 11 September 2001. Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000042724.

The companies within the Capital Group have been incorporated for indefinite period. The financial statements of all the subsidiaries have been prepared for the same reporting period as the financial statements of the Parent Company using consistent accounting principles. The Parent Company and the companies within the Capital

Group use a calendar year as their financial year.

On 28 October 2022, ZUE's branch in Romania was entered into the Register of Entrepreneurs maintained by the Court in Cluj Napoca under entry no. J12/6648/2022. The branch was established to enable the coordination of the Company's operations on the Romanian market.

1.2. Consolidated companies

Consolidated companies as at 30 September 2023:

Company name	Registered office	Shares as at		Consolidation method
		30 September 2023	31 December 2022	
ZUE S.A.	Cracow	Parent Company	Parent Company	
Railway gft Polska Sp. z o.o.	Cracow	85%	85%	Full
Przedsiębiorstwo Budownictwa Inżynierskiego ENERGOPOL Sp. z o.o.	Cracow	93.6%	93.6%	Full

ZUE has the power to govern the financial and operating policies of Railway gft, RTI and Energopol due to the fact that as at 30 September 2023, it held a majority stake in the companies.

As at 30 September 2023, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, RTI was not consolidated.

On 12 April 2023, the Ordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 1,000 thousand to PLN 3,000 thousand through the creation of 20,000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 2,000 thousand were proportionally acquired by the existing shareholders. The increase was registered in the National Court Register.

All the shares (100%) in BPK Poznań were sold on 10 August 2023. Therefore, this report presents the results of BPK Poznań until the date of the sale.

1.3. Changes in the Group's structure in 2023 and their consequences

No major changes to the Group's structure occurred between the beginning of 2023 and the date of approval of this report.

The Parent Company sold all the shares (100%) in BPK Poznań on 10 August 2023 as a result of which BPK Poznań left the Group.

1.4. Activities of the Capital Group

At present, the Group identifies the two aggregate operating segments:

- ❖ Construction activities conducted by ZUE and Energopol; and
- ❖ Sales activities conducted by Railway gft.

Construction activities include:

- ✓ **Urban infrastructure**, including:
 - ❖ Construction and upgrade of tram tracks, tram and trolleybus traction networks, traction substations, street lighting, cable lines, street traffic signalling, road systems, buildings and telecommunications technology;
 - ❖ Maintenance of tram, road and street lighting infrastructure.
- ✓ **Rail infrastructure**, including:

- ❖ Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, power lines, stations and civil structures.
- ✓ **Works carried out by Energopol**, including:
 - ❖ Road works, bridge and road structures, reinforced concrete structures, hydrotechnical and water and sewage projects.

In 2023, the Group focuses on the provision of rail and urban infrastructure construction services.

The Group can build civil structures and deliver reinforced concrete projects, such as viaducts, bridges, passages, resistance walls or noise barriers, based on its skills and resources.

As part of **sales activities**, the Group offers materials and accessories necessary to build tracks, including:

- Rails for railways, tramways and cranes; special profiles, light rails and narrow-gauge railway;
- Steel, wooden and pre-stressed concrete sleepers;
- Crossovers and crossover components;
- Accessories required to build tram and railway tracks;
- Aggregate;
- Special technologies: RHEDA 2000® slab tracks, RHEDA CITY C, RHEDA CITY GREEN tram systems, "Ypsilon" steel sleepers.

The financial data of operating segments is presented in the note 4.3.8.

1.5. Functional and reporting currency

These financial statements have been prepared in Polish zlotys (PLN). Polish zloty is the Group's functional and reporting currency. The data in the financial statements has been disclosed in thousands of Polish zlotys, unless specific circumstances require greater details.

2. Operational information

2.1. Sales markets

The Group's sales markets reflect the scope of activities conducted by the Group.

Construction activities are carried out by ZUE mainly on the railway and urban infrastructure market. The table below sets out the major construction contracts in progress.

Contract*	Contracting authority	Contract net value [PLN m] attributable to ZUE
Completion of construction works as well as preparation of detailed design and completion of construction works in connection with the development of railway traffic control equipment, railway telecommunications network equipment and a dynamic passenger information system on the Będzin - Katowice Szopienice Południowe lines as part of the project: "Works to be carried out on primary passenger services (E 30 and E 65) in Silesia, Stage I: line E 65 on the Będzin - Katowice Szopienice Płd. – Katowice – Katowice Piotrowice lines."	PKP PLK S.A.	785
Preparation of design documentation and completion of construction works as part of "design-build" project in connection with the project named: LOT D – Works on the railway lines no. 131, 542 and 739 of the Rusiec Łódzki (km 137.500) – Zduńska Wola Karsznice (km 170.212) section as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-14 "Works on the railway line C-E 65 of the Chorzów Batory – Tarnowskie Góry – Karsznice – Inowrocław – Bydgoszcz – Maksymilianowo section."	PKP PLK S.A.	602
Design and construction services in connection with the project no. 1: "Works on the Chabówka - Zakopane railway line no. 99" and the project no. 2: "Construction of railway link in Chabówka along the Sucha Beskidzka – Chabówka railway line no. 98 and the Chabówka – Zakopane railway line no. 99."	PKP PLK S.A.	505
Design services and construction works in connection with the following project: "Works on the railway line no. 25 of the Skarżysko Kamienna – Sandomierz section" to be executed as part of the Eastern Poland Operational Programme.	PKP PLK S.A.	427
Completion of construction works in the area of the Kutno Local Traffic Control Centre (LCS) – the Żychlin-Barłogi section in connection with the following project: "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section" executed as part of the Connecting Europe Facility (CEF).	PKP PLK S.A.	313
Works on the railway line no. 93 of the Trzebinia – Oświęcim – Czechowice Dziedzice section, Infrastructure and Environment Operational Programme (IEOP) 5.1-12."	PKP PLK S.A.	300
Design and construction services in connection with the project named: "Construction of the Annopol depot."	Tramwaje Warszawskie sp. z o.o.	273
Reconstruction of the tramway track and traction in the Nabrże Wieleckie, Nowa, Dworcowa, Kolumba, Chmielewskiego and Smolańska Streets and the Powstańców Wlkp. Avenue and the extension of the Pomorzany terminus in Szczecin.	City of Szczecin, Szczecińska Energetyka Ciepła Sp. z o.o., Zakład Wodociągów i Kanalizacji Sp. z o.o.	222
Reconstruction of the tramway track together with OCL network from the Żołnierza Polskiego Square – the Matejki Street – the Piłsudskiego Street (to the Rodła Square).	City of Szczecin	158
Maintenance and repair of tram infrastructure in Cracow in 2022-2025.	City of Cracow	121
Construction works in connection with the following project: "Construction of multimodal terminal in Zduńska Wola – Karsznice."	PKP CARGO Terminale sp. z o.o.	100

Preparation of design documentation and completion of construction works as part of "design-build" project in connection with the Infrastructure and Environment Operational Programme (IEOP) 5.1-16 "Improvement of capacity of E 20 railway line of the Warszawa – Kutno section, Stage I: Works on the railway line no. 3 of the Warszawa – the Łowicz Local Traffic Control Centre (LCS) section."	PKP PLK S.A.	90
Reconstruction of the tramway along the Zwierzyniecka Street (district road) and the Kościuszki Street (county road) in Cracow and reconstruction of the adjacent intersections and OCL network, dehydration and lightening, reconstruction of the colliding technical infrastructure, repair of the <i>Salwator</i> tram terminus as well as construction of the heat distribution network with connections and construction and reconstruction of the water supply system.	City of Cracow Wodociągi Miasta Krakowa Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A.	84
Provision of bicycle lanes and reconstruction of road infrastructure along the Królowej Jadwigi and Piłsudskiego Streets (county road) in Dąbrowa Górnicza as part of the following project: "Promotion of green transport in Dąbrowa Górnicza – Stage III." Construction works for the project named: "Reconstruction of the separate tramway track along the Królowej Jadwigi Street and Piłsudskiego Street in Dąbrowa Górnicza, the Róż Avenue – the Kasprzaka Street section."	Dąbrowa Górnicza/Tramwaje Śląskie S.A.	82
Reconstruction of the separate tramway track along the Sobieskiego Street and the Królowej Jadwigi Street in Dąbrowa Górnicza from the KWK Paryż Terminus to the Róż Avenue" and "Provision of bicycle lanes and reconstruction of road infrastructure along the Sobieskiego and Królowej Jadwigi Streets (DW 910) in Dąbrowa Górnicza."	Dąbrowa Górnicza/Tramwaje Śląskie S.A.	64
Completion of construction works in connection with the extension of the Górny Taras Rataj track between the intersection of Kórnicka and Jana Pawła II Streets and the Lecha Estate, extension of Pleszewska Street between the intersection with Warczygłowy Street and the intersection of Kaliska and Polanka Streets (including the intersection) and extension of Kaliska Street between Polanka and Jana Pawła II Streets and reconstruction of a part of Warczygłowy Street and services relating to construction works carried out in connection with the following project: "Reconstruction of the Kórnicka – Lecha Estate – Żegrze roundabout tramway and construction of the route between Żegrze roundabout and Unii Lubelskiej."	City of Poznań	64
Works on the E59 railway line, the Dobiegiew – Słonice section – OCL network.	Strabag Sp. z o.o.	48
Restoration of railway infrastructure on the Dorota - Sosnowiec Dańdówka section, line no. 171, as part of the following investment project: "Works on the south-eastern part of the Upper Silesian Industrial Region ring road and adjacent sections."	PKP PLK S.A.	38
Construction of a railroad siding with a handling yard and power connection in the south-western part of Jawor WSSE „INVEST-PARK” subzone near the line 137 railway stop.	Wałbrzyska Specjalna Strefa Ekonomiczna "Invest-Park" Sp. z o.o.	38
Construction of railway link in Kalwaria Zebrzydowska along the Skawina – Żywiec railway line no. 97 and the Kalwaria Zebrzydowska Lanckorona – Bielsko Biała Główna railway line no. 117" executed as part of the following project: "Works on the railway lines no. 97, 98, 99 of the Skawina –Sucha Beskidzka – Chabówka – Zakopane sections.	PKP PLK S.A.	23
Maintenance and ongoing repairs of systems and equipment required to light roads, streets, parks, squares, bridges, flyovers, tunnels, underpasses and to illuminate selected facilities in Cracow.	City of Cracow	23
"Reconstruction of the road and reconstruction of the track in the Dworcowa Street" and "Development of a Dynamic Passenger Information System as well as extension and reconstruction of a City Surveillance System" for the following project: "The system of sustainable urban transport in Gorzów Wlkp." and "Reconstruction of roads and public transport infrastructure in the area of the railway station."	City of Gorzów Wlkp. – the Municipal Council of Gorzów Wielkopolski and Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o.	19
Maintenance of tram lines and switches in Wrocław.	City of Wrocław represented by Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o.	19

ROMANIA		
"Quick Wins" – works carried out in C.F. Braşov area (17 Lot)	"C.F.R." S.A. – C.F. Braşov Regional Branch (Romania)	140
"Quick Wins" – works carried out in C.F. Cluj area (47 Lot)	"C.F.R." S.A. – C.F. Cluj Regional Branch (Romania)	337

* Contracts whose net value exceeds PLN 15m.

Construction services offered by Energopol were provided mainly to the City of Cracow.

Sales activities conducted by Railway gft included the sale of rails, track accessories, sleepers, rail fastening systems and aggregate. In the three quarters of 2023, the major customer of Railway gft other than the Group included Contraxim Sp. z o.o.

Design services relating to urban and rail transport systems were provided to both public investors and companies which execute "design-build" projects. The biggest customers of BPK Poznań until 10 August 2023 included PKP Polskie Linie Kolejowe S.A., LPW Sp. z o.o., Budimex S.A., Miasto-Łódź – Zarząd Inwestycji Miejskich.

2.2. Backlog

The construction contracts performed by ZUE are the biggest item of the Group's backlog.

At the date of preparation of this report, the total value of the Group's backlog is PLN 2,053m, including the signed contracts for construction and assembly works carried out by ZUE and Energopol with the total net value of PLN 2,040m. The net value of orders for the supply of equipment and materials by Railway gft is PLN 13m.

The companies within the Group take an active part in new tender procedures.

2.3. Issuer's major achievements or failures in the reporting period

In the three quarters of 2023, sales revenue generated by the Group amounted to PLN 900,658 thousand – up by 43% compared to the figure reported in the analogous period of 2022 (ZUE – PLN 824,065 thousand – up by 44%). Gross margin reported by the Group was 3.3% and gross margin reported by the Company was 3%.

By the date of publication of this report, the Company obtained the new contracts with the total net value of approximately PLN 894m. The total net value of the contracts obtained by Energopol, a road company, amounted to approximately PLN 65m.

In 2023, the Company commenced the construction works under the railway contracts won in 2022 in Romania and performed its first construction contract in Latvia.

Financial results are discussed in detail in section 4.2 below.

No major events other than operating events contained in this report occurred by this report preparation date.

2.4. Unusual factors and events with significant influence on the Group's results

In the reporting period, there were no unusual factors or events with significant influence on the Group's results other than specified in this report.

2.5. Major events in the reporting period

Construction works:

On 7 April 2023, the Company informed that following the conclusion of an annex to the contract between the Company and PKP Polskie Linie Kolejowe S.A. (PKP PLK), the total net value of the contracts between the companies within the PKP PLK capital group and the companies within the ZUE capital group since 2 June 2022 amounted to approximately PLN 110m. **(Current report 4/2023)**

On 22 August 2023, the Company signed the contract for the following project: Reconstruction of the tramway along the Zwierzyniecka Street (district road) and the Kościuszki Street (county road) in Cracow and reconstruction of the adjacent intersections and OCL network, dehydration and lightening, reconstruction of the colliding technical infrastructure, repair of the *Salwator* tram terminus as well as construction of the heat distribution network with connections and construction and reconstruction of the water supply system. The Company informed about the selection of the most economically advantageous tender in the current report 12/2023. The Contracting Authority: Zarząd Dróg Miasta Krakowa, Wodociągi Miasta Krakowa S.A., Miejskie Przedsiębiorstwo Energetyki Ciepłej (MPEC) S.A. Contract net value: PLN 76.5m. Contract gross value: PLN 94m. Project completion date: 12 months of the site handover date. **(Current report 17/2023)**

Financial issues:

On 13 March 2023, the Company published the preliminary financial results for 2022. **(Current report 3/2023)**

On 28 June 2023, the Company and Alior Bank S.A. entered into the revolving credit agreement whereby the Company was granted the credit limit of up to PLN 40m available to the Company until the end of January 2025. **(Current report 13/2023)**

On 8 August 2023, the Company published the preliminary financial results for the first half of 2023. **(Current report 15/2023)**

Corporate events:

On 9 May 2023, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2022 of PLN 10,241 thousand in the following manner: 1) The part of the net profit for the financial year 2022 of PLN 1,594 thousand should be paid as dividend (PLN 0.07 per share); 2) The residual net profit for the financial year 2022 of PLN 8,647 thousand should be allocated to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said proposal on 9 May 2023. **(Current report 5/2023)**

On 7 June 2023, the Company informed that according to the resolution on the distribution of the Company's profit for 2022 passed by the Ordinary General Meeting of ZUE S.A. on 7 June 2023, the dividend for 2022 of PLN 1,593,580.17; i.e. PLN 0.07 per share, would be paid to the Company's shareholders. Shareholders' right to the dividend was determined as at 18 July 2023. The date of the dividend payment was set for 3 August 2023. The dividend was paid according to the said resolution. **(Current report 11/2023)**

On 10 August 2023, the Company informed about the sale of 100% of shares in BPK Poznań, a subsidiary. **(Current report 16/2023)**

2.6. Major events after the end of the reporting period

On 6 October 2023, the Company and PKP PLK S.A. entered into the contract for the following project: Completion of construction works as well as preparation of detailed design and completion of construction works in connection with the development of railway traffic control equipment, railway telecommunications network equipment and a dynamic passenger information system on the Będzin - Katowice Szopienice Południowe lines as part of the project: "Works to be carried out on primary passenger services (E 30 and E 65) in Silesia, Stage I: line E 65 on the Będzin - Katowice Szopienice Płd. – Katowice – Katowice Piotrowice lines." The Company informed about the selection of the most economically advantageous tender in the current report 64/2022. Contract net value: PLN 785.1m. Contract gross value: PLN 965.7m. Project completion date: About 44 months. **(Current report 18/2023)**

On 31 October 2023, the Company published the preliminary financial results for the three quarters of 2023. **(Current report 19/2023)**

2.7. Bonds, guarantees, lines of credit and loans

The activity conducted by the Group requires the provision of bonds. The bonds include, first and foremost, bid bonds, performance bonds, defects liability bonds and advance payment bonds provided by banks and insurance companies to the Group's counterparties to secure their claims. Banks and insurance companies have recourse against the Company.

As at 30 September 2023:

- The amount of bonds issued by the Group to third parties: PLN 480,290 thousand;
- The amount of bonds issued by the Company to third parties: PLN 462,446 thousand;

- The amount of unused bond lines at the Group: PLN 431,204 thousand (including PLN 21,549 thousand which can be allocated to working capital credit);
- The amount of unused bond lines at the Company: PLN 422,317 thousand (including PLN 21,549 thousand which can be allocated to working capital credit);
- The amount of unused credit lines at the Group: PLN 44,226 thousand (including PLN 22,677 thousand with no possibility of allocating to bonds);
- The amount of unused credit lines at the Company: PLN 44,226 thousand (including PLN 22,677 thousand with no possibility of allocating to bonds).

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 30 September 2023 is PLN 32,180 thousand.

ZUE is able to use limits provided by banks both for bonds and working capital credit. At the end of the reporting period, the limits were allocated to bonds.

At the end of the reporting period, the amount of the loans granted by ZUE (net of write-downs) was PLN 9,757 thousand. At the end of the reporting period, the amount of the loans granted by the Group net of write-downs) was PLN 4,117 thousand.

No loans or bonds of significant total value were granted or provided in the three quarters of 2023 by the Parent Company or any subsidiary to any single entity outside the Capital Group (or any subsidiary thereof).

2.8. Type and amount of items influencing assets, liabilities, equity, net profit or cash flows which are unusual in terms of type, amount or frequency

No unusual items with significant influence on assets, liabilities, equity, net profit or cash flows other than specified herein occurred in the reporting period.

2.9. Factors believed by the Issuer to have an influence on the Group's development and future performance

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

- Untimely settlement of liabilities to the Group by Contracting Authorities;
- Delays or unfavourable outcome of tender procedures including the Group;
- Unstable prices of raw materials, liquid fuels and energy;
- Higher fees charged by subcontractors;
- Unstable exchange rates; and
- Outcome of court proceedings.

The Management Board Report on the activities of the Capital Group for the first half of 2023 contains a detailed discussion of the factors. No significant changes to the catalogue or discussion of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

2.10. Risks believed by the Group to have an influence on its future performance

- Risk related to financial liquidity in the construction sector;
- Risk related to logistics;
- Risk related to the failure of making the construction site available by the date specified in a contract;
- Risk related to obtaining administrative decisions, ability to appeal against the administrative decisions and third parties' activities influencing the Group's design or construction services;
- Risk related to inaccurate estimate of the costs of planned and performed contracts;
- Risk related to joint and several liability to subcontractors and consortium members;
- Risk related to improper performance of contracts by key counterparties;
- Risk related to bonds, contractual penalties and the related litigations;
- Risk related to the bankruptcy of counterparties;
- Risk related to the guarantees of payment for construction works;
- Risk related to the change of law, including tax law;
- Risk related to obtaining new contracts;

- Risk related to growing competition;
- Risk related to the terms and procedures of awarding contracts and exclusions from public tenders;
- Risk related to the European co-funding of railway projects;
- Risk related to the obtaining of funds required to perform construction contracts as well as performance and bid bonds;
- Risk related to weather conditions;
- Risk related to social and economic situation in Poland;
- Risk related to interest rates;
- Risk related to unstable margins;
- Risk related to activities abroad;
- Risk related to the influence of a pandemic on construction processes; and
- Risk related to the war in Ukraine.

The effect of COVID-19 is discussed in section 2.12. and the effect of the situation in Ukraine on the Group's operations is discussed in section 2.13.

The Management Board Report on the activities of the Capital Group for the first half of 2023 contains a detailed discussion of the factors. No significant changes to the catalogue or discussion of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

2.11. Risks related to social and employee issues, natural environment, respect of human rights, counteracting corruption, climate and climate policy

- Risk related to greater employment costs;
- Risk related to the outflow of qualified staff;
- Risk related to the impact on the natural environment;
- Risk related to social issues and human rights;
- Risk related to corruption;
- Physical risk related to extreme weather conditions;
- Physical risk related to changing weather patterns; and
- Physical risk related to transition to zero-emission economy;

The Management Board Report on the activities of the Parent Company and the Capital Group for 2022 contains a detailed discussion of the factors. No significant changes to the catalogue or discussion of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

2.12. Influence of the coronavirus pandemic on the Group's activities

Measures taken by the Group (during the pandemic)

During the pandemic, the Issuer took preventive measures to reduce the risk of infection among the employees and associates by letting the staff work remotely, giving instructions on hygiene and precautions to its employees and subcontractors' employees, providing employees with protective equipment such as face masks or disinfectant agents, limiting the number of business meetings, giving comprehensive information on the activities aimed at reducing the risk of infection and measures to be taken in case of infection and limiting contacts with the employees who stayed in higher risk areas.

Impact of the coronavirus pandemic on the Group's activity and financial standing in the III quarters of 2023

No impact of the coronavirus pandemic on the Group's activity or financial standing was observed in 2023.

Possible impact of the coronavirus pandemic on the Group's activity and financial standing

Below please find the factors which may influence the markets in which the Issuer operates and ZUE's activities should the state of emergency be declared again in Poland.

Factors which may have a negative influence:

- Limited supply of certain building materials and price increases caused by disruptions in the chains of supply;
- Further increase in prices of certain imported building materials caused by the weakening of PLN to EUR and USD rates;

- Temporary suspension of competitive tenders for new urban infrastructure contracts as a result of poorer financial condition of the cities caused by possible restrictions;
- Possible problems associated with the liquidity of certain enterprises (e.g. subcontractors);
- Possible extensions of deadlines for certain construction contracts caused by delays in the issue of certain administrative consents or approvals;
- Impediments relating to the absence or temporary exclusion of the Group's employees, subcontractors and consortium members; and
- Possible suspension of construction works under contracts.

Impact of the coronavirus pandemic on social and employee issues, natural environment, respect of human rights and counteracting corruption

No impact of the coronavirus pandemic on social and employee issues, natural environment, respect of human rights or counteracting corruption was observed in 2023.

2.13. Influence of the situation in Ukraine on the Group's operations

The war in Ukraine did not have a material influence on the financial results at the date of approval of this report.

However, the effects of the war such as limited supply and rising prices of building materials or restrictions on the employment market may have a negative influence on the contracts performed by the Group. The Company keeps monitoring the potential risks and cooperates with contracting authorities to minimize them.

The Company has cooperated with its suppliers for many years. The cooperation with transparent partners as well as internal control of transactions reduce the risk of getting involved in transactions exposed to sanctions imposed by the EU on Russia and Belarus. The Company has no assets in Russia, Belarus or Ukraine and does not conduct any activities in those countries.

The Company constantly monitors the safety of the Group's IT systems to prevent cyberattacks as well as the risks associated with foreign exchange rates and interest rates.

Ukraine's political and economic situation as well as changes on the raw and other materials markets are constantly monitored by the Group in terms of the actual and potential impact thereof on the Group's activities.

Below please find the factors which may occur and influence the markets in which the Issuer operates and the Group's activities:

- Increased prices of certain imported products and materials caused by the long-term weakening of PLN rate (as well as other currencies of the region);
- Disruptions in the chains of supply of certain imported products and materials;
- Long-term increase in the prices of fuels, natural gas and electricity;
- Limited access to fuels and natural gas;
- Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs;
- Decreased supply of financial products as a result of increased spending on defence and security;
- Migration of Ukrainian employees from Poland to Ukraine; and
- Limited availability and higher prices of building materials caused by a long-term radical increase in demand for building materials in Ukraine.

2.14. 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 influencing the amount of revenues and profits in a financial year include weather conditions and the dates of putting contracts out for tender and awarding contracts. The number and size of tenders on the railway market are determined by the National Railway Programme and the current EU perspective. Projects on the urban market depend on the budgetary objectives of local self-governments.

Rail and urban infrastructure construction projects undertaken by the Group cannot be carried out in unfavourable weather conditions. Due to low temperature or snowfall 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 on the transport infrastructure construction market primarily take place in spring, summer and autumn.

2.15. Strategic objectives

The principal objective in 2023-2024 is to take a maximum advantage of the current EU perspective.

The Group's strategic objectives include:

- Maintenance of the position of the Group as one of the leaders of the rail transport infrastructure construction market;
- Maintenance of the position of the Group as one of the leaders of the urban transport infrastructure construction market;
- Development of sales activities on the track materials production and distribution market.

In the long-term perspective, the principal aim of the Group is to improve and develop the services provided by the Group in connection with the service and maintenance of urban and rail infrastructure.

The Issuer predicts that the strategic objectives will be pursued mainly through the organic growth and the Company states that new companies may be acquired in the future.

In 2023, the Issuer's focus is on winning new construction contracts and proper performance of the previously signed contracts. The Group also aims to achieve geographical diversification by offering its services in other European countries.

The strategic objectives are pursued taking into consideration non-financial issues such as human rights, employees' rights, the impact on local environment or environmental protection.

Prospects of the markets in which the Group operates:

The railway and urban infrastructure projects (especially tramway projects) are the main source of the Group's income. Construction works are carried out mainly in the territory of Poland. However, in the second half of 2022, ZUE won the construction contracts on the Romanian railway market and the contracts have been performed since 2023. Investments in tram infrastructure are made as part of decentralised revitalization plans drawn up for individual cities and urban areas. Railway undertakings, on the other hand, fall within the category of the long-term development and modernisation of the national railway network.

Urban infrastructure market

Urban rail transport is considered environmentally friendly. Accordingly, from the perspective of the 2021-2027 EU perspective, investments in such projects offer excellent potential in terms of financing.

The draft *FENIKS* (the EU Funds for Infrastructure, Climate and Environment) programme for 2021-2027 was published in October 2022. Under the programme, EUR 2 billion will be spent on urban transport in Polish cities, including EUR 1.44 billion on the expansion and upgrade of infrastructure, especially tram infrastructure. The European Commission adopted *FENIKS* on 6 October 2022. It is Poland's and the EU's largest cohesion policy programme.

According to the programme:

- 1) The length of the completed subway lines is expected to be 3.4 km by 2029;
- 2) The length of the new tram and subway lines is expected to be 98 km by 2029 (including 5 km in 2024);
- 3) The length of the reconstructed tram and subway lines is expected to be 126 km by 2029 (including 6 km in 2024); and
- 4) The number of cities with new or upgraded digital transportation systems is expected to reach 9 by 2024.¹

Cracow, Warsaw, Gdańsk, Bydgoszcz, Szczecin, Poznań or the Upper Silesia cities are planning the construction or modernisation of tramways.

Rail infrastructure market

¹ <https://www.transport-publiczny.pl/wiadomosci/feniks-2-mld-euro-na-transport-w-polskich-miastach-75576.html>

PKP PLK estimates combined investment needs in the Polish railway infrastructure of approximately PLN 300 billion. The expenditures concern the upgrade of all neglected or missing elements.² Works will be carried out as part of the current National Railway Program until 2023 worth approximately PLN 76 billion (NRP) and the *Kolej Plus* programme.

The Central Communication Port (CCP) project is also underway. The railway component of the project will entail constructing approximately 2,000 km of brand new railway lines and revamping of existing routes. Contracts are being signed for preparatory works on the new lines. The new sections under construction will serve as essential additions to the existing national network, which will be more capable of satisfying the nation's transport needs. According to the CCP, the construction works relating to the CCP railway component will commence in 2023 and the entire plan provides for 30 projects. At present, the CCP is preparing technical, economic and environmental studies for about 1,300 km of new railway lines.³

In the EU financial perspective for 2021-2027, a significant focus is on the development of railway transport. The principal aim of the Sustainable and Smart Mobility Strategy is to reduce transport-related emissions in the EU by 90% by 2050. The document should serve as a basis for ecological and digital transition in the EU. It should also make the EU transport system more resistant to future crises. The Strategy focusses on the ambitious development of the EU railway infrastructure, for instance the doubling of the high-speed train network and carbon neutral collective travel for journeys under 500 km by 2030, and doubling of the rail freight traffic and fully operational Multimodal Trans-European Transport Network (TEN-T) equipped with sustainable and smart transport with high-speed connectivity by 2050.⁴

Apart from the EU main budget, funds can be obtained, for instance, from the Recovery Fund whose aim is to support the EU economy after the COVID-19 pandemic. Funds will also come from the *Connecting Europe* programme and a vast portion will be spent on railway projects.⁵

Advanced construction work is underway as part of the NRP, while the railway component of the CCP is currently at the conceptual and planning stage aimed at the completion of the projects. In 2022, PKP PLK announced new tenders for the total amount of approximately PLN 18 billion. According to the information provided by the Ministry of Infrastructure, 2023 should see the announcement of tenders for the amount between PLN 15-20 billion.⁶ The National Railway Programme until 2030 (with the perspective until 2032) was adopted in August 2023. It is the extension of the National Railway Programme until 2023. The budget for the new NRP includes PLN 80 billion under the 2021-2027 perspective and PLN 11 billion under the National Recovery Plan.⁷

The majority of the investments depend on the EU funds and the funds must be obtained for the local governments and PKP PLK to be able to complete the abovementioned projects.

Due to changes in the prices of building materials, labour, energy or fuels, businesses must use effective valorisation formulas in their investor-contractor relations.

Rail infrastructure market in Romania

In terms of the length of railway lines, Romania ranks eighth in Europe. The network is about 10,800 km long, out of which around 37% is electrified (to compare, around 63% of the Polish rail network is electrified).⁸ The network includes about 18,000 bridges and footbridges as well as 176 tunnels. The two European transport corridors, namely the Rhine-Danube and the North Sea-Mediterranean corridors, run through Romania. Like in other Eastern European countries, the Romanian rail infrastructure calls for major capital expenditures in order to meet the EU environmental objectives. In September 2021, the European Commission approved the Romanian National Recovery Plan for about EUR 29 billion and a portion of the amount will be allocated to railways.

A strategy for 2021-2025 was adopted by the Ministry of Transport and Infrastructure and CFR (the Romanian counterpart of PKP PLK).

Objectives:

- Increasing the share of the rail freight traffic by at least 25% by 2026 in comparison to 2020;
- Increasing the number of passengers by 25%;
- Conversion from bus commuting (as the first choice of travel) to train commuting;
- Implementation of the ERTMS system.

² <https://www.rynek-kolejowy.pl/mobile/trako-2021-oczekiwania-przed-nowa-perspektywa-104659.html>

³ <https://www.nakolei.pl/cpk-z-pierwszym-przetargiem-budowlanym-w-2023-roku-ma-ruszy-budowa-tunelu-kdp-pod-lodzia/>

⁴ https://ec.europa.eu/commission/presscorner/detail/pl/ip_20_2329

⁵ <https://www.rynekinfrastruktury.pl/wiadomosci/drogi/nowy-cef-bez-drog-i-lotnisk-unia-stawia-na-kolej-77436.html>

⁶ <https://kolejowyportal.pl/mi-w-2023-r-pkp-plk-planuja-oglosic-przetargi-o-wartosci-15-20-mln-zl/>

⁷ <https://forsa.pl/transport/kolej/artykuly/8193533,pkp-plk-chca-oglosic-przetargi-na-ponad-10-mln-zl-do-konca-tego-roku.html>

⁸ Eurostat data.

Major expenditures on infrastructure are required to meet these objectives and the investments are already financed with, *inter alia*, the use of the EU funds. Romania effectively uses the EU funds to modernize its railways as a result of which a significant number of projects have been launched to upgrade the infrastructure.

In 2022, the Company and the Romanian consortium member won the construction contracts for the upgrade of the Romanian railway lines with the total amount at the contracts conclusion date of approximately PLN 0.96 billion, out of which 50% is attributable to ZUE. In addition, ZUE's branch was established in Romania.

Road infrastructure market

The Group has operated on the local road market through its subsidiary, Energopol, since November 2022. This stable and prospective market will receive financial support from the Government Road Construction Fund. Funds will be allocated to implement nearly 1,800 local road construction and modernisation tasks, including 169 tasks in the Małopolska province. With the Fund's support, about 2,800 km of roads will be built or renovated. At present, Energopol is involved in the performance of the three new contracts on the road market, including two construction contracts and one road infrastructure contract.

3. Corporate information

3.1. Governing bodies of the Parent Company

The composition of the Company's Management Board did not change during the reporting period or until the date of preparation of the consolidated financial statements.

Composition of ZUE's Management and Supervisory Boards at the date of preparation of these consolidated financial statements:

Management Board:

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

Supervisory Board:

Piotr Korzeniowski	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
Irena Piekarska-Konieczna	Supervisory Board Member
Agnieszka Klimas	Supervisory Board Member
Maciej Szubra	Supervisory Board Member

Audit Committee:

Irena Piekarska-Konieczna	Audit Committee Chairperson
Barbara Nowak	Audit Committee Member
Maciej Szubra	Audit Committee Member

Ms. Irena Piekarska-Konieczna, Ms. Agnieszka Klimas and Mr. Maciej Szubra meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (Journal of Laws of 2023, item 1015).

No other changes to the composition of the Parent Company's management or supervisory bodies occurred until the date of preparation of the consolidated financial statements.

3.2. Share capital structure

The Company's share capital amounts to PLN 5,757,520.75 and is divided into 23,030,083 shares with the nominal value of PLN 0.25 each, including:

- 16,000,000 class A bearer shares;
- 6,000,000 class B bearer shares; and
- 1,030,083 class C bearer shares.

3.3. Treasury shares

At this report preparation date, the Company holds 264,652 treasury shares whose purchase value is PLN 2,690 thousand. The shares were acquired by the Company from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., the company which merged with ZUE S.A., as part of the buy-back effected in 2015.

The buy-back was effected 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 own shares. The transaction is discussed in detail in the note no. 25 of the consolidated financial statements for the financial year ended 31 December 2015.

3.4. Shareholders of the Parent Company

According to the information available, the Parent Company had the following shareholding structure at the date of preparation of this report:

Shareholder	Number of shares/votes as at 15 November 2023	% of the share capital/total number of votes	Number of shares/votes at the date of publication of the last interim report ⁽¹⁾	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
Generali OFE	1,461,659 ⁽²⁾	6.35%	1,461,659	6.35%
PKO Bankowy OFE	1,812,038 ⁽³⁾	7.87%	1,812,038	7.87%
Other	5,356,066 ⁽⁴⁾	23.26%	5,356,066	23.26%
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (Consolidated Report of the Group for the first half of 2023): 22 August 2023.

(2) Shareholding on the basis of the notice of exceeding 5% of the total number of votes received on 25 July 2023. According to the Company's best knowledge, the information is valid at the date of publication of this report.

(3) Shareholding on the basis of information provided by the Central Securities Depository of Poland for the purposes of the Ordinary General Meeting of ZUE held on 7 June 2023. According to the Company's best knowledge, the information is valid at the date of publication of this report.

(4) Includes 264,652 ZUE shares repurchased by the Company as part of the buy-back of own shares.

3.5. Shares and powers held by members of the Issuer's management and supervisory bodies

According to the information held by the Management Board of ZUE at this report preparation date, ZUE shares were held by the following members of the Issuer's management and supervisory bodies:

Shareholder	Position at ZUE	Number of shares/votes at 15 November 2023	Nominal value (PLN)	% of share capital / total number of votes	Changes in shareholding since the publication of the last interim report ⁽¹⁾
Wiesław Nowak	Management Board President	14,400,320	3,600,080	62.53	None
Marcin Wiśniewski	Management Board Vice-President	2,300	575	0.01	None
Jerzy Czeremuga	Management Board Vice-President	136	34	< 0.01	None
Maciej Nowak	Management Board Vice-President	7,806	1,951.50	0.03	None

1) Publication of the last interim report (Consolidated Report of the Group for the first half of 2023): 22 August 2023.

According to the best knowledge of the Company's Management Board, other members of the Issuer's Management or Supervisory Boards did not hold any ZUE shares at this report preparation date.

Members of the Management Board or the Supervisory Board did not have any rights to acquire the Company shares at the date of preparation of the last interim report or this report.

Members of the Management Board or the Supervisory Board did not have any shares in other companies within the Capital Group at the date of publication of the last interim report or at the date of preparation of this report.

3.6. Other information significant for the assessment of the Issuer's position

No events with significant influence on the assessment of the Issuer's position other than presented in this report occurred in the reporting period.

3.7. Issue and redemption of debt and equity instruments

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

3.8. Dividend

On 9 May 2023, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2022 of PLN 10,241 thousand in the following manner:

- 1) The part of the net profit for the financial year 2022 of PLN 1,594 thousand should be paid as dividend (PLN 0.07 per share);
 - 2) The residual net profit for the financial year 2022 of PLN 8,647 thousand should be allocated to reserve funds.
- The Company's Supervisory Board gave a favourable opinion on the said proposal on 9 May 2023.

On 7 June 2023, the Ordinary General Meeting of ZUE S.A. passed the resolution on the distribution of the Company's profit for 2022 whereby the dividend for 2022 of PLN 0.07 per share would be paid to the Company's shareholders. Shareholders' right to the dividend was determined as at 18 July 2023. The date of the dividend payment was set for 3 August 2023. The dividend was paid according to the said resolution.

4. Financial information

4.1. Statement by the Management Board of ZUE on financial projections

No financial projections for the financial year 2023 were published by the Company.

4.2. Factors and events with significant influence on the Group's financial results for the three quarters of 2023

Current situation of the markets in which the Issuer operates and winning of new contracts

Last year saw two changes to the Capital Group's structure. In November 2022, the Company acquired a majority stake in Energopol, a road company. Next, in August 2023, the Parent Company sold all the shares in BPK Poznań, a provider of design services. The Group completed these transactions in order to focus on construction and sales activities as well as to improve and expand its offer of construction (road) services.

The Polish railway market is witnessing the conclusion of the contracts awarded in 2023 or in the fourth quarter of 2022 (including ZUE's contract worth PLN 785m). Nowadays, more bidders participate in procurements and make price competition more intense. The situation is caused by a slowdown previously observed on the market. The EU funding is needed to ensure a stable inflow of investments to both the railway and urban (tram) market. However, long-term prospects for the Polish railway and tram markets remain bright.

Energopol, a new member of the Group, has gained the two contracts on the local road construction market and the contracts are pending. The Group is planning to win new contracts.

Since the beginning of 2023, the Company has entered into the contracts with the total value of approximately PLN 894m, including, in particular, the railway contract worth PLN 785m. Energopol has gained the contracts with the total value of approximately PLN 65m.

Discussion of major items of the profit and loss account

In the three quarters of 2023, the Group's revenue grew over the year by 43% (ZUE – up by 44%).

Comparison of the results reported by the Group and ZUE:

	ZUE		GROUP	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Sales revenue	824,065	570,305	900,658	629,265
Cost of sales	799,720	548,639	870,507	599,248
Gross profit (loss) on sales	24,345	21,666	30,151	30,017
<i>Gross margin</i>	3.0%	3.8%	3.3%	4.8%
General and administrative expenses	17,942	15,180	22,248	18,737
Other operating income	5,946	1,627	5,946	1,669
Other operating expenses	508	1,001	630	1,054
Operating profit (loss) (EBIT)**	11,841	7,112	13,219	11,895
<i>EBIT margin**</i>	1.4%	1.2%	1.5%	1.9%
<i>EBITDA***</i>	22,126	17,148	24,269	22,073
<i>EBITDA margin**</i>	2.7%	3.0%	2.7%	3.5%
Financial income	13,783	5,515	2,884	4,449
Financial expenses	10,739	1,175	2,556	1,535
Pre-tax profit (loss)	14,885	11,452	13,547	14,809
Income tax	3,838	2,573	3,381	3,405
Net profit (loss) from continuing operations	11,047	8,879	10,166	11,404
Net profit (loss)	11,047	8,879	10,166	11,404
<i>net margin</i>	1.3%	1.6%	1.1%	1.8%

* Operating profit + depreciation / amortisation.

** EBIT, EBITDA measures unspecified by the IFRS.

Discussion of major balance sheet items

As at 30 September 2023, the Group's total assets and liabilities amounted to PLN 766,362 thousand and the Company's total assets and liabilities amounted to PLN 728,038 thousand.

Major changes in the consolidated statement of financial position of the Group:

Item	Change compared to 31-12-2022	Balance as at 30-09-2023	Description
Assets			
Inventories	-13,494	68,173	Use of the building materials required to perform the contracts and bought previously to provide security in connection with growing prices.
Trade and other receivables	24,264	194,901	Accounting for certain completed construction works.
Valuation of long-term construction contracts	112,486	240,677	Difference between invoiced works under contracts and recognised sales.
Cash and cash equivalents	-46,849	16,402	Use of own resources to conduct operating activities.
Liabilities			
Long-term loans and bank credits	26,127	34,823	External financing.
Trade and other payables	11,629	162,305	Accounting for certain works.
Accruals	75,839	166,904	Increase in provisions for subcontractors.
Valuation of long-term construction contracts	-14,299	33,476	Difference between invoiced works under contracts and recognised sales.

Discussion of items of the Group's statement of cash flows

Negative cash flows from operating activities mainly result from a change in the valuation of construction contracts and a change in receivables and retentions on construction contracts as well as a change in accruals.

Cash flows from financing activities were mainly influenced by the received loans and bank credits.

	ZUE		ZUE Group	
	Period ended	Period ended	Period ended	Period ended
	30-09-2023	30-09-2023	30-09-2023	30-09-2022
Cash flows from operating activities	-58,118	-77,762	-59,463	-74,432
Cash flows from investing activities	3,099	-684	4,065	-1,136
Cash flows from financing activities	9,038	-13,948	8,520	-14,426
Total net cash flows	-45,981	-92,394	-46,878	-89,994
Cash and cash equivalents at the beginning of the period	60,256	106,612	63,251	108,736
Cash and cash equivalents at the end of the period	14,304	14,268	16,402	18,792

Discussion of the results reported by segments

92% of total revenue generated by the Group came from construction activities.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	839,954	70,196	5,024	-14,516	900,658
Gross profit on sales	25,038	3,716	1,135	262	30,151
Net profit/loss	10,211	695	111	-851	10,166

More information about individual segments is presented in the note 4.3.8.

4.3. Notes to the statement of comprehensive income

4.3.1. Revenue

	Period ended 30-09-2023	Period ended 30-09-2022
Revenue from construction contracts	810,236	558,975
Revenue from the rendering of services	12,490	6,339
Revenue from the sale of goods, raw and other materials	77,932	63,951
Total	900,658	629,265

Revenue from construction and design activities is recognised by the Group in the item Revenue from construction contracts. The revenue is earned under the contracts accounted for on the basis of consumed time and expenditures. The services provided under construction contracts are delivered directly to customers after specific tasks have been completed.

In the reporting period, the Group provided its services in Poland and abroad. Revenue from construction contracts includes PLN 51,335 thousand relating to the contracts performed in Romania and PLN 910 thousand relating to the contract performed in Latvia. In addition, the Group earned revenue from the provision of services to Latvia (PLN 266 thousand) and to Slovakia (PLN 94 thousand) and from the sale of materials to Germany and the Czech Republic (PLN 364 thousand).

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	30-09-2023	30-09-2022
Counterparty A	305,442	293,689
Counterparty B		80,949

4.3.2. Operating expenses

	Period ended 30-09-2023	Period ended 30-09-2022
Change in products	-3,554	-2,271
Depreciation and amortization	11,050	10,178
Consumption of materials and energy, including:	212,006	130,937
- consumption of materials	202,685	122,402
- consumption of energy	9,321	8,535
Contracted services	483,402	316,795
Costs of employee benefits	107,711	100,391
Taxes and charges	2,013	1,357
Other expenses	9,458	10,834

Value of goods and materials sold	70,669	49,764
Total	892,755	617,985

	Period ended 30-09-2023	Period ended 30-09-2022
Cost of sales	870,507	599,248
General and administrative expenses	22,248	18,737
Total	892,755	617,985

The increase in general and administrative expenses in the three quarters of 2023 results, *inter alia*, from higher consultancy fees charged in connection with a change of the law and disclosure requirements for public companies, the purchase of software and hardware as well as higher costs of the business activity. However, the ratio of general and administrative expenses to revenue is as intended by the Management Board of ZUE; i.e. it does not exceed 3%.

Depreciation and amortisation

	Period ended 30-09-2023	Period ended 30-09-2022
Depreciation of property, plant and equipment	7,657	7,336
Depreciation of right-of-use assets	2,407	2,098
Amortisation of intangible assets	458	456
Depreciation of investments in real property	528	288
Total	11,050	10,178

4.3.3. Other operating income

	Period ended 30-09-2023	Period ended 30-09-2022
Gain on disposal of assets:	4,910	839
Gain on disposal of non-current assets	4,910	839
Other operating income:	1,036	830
Damages and penalties	607	107
Release of allowances for receivables	8	59
Refund of the costs of court proceedings	86	214
Substitute performance	288	384
Subsidies	9	0
Other	38	66
Total	5,946	1,669

4.3.4. Other operating expenses

	Period ended 30-09-2023	Period ended 30-09-2022
Loss on disposal of assets:	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses:	630	1,054

Donations	32	30
Allowances for receivables	24	23
Costs of litigations	194	534
Substitute performance	288	384
Other	92	83
Total	630	1,054

4.3.5. Financial income

	Period ended 30-09-2023	Period ended 30-09-2022
Interest income:	881	1,276
Interest on bank deposits	861	1,225
Interest on loans	8	41
Interest on receivables	12	10
Other financial income:	2,003	3,173
Gain on disposal of investment	396	0
Foreign exchange gains	122	0
Discount of long-term items	1,428	3,138
Financial guarantees	2	0
Other	55	35
Total	2,884	4,449

4.3.6. Financial expenses

	Period ended 30-09-2023	Period ended 30-09-2022
Interest expenses:	2,374	1,175
Interest on bank credits	291	229
Interest on loans	899	77
Interest on leases	1,136	846
Interest on trade and other payables	48	23
Other financial expenses:	182	360
Foreign exchange losses	123	261
Discount of long-term items	53	0
Other	6	99
Total	2,556	1,535

4.3.7. Income tax

Income tax recognised in the statement of comprehensive income

	Period ended 30-09-2023	Period ended 30-09-2022
Current income tax	180	1,023
Deferred tax	3,201	2,382
Total tax expense/income	3,381	3,405

Current income tax

	Period ended 30-09-2023	Period ended 30-09-2022
Gross profit (loss)	13,547	14,809
Difference between gross profit (loss) and income tax base:	-33,938	-9,600
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	-33,217	-6,885
- other differences (including loss brought forward)	-721	-2,715
Income/Loss	-20,391	5,209
Income tax base	950	5,383
Income tax at the applicable rate of 19%	180	1,023
Current income tax	180	1,023

Income tax according to effective interest rate

	Period ended 30-09-2023	Period ended 30-09-2022
Gross profit (loss)	13,547	14,809
Income tax at the applicable rate of 19%	2,574	2,814
Effect of tax recognition of:	-6,944	-1,907
- Use of tax losses brought forward	44	516
- Costs that are not tax-deductible under tax regulations	18,354	8,432
- Revenue not classified as revenue under tax regulations	29,929	10,663
- Tax-deductible expenses not classified as balance sheet expenses	-5,677	-786
- Taxable revenue not classified as balance sheet revenue	-1,002	24
Revaluation of deferred tax assets (current year loss)	4,536	116
Deferred tax	3,201	2,382
Other adjustments	14	0
Income tax according to effective tax rate	3,381	3,405
Effective tax rate	25%	23%

Current tax assets and liabilities

	Balance at 30-09-2023	Balance at 31-12-2022
Current tax assets		
Tax refundable	31	0
Current tax liabilities		
Tax payable	0	131

Deferred tax

	Period ended 30-09-2023	Period ended 30-09-2022
Deferred tax balance at the beginning of the period	17,788	21,494
Temporary differences relating to deferred tax assets:	75,841	59,363
Provisions for expenses and accruals	44,781	30,348
Discount of receivables	614	469
Operating lease liabilities	4,103	2,961
Write-downs	849	895
Bonds and insurances accounted for over time	1,646	2,200
Tax work in progress	17,469	13,687
Valuation of long-term contracts	6,379	8,248
Other	0	555
Temporary differences relating to deferred tax liabilities:	65,941	43,988
Valuation of long-term contracts	47,102	28,629
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	15,743	13,291
Discount of payables	3,081	2,057
Other	15	11
Unused tax losses and other tax credits carried forward:	4,712	3,639
Tax losses	4,712	3,639
Total temporary differences relating to deferred tax assets:	80,553	63,002
Total temporary differences relating to deferred tax liabilities:	65,941	43,988
Deferred tax balance at the end of the period	14,612	19,014
Change in deferred tax, including:	-3,176	-2,480
- recognised in income	-3,201	-2,382
- recognised in equity	25	-98

Deferred tax recognised in equity results from the calculation of tax on actuarial gains/losses presented in other comprehensive income.

4.3.8. Operating segments

The Group's reporting is based on operating segments. The Management Board of ZUE have identified the following 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;
- Sales; and
- Design (until 10 August 2023).

The segments comply jointly with the following rules:

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

The construction activities include the works carried out by ZUE and Energopol. The construction activities conducted by ZUE include the construction and comprehensive modernisation of city transport systems, the construction and comprehensive modernisation of railway lines and services relating to power engineering and

power electronics and civil structures.

The construction activities conducted by Energopol include the execution of road works, bridge and road structures, reinforced concrete structures, hydrotechnical and water and sewage works.

The construction activities are also complemented by the sale of materials used to build and repair tracks. This segment includes the activities conducted by Railway gft.

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

BPK Poznań, which dealt with the design of transport infrastructure systems, was sold on 10 August 2023. Therefore, the data relating to the design segment is presented in the consolidated financial statements until the date of sale of the subsidiary.

Operating segments' results for the three quarters of 2023:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	839,954	70,196	5,024	-14,516	900,658
including:					
Revenue from external customers	837,476	58,684	4,272	226	900,658
Inter-segment revenues	2,478	11,512	752	-14,742	0
including:					
Revenue from construction contracts	807,033	0	5,024	-1,821	810,236
Revenue from the provision of services	13,672	30	0	-1,212	12,490
Revenue from the sale of goods, raw and other materials	19,249	70,166	0	-11,483	77,932
Gross profit	25,038	3,716	1,135	262	30,151
Financial income / expenses	2,774	-702	-119	-1,625	328
Interest received	1,325	0	0	-285	1,040
Interest paid	-2,037	-471	-15	285	-2,238
Pre-tax profit	13,970	873	144	-1,440	13,547
Income tax	3,759	178	33	-589	3,381
Net profit	10,211	695	111	-851	10,166
Depreciation and amortisation	10,925	57	43	25	11,050
Property, plant and equipment	71,959	276	0	0	72,235
Non-current assets	215,066	541	0	-5,235	210,372
Total assets	752,015	28,067	0	-13,720	766,362
Total liabilities	564,520	20,979	0	-8,302	577,197

In the reporting period, the Group provided its services in Poland and abroad. Revenue from construction contracts includes PLN 51,335 thousand relating to the contracts performed in Romania and PLN 910 thousand relating to the contract performed in Latvia. In addition, the Group earned revenue from the provision of services to Latvia (PLN 266 thousand) and to Slovakia (PLN 94 thousand) and from the sale of materials to Germany and the Czech Republic (PLN 364 thousand).

Operating segments' results for the three quarters of 2022:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	570,305	63,229	6,887	-11,156	626,265
including:					
Revenue from external customers	568,424	54,776	5,872	193	629,265
Inter-segment revenues	1,881	8,453	1,015	-11,349	0

including:

Revenue from construction contracts	552,850	0	6,887	-762	558,975
Revenue from the provision of services	8,237	42	0	-1,940	6,339
Revenue from the sale of goods, raw and other materials	9,218	63,187	0	-8,454	63,951
Gross profit	21,666	8,064	840	-553	30,017
Financial income / expenses	4,340	-743	48	-731	2,914
Interest received	1,208	0	0	-218	990
Interest paid	-881	-405	-36	218	-1,104
Pre-tax profit	11,452	4,877	-348	-1,172	14,809
Income tax	2,573	924	-9	-83	3,405
Net profit	8,879	3,953	-339	-1,089	11,404
Depreciation and amortisation	10,036	31	99	12	10,178
Property, plant and equipment	69,789	69	57	2,478	72,393
Non-current assets	184,299	407	376	-1,070	184,012
Total assets	565,006	21,695	11,580	-6,942	591,339
Total liabilities	393,453	16,397	12,184	-5,482	416,552

In the three quarters of 2022, the Group operated in the territory of Poland. In addition, the Group earned revenue in the total amount of PLN 547 thousand from the sale of materials to Germany.

4.4. Contracts, provisions, write-downs and accruals

4.4.1. Construction contracts

	30-09-2023	31-12-2022
Assets (selected items)	365,601	240,264
- Valuation of long-term construction contracts	240,677	128,191
- Advance payments made in connection with performed contracts	18,461	11,893
- Retentions on construction contracts retained by customers	52,565	38,550
- Inventories	53,898	61,630
Liabilities (selected items)	294,584	235,803
- Valuation of long-term construction contracts	33,476	47,775
- Provisions for contract costs	164,123	86,920
- Advance payments received in connection with performed contracts	27,146	30,191
- Retentions on construction contracts retained for suppliers	43,699	37,563
- Provisions for warranty claims	20,301	18,572
- Provisions for expected losses on contracts	5,839	14,782

4.4.2. Provisions

Changes in provisions

Provisions	01-01-2023	Created	Used	Released	Reclassified	30-09-2023	Item
Long-term provisions:	17,803	3,879	787	236	-305	20,264	
Provisions for employee benefits	1,801	138	0	46	0	1,893	Liabilities under employee benefits (long-term)

Provisions for warranty claims	16,002	3,741	787	280	-305	18,371	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	55,416	21,316	20,729	14,475	305	41,833	
Provisions for employee benefits	38,050	18,405	20,039	2,352	0	34,064	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,570	310	690	565	305	1,930	Short-term provisions
Provision for loss on contracts	14,782	2,601	0	11,544	0	5,839	Short-term provisions
Other provisions	14	0	0	14	0	0	Short-term provisions
Total provisions:	73,219	25,195	21,516	14,801	0	62,097	

A provision for warranty claims is made for the construction contracts in respect of which warranty has been given by the Group depending on the amount of revenues. The amount of provisions may decrease or increase on the basis of inspections of construction works carried out in subsequent years of warranty.

The release of provisions for expected losses on contracts results from the greater progress of works under the contracts. Greater progress of works entails the costs. With the greater progress of works on the projects with loss, a provision for losses is successively released.

Comparative information:

Provisions	01-01-2022	Created	Used	Released	Reclassified	31-12-2022	Item
Long-term provisions:	18,434	3,885	122	3,517	-877	17,803	
Provisions for employee benefits	1,864	471	0	534	0	1,801	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,570	3,414	122	2,983	-877	16,002	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	48,491	43,465	21,204	16,213	877	55,416	
Provisions for employee benefits	31,441	32,077	20,385	5,083	0	38,050	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,489	697	802	691	877	2,570	Short-term provisions
Provision for loss on contracts	14,530	10,691	0	10,439	0	14,782	Short-term provisions
Other provisions	31	0	17	0	0	14	Short-term provisions
Total	66,925	47,350	21,326	19,730	0	73,219	

provisions:							
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4.4.3. Write-downs and allowances

Change in write-downs and allowances

Write-downs and allowances	01-01-2023	Creation	Use	Release	30-09-2023
Write-downs and allowances:	36,180	19,337	58	5,370	50,026
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	32,790	19,337	58	5,327	46,742
Allowances for trade receivables for expected credit losses	309	0	0	0	250
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	47	0	0	0	43
Write-downs of shares	251	0	0	0	251
Write-downs of loans	2,001	0	0	43	1,958
Total:	36,180	19,337	58	5,370	50,026

Allowances for trade receivables of PLN 46.7m include:

- Debit notes issued by the Group for penalties, damages and substitute performance of PLN 44.9m. The amount is for presentation purposes only because the notes are not the Group's revenue at the date of issue. The biggest items are the notes issued in the past years of PLN 26.3m.
- Receivables under court and enforcement cases of PLN 1.1m from prior years.
- Doubtful debt of PLN 0.7m from prior years.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 8 thousand and the creation of allowances of PLN 24 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

Comparative information

Write-downs and allowances	01-01-2022	Creation	Use	Release	31-12-2022
Write-downs and allowances:	30,476	22,981	2,269	15,008	36,180
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0

Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	28,642	21,197	2,269	14,780	32,790
Allowances for trade receivables for expected credit losses	489	0	0	180	309
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	47	0	0	0	47
Write-downs of shares	231	20	0	0	251
Write-downs of loans	285	1,764	0	48	2,001
Total:	30,476	22,981	2,269	15,008	36,180

4.4.4. Accrued liabilities

	Balance at 30-09-2023	Balance at 31-12-2022
Provisions for contract costs	164,123	86,920
Other accrued liabilities	2,781	4,145
Total	166,904	91,065

4.5. Trade and other receivables and payables

4.5.1. Trade and other receivables

	30-09-2023	31-12-2022
Trade receivables	230,027	199,577
Allowances for trade receivables in connection with the increase of credit risk	-46,742	-32,790
Allowance for trade receivables for expected credit losses	-250	-309
Receivables from the government budget other than corporate income tax	7,329	2
Other receivables	4,537	4,157
Total trade and other receivables	194,901	170,637

Other receivables include the security created in connection with the financing agreement of PLN 4,000 thousand.

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

	30-09-2023	31-12-2022
Counterparty A	56,741	77,318
Counterparty B		21,601
Counterparty C	31,725	

The concentration of credit risk is limited due to the fact that the creditability of the abovementioned Counterparty A assessed, *inter alia*, by analysing their financial standing, is high and the fact that the said Counterparty meets additional requirements concerning the settlement of the EU funds. The Group has carried out the construction contracts for the Counterparty A for many years. The Counterparty A is co-owned by the State Treasury as a result

of which their creditability is even higher. Accordingly, the Management Board of ZUE believe there is no need to create additional provisions.

4.5.2. Trade and other payables

	30-09-2023	31-12-2022
Trade payables	158,779	135,902
Liabilities to the government budget other than corporate income tax	3,198	14,476
Other payables	328	298
Total trade and other payables	162,305	150,676

4.6. Loans, bank credits, leases and management of capital

4.6.1. Loans and bank credits

	30-09-2023	31-12-2022
Long-term	34,823	8,696
Bank credits	27,323	0
Loans received	7,500	8,696
Short-term	10,550	19,639
Bank credits	3,050	3,050
Loans received	7,500	16,589
Total	45,373	28,335

Summary of loan and credit agreements as at 30 September 2023

No.	Bank	Description	Principal/limit according to the agreement as at 30-09-2023	Amount of available loans/credits as at 30-09-2023	Use as at 30-09-2023	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2024
2	mBank S.A. (i)	Master agreement	25,000		4,951	1M WIBOR + margin	June 2024
	including:	submit for bonds	25,000	20,049	4,951		
		non-revolving working capital credit	25,000	20,049	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		44	1M WIBOR + margin	
	including:	submit for bonds	30,000	29,956	44		June 2024
		overdraft	1,500	1,500	0		June 2025
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	15,000	0	15,000	1M WIBOR + margin	August 2025
5	Alior Bank S.A.	Revolving credit account agreement	40,000	12,677	27,323	1M WIBOR + margin	June 2025
6	mBank S.A.	Working capital credit	3,050	0	3,050	1M WIBOR + margin	June 2024
	Total amount of available loans and credits			44,226			
	Total debt under loans and credits				45,373		
	Total use for bonds				4,995		

(i) ZUE is able to use the limit for both working capital credit and bank bonds. The current use concerns the bonds.

Types of security and liabilities under credit agreements:

1. Overdraft:

- Financial pledge on cash kept on customer's bank accounts maintained by the Bank;
- Registered pledge on non-current assets – machinery and equipment owned by the Company;
- Statement on submission to enforcement;
- Assignment of rights under insurance policy.

2. Master agreement:

- a) Contractual joint mortgage up to PLN 35,420 thousand on the plot in Cracow;
 - b) Security deposit established each time for the bonds expiring after 36 months;
 - c) Financial pledge on cash kept on customer's bank accounts maintained by the Bank;
 - d) Registered pledge on non-current assets – machinery and equipment owned by the Company;
 - e) Statement on submission to enforcement;
 - f) Assignment of rights under insurance policy.
3. Multicurrency credit limit agreement:
- a) Promissory note with declaration;
 - b) Assignment of receivables under contracts;
 - c) Statement on submission to enforcement;
 - d) Power of attorney to the bank account.
4. Loan agreement:
- a) Contractual joint mortgage up to PLN 45,000 thousand on the plot in Poznań;
 - b) Assignment of receivables under contracts;
 - c) Registered pledge on non-current assets – machinery and equipment owned by the Company;
 - d) Statement on submission to enforcement;
 - e) Assignment of rights under insurance policy.
5. Revolving credit account agreement:
- a) Power of attorney to the bank account;
 - b) Promissory note with declaration;
 - c) Guarantee under the Crisis Guarantee Fund;
 - d) Statement on submission to enforcement.
6. Working capital credit:
- a) Guarantee by ZUE;
 - b) Blank promissory note with declaration;
 - c) Statement on submission to enforcement;
 - d) Financial pledge on cash kept on the company's bank accounts maintained by the Bank.

The following amendments to particular credit agreements signed by the Group were made in the reporting period:

- mBank – Overdraft (item 1) – an annex was signed by the Company on 29 June 2023 whereby the repayment date was extended by one year;
- mBank – Master Agreement (item 2) – an annex was signed by the Company on 31 May 2023 whereby the repayment date was extended by one year;
- Alior Bank – Multicurrency Credit Limit Agreement (item 3) – on 26 June 2023, the Company signed an annex whereby the repayment date was extended by one year for the guarantee limit and by two years for the overdraft. In addition, the amount of the overdraft was set as PLN 1.5m. The limit is revolving;
- Alior Bank - Revolving credit account agreement (item 5) – on 28 June 2023, the Company signed the credit account agreement. The Company may use the credit limit to finance day-to-day operations, including the financing of the construction contracts carried out in Romania. The tenor was set until 27 June 2025;
- mBank – Working capital credit (item 6) – an annex was signed by a subsidiary on 31 May 2023 whereby the repayment date was extended by one year;
- Agencja Rozwoju Przemysłu – Loan Agreement (item 4) – an annex to the loan agreement was signed by the Company on 19 July 2023 whereby the loan was changed to Revolving Loan Limit;
- Magdalena Nowak – Loan agreement (item 6 of the comparative information) – the loan plus interest was repaid on 10 August 2023.

Changes after the end of the reporting period:

- Agencja Rozwoju Przemysłu – Loan agreement (item 4) – an annex to the loan agreement was signed by the Company on 17 October 2023 to reduce security under registered pledge.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2022	Amount of available loans/credits as at 31-12-2022	Use as at 31-12-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2023

2	mBank S.A. (i)	Master agreement	25,000		11,770	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	13,230	11,770		
		non-revolving working capital credit	25,000	13,230	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		overdraft	2,000	2,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	30,000	5,000	25,000	1M WIBOR + margin	August 2025
5	mBank S.A.	Working capital credit	3,050	0	3,050	1M WIBOR + margin	May 2023
6	Magdalena Nowak	Loan agreement	285	0	285	3M WIBOR + margin	indefinite
	Total amount of available loans and credits			30,230			
	Total debt under loans and credits				28,335		
	Total use for bonds				11,770		

(i) ZUE is able to use the limit for both working capital credit and bank bonds. The current use concerns the bonds.

4.6.2. Leases

Lease liabilities

	30-09-2023	31-12-2022
Long-term lease liabilities	16,687	15,212
Short-term lease liabilities	4,843	5,070
Total	21,530	20,282

Leaseback agreements for PLN 520 thousand were signed by the Group in the reporting period.

Lease contracts in the total amount of PLN 5,808 thousand were concluded by the Group in the reporting period.

4.6.3. Management of capital

	30-09-2023	31-12-2022
Long- and short-term loans and bank credits	45,373	28,335
Long- and short-term lease liabilities	21,530	20,282
Long- and short-term other financial liabilities	36	36
Total financial liabilities	66,939	48,653
Cash and cash equivalents	16,402	63,251
Net debt	50,537	-14,598
Equity	189,165	180,768
Net debt to equity ratio	26.72%	-8.08%

The Group reviews the capital structure each time for the purpose of the financing of major contracts/orders. During the review, the Group considers own resources required for day-to-day operations, the schedule of contract financing, the cost of capital and the risks associated with each class of the capital.

The Group uses own resources, credits, loans, leases, trade credit and prepaid deliveries to finance day-to-day operations.

Positive net debt is due to the fact that total financial liabilities at the end of the third quarter of 2023 exceeded the amount of cash at the Group.

The information on the financial ratios contained in this report is cyclically monitored and presented in subsequent interim reports. Definitions of alternative measurements result from the layout of individual lines in relevant tables and according to the Issuer, no additional defining is required.

4.7. Other notes to the financial statements

4.7.1. Goodwill

The goodwill of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (PRK) is the result of the acquisition of 85% of PRK shares and the control gained in 2010. The acquisition of PRK was accounted for on the basis of the data contained in the separate financial statements of PRK as at 31 December 2009 and was recognised for the first time in the Financial Statements of the Capital Group in 2010.

The goodwill of PRK is assigned in full to the construction activity segment.

The goodwill of BPK Poznań is the result of the purchase of 830 shares in BPK Poznań and the control gained on 2012.

The acquisition of BPK Poznań was accounted for on the basis of the data contained in the separate financial statements of BPK Poznań as at 31 March 2012 and was recognised for the first time in the Financial Statements of the Capital Group in 2012. On 10 August 2023, the Parent Company sold all the shares (100%) in BPK Poznań and, consequently, lost control of the company. The goodwill of BPK Poznań was assigned in full to the design activity segment.

At cost	30-09-2023	31-12-2022
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	0	1,474
Impairment losses (BPK Poznań)	0	-1,474
Balance at the end of the reporting period	31,172	31,172

Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Group carried out the tests for the impairment of assets. The impairment tests carried out as at 31 December 2022 according to IAS 36 *Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 30 September 2023, the Group reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Group intends to carry out the test at the end of the year.

4.7.2. Purchase and sale of property, plant and equipment and intangible assets

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 6,748 thousand.

As at 30 September 2023, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,076 thousand.

As at 30 September 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 540 thousand.

Major investments in property, plant and equipment and intangible assets made by the Group in the reporting period included:

- Complete overhauls of vehicles (mainly wagons) – PLN 2,608 thousand;
- Complete overhaul of tamping machine – PLN 1,166 thousand;
- Purchase of cars – PLN 516 thousand;
- Purchase of discharge conveyors – PLN 384 thousand;
- Purchase of wheeled milling machine – PLN 240 thousand;
- Purchase of crawler paver – PLN 190 thousand;

- Purchase of combination roller – PLN 90 thousand.

In the reporting period, specialist property, plant and equipment were sold to become replaced with new machines.

In the three quarters of 2023, the Group sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 4,632 thousand. In the three quarters of 2022, the Group sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 330 thousand.

4.7.3. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments classified as particular classes and categories of assets and liabilities as at 30 September 2023.

Balance at 30 September 2023

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	55,793	0	0	0	51,255
Trade receivables	230,027	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	6,075	0	0	0	0
Cash and cash equivalents	0	16,402	0	0	0
Loans and bank credits	0	0	0	0	45,373
Lease liabilities	0	0	0	0	21,530
Trade payables	0	0	0	0	158,779
Total	291,895	16,402	0	0	276,973

No changes to the classification of financial instruments or shifts between individual levels of fair value occurred in the reporting period.

Balance at 31 December 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	41,924	0	0	0	44,593
Trade receivables	199,577	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	6,118	0	0	0	0
Cash and cash equivalents	0	63,251	0	0	0
Loans and bank credits	0	0	0	0	28,335
Lease liabilities	0	0	0	0	20,282
Trade payables	0	0	0	0	135,902
Total	247,619	63,251	0	0	229,148

No changes to the classification of financial instruments or shifts between individual levels of fair value occurred in the comparative period.

4.7.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	30-09-2023	31-12-2022	30-09-2023	31-12-2022
RTI	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	0	0	0	0

	Revenue		Purchases	
	Period ended		Period ended	
	30-09-2023	30-09-2022	30-09-2023	30-09-2022
RTI	3	3	0	0
Wiesław Nowak	1	2	0	0
Total	4	5	0	0

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	30-09-2023	31-12-2022	30-09-2023	30-09-2022
RTI	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	0	0	0	0

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

In the reporting period, ZUE leased business establishment to RTI on the basis of the lease of 31 December 2015.

Remuneration of key management personnel

No major changes to the remuneration of key management personnel occurred in the reporting period.

4.7.5. Major proceedings before court or arbitration or public administration authority at the date of preparation of this report

The pending court proceedings are related to the companies' operating activities.

Below please find the information about major proceedings before the court or another authority concerning the Group's claims and liabilities.

Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

Major pending court proceedings concerning claims:

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

On 29 September 2016, the Petitioner (PORR Polska Infrastructure; i.e. former BILFINGER INFRASTRUCTURE S.A., ZUE, 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.) sued the Defendant (PKP Polskie Linie Kolejowe S.A.) for PLN 11.5m (out of which PLN 2.9m plus statutory interest was payable to ZUE) after additional works had been carried out for the Defendant and expenses had been incurred during the extended completion time. 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 works on the siding as part of the Infrastructure and Environment Operational Programme (IEOP) 7.1-18: "Modernisation of the railway line no. 8, construction of the Okęcie Airport siding."

An expert opinion was prepared according to which the Petitioner's claims were to a considerable extent well-grounded. There were also other opinions and the arguments contained therein were basically the same as those contained in the first opinion. The date of the last trial was 1 June 2023 and the date of the next trial was not yet set by the Court.

Court case concerning the following project: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadoliny – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III."

On 30 December 2016, the consortium of:

- 1) OHL ŽS, a.s. (Leader);
- 2) Swietelsky Baugesellschaft m.b.H; and
- 3) ZUE (hereinafter referred to as the "Consortium" or the "Contractor")

sued PKP Polskie Linie Kolejowe S.A. of Warsaw (the "Contracting Authority"). The lawsuit covered the claims arising from the performance of the following contract: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadoliny – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III" (the "Contract").

The value in litigation (the "Amount") was PLN 39.3m and included:

- 1) PLN 1.2m – costs relating to the requirement to extend the performance bond and insurance provided by the Contractor; and
- 2) PLN 38.1m – fixed costs relating to the performance of works over the extended period.

The Company's total share in the Amount was approx. PLN 15.7m.

On 11 March 2019, the Court delivered the partial judgment whereby it ordered that PKP Polskie Linie Kolejowe S.A. pay ZUE PLN 347 thousand plus statutory default interest from 21 December 2016 to the date of payment and dismissed ZUE's claim concerning the payment of PLN 283 thousand plus statutory interest from 21 December 2016. The Parties appealed against the judgment. The Petitioner appealed against the dismissal of the claim of PLN 283 thousand plus statutory interest and the Defendant appealed against the order to pay PLN 347 thousand plus statutory interest. The appeal hearing referring to the partial judgment was held on 13 February 2020. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding.

The Court admitted the expert evidence which complied, to a considerable extent, with the Petitioners' arguments and was delivered to the parties. There was also a supplementary opinion whose content was basically the same as that of the first expert opinion. On 6 June 2023, the Court delivered the judgment whereby PKP Polskie Linie

Kolejowe S.A. was ordered to pay the Company PLN 8.4m plus statutory default interest from 21 December 2016 to the date of payment and the remaining claims were dismissed. Both parties appealed against the judgment. In addition, the Petitioner replied to the Defendant's appeal. The date of the appeal trial is yet to be set.

Second court case concerning the following project: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadolin – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III."

On 5 June 2023, the consortium of:

- 1) OHL ŽS, a.s. (Leader);
- 2) Swietelsky Baugesellschaft m.b.H; and
- 3) ZUE (hereinafter referred to as the "Consortium" or the "Contractor");

sued PKP Polskie Linie Kolejowe S.A. of Warsaw (the "Contracting Authority"). The lawsuit covered the claims arising from the performance of the following construction contract: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadolin – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III" (the "Contract"). The value in litigation (the "Amount") was PLN 44.9m and included:

- 1) approx. PLN 2.2m – costs relating to the requirement to extend the performance bond and insurance provided by the Contractor; and
- 2) PLN 42.7m – fixed costs relating to the performance of works over the extended period.

The Company's total share in the Amount was approx. PLN 7m.

Court case concerning the contract claim

On 28 April 2020, the claim of approx. PLN 34.8m was lodged against PKP PLK S.A. with the District Court in Warsaw to increase/pay the remuneration relating to the performance of the following contract: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The case is pending. The parties exchange the pleadings. The Defendant (PKP PLK S.A.), represented by the General Counsel to the Republic of Poland, replied to the claim and applied for the dismissal thereof. The Petitioner upheld the claim. The parties and witnesses were heard and the proceedings are pending. An expert opinion was prepared by the Institute for Construction Analyses. The Company made objections by the specified deadline and applied for a supplementary opinion. The objections were submitted by the Court to the Institute.

Other court cases concerning inflation claims in respect of railway contracts

The Group had previously declared its intention to make contractual claims relating to railway projects in order to increase the amount of remuneration payable to the contractor for the performance of the railway contracts in case of any risks beyond the contractor's control. Accordingly, the Issuer and consortium members lodged the four claims in December 2021 in the total amount (attributable to ZUE S.A.) of approx. PLN 19m. The claims concern the following projects:

- Provision of design services and completion of construction works in connection with the following project: "Works on the ring rail line in Warsaw (the Warszawa Gołębki/Warszawa Zachodnia – Warszawa Gdańska section);"
- "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section;"
- "Preparation of building and detailed designs and the completion of LOT B works as part of "design-build" project in connection with the Infrastructure and Environment Operational Programme (IEOP) 7.1-19.1.a: "Upgrade of the railway line no. 8 of the Warszawa Okęcie – Radom (LOT A, B, F) section" – Phase II;"
- "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section."

The Defendant replied to all of the claims and applied for the dismissal thereof. The Petitioner replied to the Defendant's statements and the exchange of pleadings between the parties came to an end. The date of the trial concerning the project named: "Preparation of building and detailed designs and the completion of LOT B works as part of "design-build" project in connection with the Infrastructure and Environment Operational Programme (IEOP) 7.1-19.1.a: "Upgrade of the railway line no. 8 of the Warszawa Okęcie – Radom (LOT A, B, F) section" – Phase II" was set by the Court to hear witnesses and then the parties. For the project named: "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section," the judgment was delivered on 25 September 2023 by the I Instance Court whereby the Petitioners' claim was

dismissed in full. The date of the trial concerning the project named: "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section" was set by the Court to hear witnesses and the parties. The date of the trial concerning the project named: Provision of design services and completion of construction works in connection with the following project: "Works on the ring rail line in Warsaw (the Warszawa Gołębki/Warszawa Zachodnia – Warszawa Gdańska section)" was not yet set.

Two inflation claims in the total amount of approximately PLN 8m were made by the Issuer in December 2022. The claims concerned the following projects:

- Protection of civil structures on the Dęblin – Lublin section as part of the project named: "Works on the Warszawa Wschodnia Osobowa – Dorohusk railway line no. 7 of the Warszawa – Otwock – Dęblin – Lublin section, stage I on the railway line no. 7;" and
- Preparation of design documentation and completion of construction works in connection with a "design-build" contract as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-16 "Improvement of capacity of E 20 railway line of the Warszawa – Kutno section, Stage I: Works on the railway line no. 3 of the Warszawa – the Łowicz Local Traffic Control Centre (LCS) section."

The pleadings are exchanged between the parties in connection with the case concerning the following project: Preparation of design documentation and completion of construction works in connection with a "design-build" contract as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-16 "Improvement of capacity of E 20 railway line of the Warszawa – Kutno section, Stage I: Works on the railway line no. 3 of the Warszawa – the Łowicz Local Traffic Control Centre (LCS) section.

The pleadings are exchanged between the parties in connection with the case concerning the following project: Protection of civil structures on the Dęblin – Lublin section as part of the project named: Works on the Warszawa Wschodnia Osobowa – Dorohusk railway line no. 7 of the Warszawa – Otwock – Dęblin – Lublin section, stage I on the railway line no. 7.

Other court cases concerning inflation claims in respect of urban contracts

In November 2022, the Issuer and the consortium members, namely Energopol and Przedsiębiorstwo Inżynieryjne "IMB-Podbeskidzie" Sp. z o.o., made an inflation claim relating to the urban project named: "Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow" managed by the City of Cracow, the Defendant. ZUE's claim amounts to approximately PLN 6.7m and Energopol's claim amounts to approximately PLN 6.5m. The Defendant replied to the claim and applied for the claim to be dismissed. The exchange of pleadings between the parties came to an end. Witnesses were obliged by the Court to respond in writing to questions asked by the parties. The date of the trial was not yet set.

4.7.6. Tax settlements

Tax settlements and other areas of activity may be inspected by the administrative authorities authorised to impose harsh fines and penalties. The applicable laws are unclear and inconsistent because there are no references to established regulations in Poland. Common differences of opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises give rise to uncertainty and conflicts. Therefore, the tax risk in Poland is much higher than that in the countries with more mature tax system.

Tax settlements may be inspected within five years after the end of the year the tax was paid in. Additional tax liabilities may be imposed on the Group as a result of such inspections.

No significant or countable tax risks were recognised by the Group as at 30 September 2023 or 31 December 2022.

The inspection of CIT for 2018 commenced at the Company on 7 February 2022. The Company was provided with the inspection result on 21 July 2023. The inspection revealed no irregularities in the settlement of CIT for 2018.

4.7.7. Contingent assets and contingent liabilities and security on property

Contingent assets

	30-09-2023	31-12-2022
Bonds	98,589	94,076
Guarantees	1,200	0

Promissory notes	16,661	12,608
Total	116,450	106,684

Contingent assets in the form of bonds include the bonds provided by banks and insurance companies for the benefit of the Group companies to secure their claims relating to subcontracted construction services and the repayment of advances.

In addition, the Group received promissory notes from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

The subcontractor appointed by the Group to perform the construction contract voluntarily submitted to enforcement to secure the repayment of an advance made by the Group.

Contingent liabilities and security on property

	30-09-2023	31-12-2022
Bonds	480,290	515,905
Guarantees	32,180	13,285
Promissory notes	304,315	248,164
Mortgages	186,529	186,529
Pledges	162,595	158,556
Total	1,165,909	1,122,439

Contingent liabilities in the form of bonds for the benefit of third parties include, in particular, bid bonds, performance bonds, defects liability bonds and advance payment bonds provided by insurance companies and banks to the Group's counterparties to secure their claims against the Group, mainly in connection with construction contracts and sales agreements. The insurance companies and the banks have recourse against the Group.

Contingent liabilities in the form of guarantees secure the bonds and credits provided to the Group companies by banks and insurance companies and guaranteed by ZUE as the Parent Company.

The liabilities to banks, lessors and strategic customers are secured by promissory notes.

Mortgages are additional security for the credit agreement with mBank S.A., the insurance agreement with PZU S.A. and InterRisk S.A., the guarantee limit agreement with PEKAO S.A. and the loan agreement with Agencja Rozwoju Przemysłu S.A.

Registered pledges were established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A., mBank S.A., CaixaBank and Agencja Rozwoju Przemysłu S.A. The pledged assets include wagons, pile driver, maintenance trains, engines and ballast profiling machine.

There is also financial pledge over the borrower's bank accounts to secure the agreements between the Group companies and mBank S.A.

4.7.8. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment as at 30 September 2023 or 31 December 2022.

4.7.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the reporting period or the comparative period.

4.8. Other notes to the financial statements

4.8.1. Use of the International Financial Reporting Standards

Statement of compliance

The condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 30 September 2023 as endorsed by the European Union.

The consolidated financial statements for the nine months ended 30 September 2023 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

Standards and interpretations used for the first time in the reporting period

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2023:

- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1 "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 12 "Income Taxes"** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 17 "Insurance Contracts" – first application of IFRS 17 and IFRS 9** – comparative information (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 12 "Income Taxes"** – global minimum income tax (Pillar Two) (effective for annual periods beginning on or after 1 January 2023).

According to the Group, the abovementioned standards or amendments to the standards do not have any material influence on the consolidated financial statements of the Group.

Standards and interpretations published and endorsed by the EU but not yet effective

Standards and interpretations published and approved for use in the EU but not yet effective at the date of approval of the financial statements:

- **Amendments to IFRS 16 "Leases" – Lease Liability in Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 1 "Presentation of Financial Statements: – Classification of Liabilities as Current or Non-Current"** (effective for annual periods beginning on or after 1 January 2024 with earlier application permitted);
- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments – Disclosures"** – supplier finance arrangements (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"** – lack of exchangeability (effective for annual periods beginning on or after 1 January 2025).

Standards and interpretations adopted by the IASB but not yet endorsed by the EU

Amendments to the existing standards or the new standards published by the International Accounting Standards Board (IASB) and not yet endorsed by the EU:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"** (the effective date has been deferred by the IASB indefinitely).

According to the Group, the abovementioned standards or amendments to the standards will not have any material influence on the consolidated financial statements of the Group.

4.8.2. Important accounting principles

4.8.2.1. Going concern

The consolidated financial statements have been prepared assuming that the Group will continue in operational existence for at least 12 months after the end of the reporting period. The most important factor influencing the Group's ability to continue in operational existence is the financial condition of the Parent Company. The key factors with an impact on the Capital Group's ability to continue its operations include liquidity, proper backlog and market situation.

In the 9 months ended 30 September 2023, the Group recognised the sales revenue of PLN 900.7m and the gross profit on sales of PLN 30.2m. As at 30 September 2023, the Group presented the total current assets of PLN 556m, including trade and other receivables of PLN 194.9m and the cash of approx. PLN 16.4m. At the end of the reporting period, the Group had the backlog worth approximately PLN 2,053m and was in the process of winning new contracts.

Therefore, the Management Board of the Parent Company state that there are no significant going concern risks at the date of preparation of this report, no economic circumstances have occurred or no strategic decisions have been made, and these financial statements have been prepared assuming that the Group will continue in operational existence in the foreseeable future.

4.8.2.2. Preparation basis

The Group has prepared these quarterly consolidated financial statements according to the regulations set out in IAS 34 "Interim Financial Reporting" and applied the same principles for the current and comparative period.

4.8.2.3. Comparability of financial data

No changes in the presentation of financial data have been made in the comparative periods.

4.8.2.4. Applied accounting principles

These quarterly consolidated financial statements for the nine months ended 30 September 2023 have been prepared according to the same accounting principles and measurement methods as those applied in the last annual financial statements of the Group as at 31 December 2022. The financial statements for the financial year ended 31 December 2022 contain a detailed description of the accounting principles adopted by the Group.

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

4.8.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted principles 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 amounts 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.

The estimates relate, *inter alia*, to:

Impairment of goodwill (note no. 4.7.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 4.4.3.)

Provisions (note no. 4.4.2.)

Valuation of long-term construction contracts (note no. 4.4.1.)

Deferred income tax (note no. 4.3.7.)

Contingent assets and contingent liabilities and security on property (note no. 4.7.7.)

Uncertainty over tax settlements (note no. 4.7.6.)

Revisions to estimates occurred in the reporting period with reference to construction contracts accounted for using percentage-of-completion method – the revision was influenced by the review of the construction contract

budgets, which entailed a change in the planned income and expenses relating to the performed contracts. The said revisions did not have any material influence on the Group's performance in the reporting period.



ZUE S.A.

**CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR 9 MONTHS ENDED 30 SEPTEMBER 2023**

Cracow, 15 November 2023

IV. Condensed separate financial statements of ZUE S.A.

Separate statement of comprehensive income

	Note no.	9 months ended	3 months ended	9 months ended	3 months ended
		30-09-2023	30-09-2023	30-09-2022	30-09-2022
Continuing operations					
Sales revenue	2.1.1.	824,065	332,170	570,305	236,285
Cost of sales	2.1.2.	799,720	321,946	548,639	230,551
Gross profit (loss) on sales		24,345	10,224	21,666	5,734
General and administrative expenses	2.1.2.	17,942	6,731	15,180	5,383
Other operating income	2.1.3.	5,946	4,094	1,627	417
Other operating expenses	2.1.4.	508	234	1,001	193
Operating profit (loss)		11,841	7,353	7,112	575
Financial income	2.1.5.	13,783	10,082	5,515	1,579
Financial expenses	2.1.6.	10,739	8,822	1,175	511
Pre-tax profit (loss)		14,885	8,613	11,452	1,643
Income tax	2.1.7.	3,838	2,075	2,573	802
Net profit (loss) from continuing operations		11,047	6,538	8,879	841
Net profit (loss)		11,047	6,538	8,879	841
Other net comprehensive income					
Items that will not be reclassified subsequently to profit or loss:		-105	0	419	0
Actuarial gains (losses) relating to specific benefit schemes		-105	0	419	0
Total other net comprehensive income		-105	0	419	0
Total comprehensive income		10,942	6,538	9,298	841
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.48	0.28	0.39	0.04
Total comprehensive income per share (PLN)		0.48	0.29	0.40	0.03

Separate statement of financial position

ASSETS	Note no.	30-09-2023	31-12-2022
Non-current assets			
Property, plant and equipment		70,445	67,945
Investment property		9,260	9,615
Intangible assets		2,616	2,479
Right-of-use assets		27,479	32,360
Goodwill	2.5.1.	31,172	31,172
Investments in subordinates		6,140	4,440
Retentions on construction contracts		36,296	21,714
Deferred tax assets	2.1.7.	14,984	18,784
Advanced loans		4,117	2,931
Total non-current assets		202,509	191,440
Current assets			
Inventories		52,817	61,408
Trade and other receivables	2.3.1.	180,842	159,699
Valuation of long-term construction contracts	2.2.1.	236,253	119,207
Retentions on construction contracts		16,098	15,563
Advance payments		18,461	12,341
Current tax assets	2.1.7.	0	0
Advanced loans		5,640	4,736
Other assets		1,114	1,164
Cash and cash equivalents		14,304	60,256
Total current assets		525,529	434,374
Total assets		728,038	625,814

EQUITY AND LIABILITIES	Note no.	30-09-2023	31-12-2022
Equity			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		85,151	75,803
Total equity		182,056	172,708
Non-current liabilities			
Long-term loans and bank credits	2.4.1.	34,823	8,696
Long-term lease liabilities	2.4.2.	13,452	12,563
Retentions on construction contracts		15,077	15,376
Liabilities under employee benefits		1,740	1,628
Long-term provisions	2.2.2.	17,717	15,093
Total non-current liabilities		82,809	53,356
Current liabilities			
Trade and other payables	2.3.2.	147,128	130,625
Accrued liabilities	2.2.4.	161,306	85,586
Valuation of long-term construction contracts	2.2.1.	33,476	47,453
Retentions on construction contracts		28,305	19,916
Advance payments		27,146	30,191
Short-term loans and bank credits	2.4.1.	7,500	16,304
Short-term lease liabilities	2.4.2.	4,525	4,995
Other financial liabilities		36	36
Liabilities under employee benefits		45,943	47,343
Current tax liabilities	2.1.7.	0	12
Short-term provisions	2.2.2.	7,808	17,289
Total current liabilities		463,173	399,750
Total liabilities		545,982	453,106
Total equity and liabilities		728,038	625,814

Separate statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2023	5,758	93,837	-2,690	75,803	172,708
Dividend	0	0	0	-1,594	-1,594
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Buy-back of shares	0	0	0	0	0
Profit (loss)	0	0	0	11,047	11,047
Other net comprehensive income	0	0	0	-105	-105
Total changes in equity	0	0	0	9,348	9,348
Balance at 30 September 2023	5,758	93,837	-2,690	85,151	182,056

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2022	5,758	93,837	-2,690	68,765	165,670
Dividend	0	0	0	-3,415	-3,415
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Buy-back of shares	0	0	0	0	0
Profit (loss)	0	0	0	8,879	8,879
Other net comprehensive income	0	0	0	419	419
Total changes in equity	0	0	0	5,883	5,883
Balance at 30 September 2022	5,758	93,837	-2,690	74,648	171,553

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2022	5,758	93,837	-2,690	68,765	165,670
Dividend	0	0	0	-3,415	-3,415
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Buy-back of shares	0	0	0	0	0
Profit (loss)	0	0	0	10,241	10,241
Other net comprehensive income	0	0	0	212	212
Total changes in equity	0	0	0	7,038	7,038
Balance at 31 December 2022	5,758	93,837	-2,690	75,803	172,708

Separate statement of cash flows

	9 months ended 30-09-2023	9 months ended 30-09-2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	14,885	11,452
Adjustments for:		
Depreciation and amortisation	10,285	10,036
Foreign exchange gains / (losses)	-29	-52
Interest and share in profit (dividends)	-1,637	-1,030
Gain / (loss) on disposal of investments	-4,881	-838
Operating profit (loss) before changes in working capital	18,623	19,568
Change in receivables and retentions on construction contracts	-36,258	-20,028
Change in inventories	8,591	-39,346
Change in provisions and liabilities under employee benefits	-8,275	9,374
Change in payables and retentions on construction contracts	23,645	-27,372
Change in valuation of construction contracts	-131,023	-50,084
Change in accrued liabilities	75,719	12,140
Change in advance payments	-9,166	19,346
Change in other assets	52	-242
Other adjustments	0	-20
Income tax paid / (tax refund)	-26	-1,098
NET CASH FROM OPERATING ACTIVITIES	-58,118	-77,762
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	9,007	1,184
Purchase of property, plant and equipment and intangible assets	-5,594	-3,266
Sale / (purchase) of financial assets in related parties	559	0
Advanced loans	-2,640	0
Repayment of advanced loans	43	50
Dividends received	399	140
Interest received	1,325	1,208
NET CASH FROM INVESTING ACTIVITIES	3,099	-684
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	32,323	0
Repayment of loans and bank credits	-15,000	-4,443
Decrease in lease liabilities	-4,737	-5,209
Lease interest paid	-1,046	-804
Other interest paid	-908	-77
Other financial inflow / (outflow) – dividends	-1,594	-3,415
NET CASH FLOWS FROM FINANCING ACTIVITIES	9,038	-13,948
TOTAL NET CASH FLOWS	-45,981	-92,394
Net foreign exchange differences	29	50
TOTAL NET CASH FLOWS NET OF FOREIGN EXCHANGE DIFFERENCES	-45,952	-92,344
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	60,256	106,612
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	14,304	14,268
- of limited availability	2,560	10,195

Notes to the condensed separate financial statements of ZUE

1. General information

1.1. Core business of ZUE

The core business of ZUE has not changed.

1.2. Functional and reporting currency

These financial statements have been prepared in Polish zlotys (PLN). Polish zloty is the Group's functional and reporting currency. The data in the financial statements has been disclosed in thousands of Polish zlotys, unless specific circumstances require greater details.

2. Financial information

2.1. Notes to the statement of comprehensive income

2.1.1. Revenue

	Period ended 30-09-2023	Period ended 30-09-2022
Revenue from construction contracts	791,679	552,850
Revenue from the rendering of services	13,153	8,237
Revenue from the sale of goods, raw and other materials	19,233	9,218
Total	824,065	570,305

Revenue from construction activities is recognised by the Company in the item Revenue from construction contracts. The revenue is earned under the contracts accounted for on the basis of consumed time and expenditures. The services provided under construction contracts are delivered directly to customers after specific tasks have been completed.

In the reporting period, the Company provided its services in Poland and abroad. Revenue from construction contracts includes PLN 51,335 thousand relating to the contracts performed in Romania and PLN 910 thousand relating to the contract performed in Latvia. The Company also earned revenue from the provision of services to Latvia (PLN 266 thousand) and to Slovakia (PLN 94 thousand).

The biggest portion of revenue was derived from long-term construction contracts. The Company presents the entire revenue in a single reporting segment, namely construction activity.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	30-09-2023	30-09-2022
Counterparty A	303,426	289,663
Counterparty B		80,949
Counterparty C		

2.1.2. Operating expenses

	Period ended 30-09-2023	Period ended 30-09-2022
Change in products	-2,650	-2,734
Depreciation and amortization	10,285	10,036
Consumption of materials and energy, including:	209,867	130,799
- <i>consumption of materials</i>	201,217	122,334
- <i>consumption of energy</i>	8,650	8,465
Contracted services	472,482	311,818
Costs of employee benefits	98,440	95,131
Taxes and charges	1,757	1,290
Other expenses	9,310	10,598
Value of goods and materials sold	18,171	6,881
Total	817,662	563,819

	Period ended 30-09-2023	Period ended 30-09-2022
Cost of sales	799,720	548,639
General and administrative expenses	17,942	15,180
Total	817,662	563,819

The increase in general and administrative expenses in the three quarters of 2023 results, *inter alia*, from higher consultancy fees charged in connection with a change of the law and disclosure requirements for public companies, the purchase of software and hardware as well as higher costs of the business activity. However, the ratio of general and administrative expenses to revenue is as intended by the Management Board of ZUE; i.e. it does not exceed 3%.

Depreciation and amortisation

	Period ended 30-09-2023	Period ended 30-09-2022
Depreciation of property, plant and equipment	7,059	7,200
Depreciation of right-of-use assets	2,382	2,063
Amortisation of intangible assets	454	451
Depreciation of investments in real property	390	322
Total	10,285	10,036

2.1.3. Other operating income

	Period ended 30-09-2023	Period ended 30-09-2022
Gain on disposal of assets:	4,881	838
Gain on disposal of non-current assets	4,881	838
Other operating income:	1,065	789
Damages and penalties	606	106
Release of allowances for receivables	8	49
Refund of the costs of court proceedings	49	213
Substitute performance	288	384
Subsidies	9	0
Other	105	37
Total	5,946	1,627

2.1.4. Other operating expenses

	Period ended 30-09-2023	Period ended 30-09-2022
Loss on disposal of assets:	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses:	508	1,001
Donations	32	30
Allowances for receivables	17	19
Costs of litigations	167	534
Substitute performance	288	384
Other	4	34
Total	508	1,001

2.1.5. Financial income

	Period ended 30-09-2023	Period ended 30-09-2022
Interest income:	1,170	1,486
Interest on bank deposits	861	1,225
Interest on loans	302	259
Interest on receivables	7	2
Other financial income:	12,613	4,029
Dividends	2,099	735
Discount of long-term items	1,409	3,010
Financial guarantees	300	249
Release of write-downs of shares	8,762	0
Other	43	35
Total	13,783	5,515

The reporting period saw the release of a write-down of shares of PLN 8,762 thousand following the sale of BPK Poznań, a subsidiary. The transaction's effect on the result for the reporting period is PLN 559 thousand.

2.1.6. Financial expenses

	Period ended 30-09-2023	Period ended 30-09-2022
Interest expenses:	1,854	932
Interest on bank credits	17	9
Interest on loans	891	68
Interest on leases	931	843
Interest on trade and other payables	15	12
Other financial expenses:	8,885	243
Loss on disposal of investment	8,203	0
Foreign exchange losses	123	223
Costs of share in profit of legal persons	559	0
Other	0	20
Total	10,739	1,175

Loss on disposal of investment of PLN 8,203 thousand concerns the sale of BPK Poznań without taking into account the write-downs made in prior periods.

2.1.7. Income tax

Income tax recognised in the statement of comprehensive income

	Period ended 30-09-2023	Period ended 30-09-2022
Current income tax	14	0
Deferred tax	3,824	2,573
Total tax expense/income	3,838	2,573

Current income tax

	Period ended 30-09-2023	Period ended 30-09-2022
Gross profit (loss)	14,885	11,452
Difference between gross profit (loss) and income tax base:		
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	-35,665	-11,452
- other differences (including loss brought forward)	0	-2,663
Income/Loss	-20,780	0
Income tax base	74	0
Income tax at the applicable rate of 19%	14	0
Current income tax	14	0

Income tax according to effective interest rate

	Period ended 30-09-2023	Period ended 30-09-2022
Gross profit (loss)	14,885	11,452
Income tax at the applicable rate of 19%	2,828	2,176
Effect of tax recognition of:	-6,776	-2,176
- Use of tax losses brought forward	0	506
- Costs that are not tax-deductible under tax regulations	16,844	8,046
- Revenue not classified as revenue under tax regulations	28,702	10,814
- Tax-deductible expenses not classified as balance sheet expenses	-6,503	-1,074
- Taxable revenue not classified as balance sheet revenue	-1,421	24
Revaluation of deferred tax assets (current year loss)	3,948	0
Deferred tax	3,824	2,573
Other adjustments	14	0
Income tax according to effective tax rate	3,838	2,573
Effective tax rate	26%	22%

Current tax assets and liabilities

	Balance at 30-09-2023	Balance at 31-12-2022
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	12

Deferred tax

	Period ended 30-09-2023	Period ended 30-09-2022
Deferred tax balance at the beginning of the period	18,783	21,606
Temporary differences relating to deferred tax assets:	72,277	57,557
Provisions for expenses and accruals	42,527	29,266
Discount of receivables	576	455
Operating lease liabilities	3,416	2,945
Write-downs	544	579
Bonds and insurances accounted for over time	1,697	2,200
Tax work in progress	17,117	13,408
Valuation of long-term contracts	6,360	8,174
Other	40	530
Temporary differences relating to deferred tax liabilities:	61,227	42,199
Valuation of long-term contracts	44,888	26,982
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,404	13,218
Discount of payables	2,935	1,988
Other	0	11
Unused tax losses and other tax credits carried forward:	3,934	3,577
Tax losses	3,934	3,577
Total temporary differences relating to deferred tax assets:	76,211	61,134
Total temporary differences relating to deferred tax liabilities:	61,227	42,199
Deferred tax balance at the end of the period	14,984	18,935
Change in deferred tax, including:	-3,799	-2,671
- recognised in income	-3,824	-2,573
- recognised in equity	25	-98

Deferred tax recognised in equity results from the calculation of tax on actuarial gains/losses presented in other comprehensive income.

2.1.8. Operating segments

ZUE's reporting is based on operating segments. The Company analyses the areas of activity based on the aggregation rules under IFRS 8.12 and identifies one aggregate reporting segment, namely construction activity.

The Company is organised and managed within the abovementioned segment. The Company applies a uniform accounting policy to all operating areas within the segment of engineering construction and assembly services.

2.2. Contracts, provisions, write-downs and accruals

2.2.1. Construction contracts

	30-09-2023	31-12-2022
Assets (selected items)	359,925	230,233
- Valuation of long-term construction contracts	236,253	119,207
- Advance payments made in connection with performed contracts	18,461	12,341
- Retentions on construction contracts retained by customers	52,394	37,277
- Inventories	52,817	61,408
Liabilities (selected items)	289,703	228,273
- Valuation of long-term construction contracts	33,476	47,453
- Provisions for contract costs	160,175	82,955
- Advance payments received in connection with performed contracts	27,146	30,191
- Retentions on construction contracts retained for suppliers	43,382	35,292
- Provisions for warranty claims	19,638	17,404
- Provisions for expected losses on contracts	5,886	14,978

2.2.2. Provisions

Change in provisions

Provisions	01-01-2023	Created	Used	Released	Reclassified	30-09-2023	Item
Long-term provisions:	16,721	3,791	787	3	-266	19,456	
Provisions for employee benefits	1,628	115	0	3	0	1,740	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,093	3,676	787	0	-266	17,716	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	53,439	20,894	19,907	13,338	266	41,354	
Provisions for employee benefits	36,150	17,983	19,253	1,334	0	33,546	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,311	310	654	311	266	1,922	Short-term provisions
Provision for loss on contracts	14,978	2,601	0	11,693	0	5,886	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	70,160	24,685	20,694	13,341	0	60,810	

A provision for warranty claims is made for the construction contracts in respect of which warranty has been given by the Company depending on the amount of revenues. The amount of provisions may decrease or increase on the basis of inspections of construction works carried out in subsequent years of warranty.

The release of provisions for expected losses on contracts results from the greater progress of works under the contracts. Greater progress of works entails the costs. With the greater progress of works on the projects with loss, a provision for losses is successively released.

Comparative information:

Provisions	01-01-2022	Created	Used	Released	Reclassified	31-12-2022	Item
Long-term provisions:	17,916	3,060	122	3,475	-658	16,721	
Provisions for employee benefits	1,789	357	0	518	0	1,628	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,127	2,703	122	2,957	-658	15,093	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	47,640	40,771	19,908	15,722	658	53,439	
Provisions for employee benefits	30,390	29,505	19,120	4,625	0	36,150	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,441	691	788	691	658	2,311	Short-term provisions
Provision for loss on contracts	14,809	10,575	0	10,406	0	14,978	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	65,556	43,831	20,030	19,197	0	70,160	

2.2.3. Write-downs and allowances

Change in write-downs and allowances

Write-downs and allowances	01-01-2023	Creation	Use	Release	30-09-2023
Write-downs and allowances:	43,555	19,333	0	12,875	50,013
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances for trade receivables in connection with the increase of credit risk	31,467	19,333	0	4,070	46,730
Allowances for trade receivables for expected credit losses	250	0	0	0	250
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	43	0	0	0	43
Write-downs of shares	9,013	0	0	8,762	251
Write-downs of loans	2,001	0	0	43	1,958
Total:	43,555	19,333	0	12,875	50,013

Allowances for trade receivables of PLN 46.7m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 44.9m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue. The biggest items include the notes issued in the past years of PLN 26.3m.
- Receivables under court and enforcement cases of PLN 1.1m from prior years.
- Doubtful debt of PLN 0.7m from prior years.

Changes in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 8 thousand and the creation of allowances of PLN 17 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Company's for the penalties and damages that are not the Company's revenue at the date of issue.

Comparative information:

Write-downs and allowances	01-01-2022	Creation	Use	Release	31-12-2022
Write-downs and allowances:	38,089	22,709	2,269	14,974	43,555
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances for trade receivables in connection with the increase of credit risk	27,557	20,925	2,269	14,746	31,467
Allowances for trade receivables for expected credit losses	430	0	0	180	250
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	43	0	0	0	43
Write-downs of shares	8,993	20	0	0	9,013
Write-downs of loans	285	1,764	0	48	2,001
Total:	38,089	22,709	2,269	14,974	43,555

2.2.4. Accrued liabilities

	Balance at 30-09-2023	Balance at 31-12-2022
Provisions for contract costs	160,175	82,955
Other accrued liabilities	1,131	2,631
Total	161,306	85,586

2.3. Trade and other receivables and payables

2.3.1. Trade and other receivables

	30-09-2023	31-12-2022
Trade receivables	215,972	187,283
Allowances for trade receivables in connection with the increase of credit risk	-46,730	-31,467
Allowance for trade receivables for expected credit losses	-250	-250
Receivables from the government budget other than corporate income tax	7,329	0
Other receivables	4,521	4,133

Total trade and other receivables	180,842	159,699
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Other receivables include the security created in connection with the financing agreement of PLN 4,000 thousand.

Concentration of (gross) trade receivables that exceed 10% of total receivables

	30-09-2023	31-12-2022
Counterparty A	56,741	77,301
Counterparty B		21,601
Counterparty C	31,725	

The concentration of credit risk is limited due to the fact that the creditability of the abovementioned Counterparty A assessed, *inter alia*, by analysing their financial standing, is high and the fact that the said Counterparty meets additional requirements concerning the settlement of the EU funds. The Company has carried out the construction contracts for the Counterparty A for many years. The Counterparty A is co-owned by the State Treasury as a result of which their creditability is even higher. Accordingly, the Management Board of ZUE believe there is no need to create additional provisions.

2.3.2. Trade and other payables

	30-09-2023	31-12-2022
Trade payables	144,574	118,606
Liabilities to the government budget other than corporate income tax	2,245	11,729
Other payables	309	290
Total trade and other payables	147,128	130,625

2.4. Loans, bank credits, leases and management of capital

2.4.1. Loans and bank credit

	30-09-2023	31-12-2022
Long-term	34,823	8,696
Bank credits	27,323	0
Loans received	7,500	8,696
Short-term	7,500	16,304
Bank credits	0	0
Loans received	7,500	16,304
Total	42,323	25,000

Summary of loan and credit agreements as at 30 September 2023

No.	Bank	Description	Principal/limit according to the agreement as at 30-09-2023	Amount of available loans/credits as at 30-09-2023	Use as at 30-09-2023	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2024
2	mBank S.A. (i)	Master agreement	25,000		4,951	1M WIBOR + margin	June 2024
	including:	sublimit for bonds	25,000	20,049	4,951		
		non-revolving working capital credit	25,000	20,049	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		44	1M WIBOR + margin	
	including:	sublimit for bonds	30,000	29,956	44		June 2024
		overdraft	1,500	1,500	0		June 2025
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	15,000	0	15,000	1M WIBOR + margin	August 2025
5	Alior Bank S.A.	Revolving credit account agreement	40,000	12,677	27,323	1M WIBOR + margin	June 2025
	Total amount of available loans and credits			44,226			
	Total debt under loans and credits				42,323		
	Total use for bonds				4,995		

(i) ZUE is able to use the limit for both working capital credit and bank bonds. The current use concerns the bonds.

Types of security and liabilities under credit agreements:

1. Overdraft:

- Financial pledge on cash kept on customer's bank accounts maintained by the Bank;
- Registered pledge on non-current assets – machinery and equipment owned by the Company;
- Statement on submission to enforcement;
- Assignment of rights under insurance policy.

2. Master agreement:

- Contractual joint mortgage up to PLN 35,420 thousand on the plot in Cracow;
- Security deposit established each time for the bonds expiring after 36 months;
- Financial pledge on cash kept on customer's bank accounts maintained by the Bank;
- Registered pledge on non-current assets – machinery and equipment owned by the Company;
- Statement on submission to enforcement;
- Assignment of rights under insurance policy.

3. Multicurrency credit limit agreement:

- Promissory note with declaration;
- Assignment of receivables under contracts;
- Statement on submission to enforcement;
- Power of attorney to the bank account.

4. Loan agreement:

- Contractual joint mortgage up to PLN 45,000 thousand on the plot in Poznań;
- Assignment of receivables under contracts;
- Registered pledge on non-current assets – machinery and equipment owned by the Company;
- Statement on submission to enforcement;
- Assignment of rights under insurance policy.

5. Revolving credit account agreement:

- Power of attorney to the bank account;
- Promissory note with declaration;

- c) Guarantee under the Crisis Guarantee Fund;
- d) Statement on submission to enforcement.

The following amendments to particular credit agreements signed by the Company were made in the reporting period:

- mBank – Overdraft (item 1) – an annex was signed by the Company on 29 June 2023 whereby the repayment date was extended by one year;
- mBank – Master Agreement (item 2) – an annex was signed by the Company on 31 May 2023 whereby the repayment date was extended by one year;
- Alior Bank – Multicurrency Credit Limit Agreement (item 3) – on 26 June 2023, the Company signed an annex whereby the repayment date was extended by one year for the guarantee limit and by two years for the overdraft. In addition, the amount of the overdraft was set as PLN 1.5m. The limit is revolving;
- Alior Bank - Revolving credit account agreement (item 5) – on 28 June 2023, the Company signed the credit account agreement. The Company may use the credit limit to finance day-to-day operations, including the financing of the construction contracts carried out in Romania. The tenor was set until 27 June 2025;
- Agencja Rozwoju Przemysłu – Loan Agreement (item 4) – an annex to the loan agreement was signed by the Company on 19 July 2023 whereby the loan was changed to Revolving Loan Limit.

Changes after the end of the reporting period:

- Agencja Rozwoju Przemysłu – Loan agreement (item 4) – an annex to the loan agreement was signed by the Company on 17 October 2023 to reduce security under registered pledge.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2022	Amount of available loans/credits as at 31-12-2022	Use as at 31-12-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		11,770	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	13,230	11,770		
		non-revolving working capital credit	25,000	13,230	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		overdraft	2,000	2,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	30,000	5,000	25,000	1M WIBOR + margin	August 2025
	Total amount of available loans and credits			30,230			
	Total debt under loans and credits				25,000		
	Total use for bonds				11,770		

(i) ZUE is able to use the limit for both working capital credit and bank bonds.

2.4.2. Leases

Lease liabilities

	30-09-2023	31-12-2022
Long-term lease liabilities	13,452	12,563
Short-term lease liabilities	4,525	4,995
Total	17,977	17,558

No leaseback agreements were signed by the Company in the reporting period.

Lease contracts in the total amount of PLN 5,334 thousand were concluded by the Company in the reporting period.

2.4.3. Management of capital

	30-09-2023	31-12-2022
Long- and short-term loans and bank credits	42,323	25,000
Long- and short-term lease liabilities	17,977	17,558
Long- and short-term other financial liabilities	36	36
Total financial liabilities	60,336	42,594
Cash and cash equivalents	14,304	60,256
Net debt	46,032	-17,662
Equity	182,056	172,708
Net debt to equity ratio	25.28%	-10.23%

The Company reviews the capital structure each time for the purpose of the financing of major contracts/orders. During the review, the Company considers own resources required for day-to-day operations, the schedule of contract financing, the cost of capital and the risks associated with each class of the capital.

The Company uses own resources, leases, loan, trade credit and prepaid deliveries to finance day-to-day operations. Credit limits are also available to the Company.

Positive net debt is due to the fact that total financial liabilities at the end of the third quarter of 2023 exceeded the amount of cash at the Company.

The information on the financial ratios contained in this report is cyclically monitored and presented in subsequent interim reports. Definitions of alternative measurements result from the layout of individual lines in relevant tables and according to the Issuer, no additional defining is required.

2.5. Other notes to the financial statements

2.5.1. Goodwill

At cost	30-09-2023	31-12-2022
Goodwill of PRK	31,172	31,172
Balance at the end of the reporting period	31,172	31,172

ZUE merged with PRK on 20 December 2013. The control of PRK was gained by ZUE in 2010.

The goodwill of PLN 31,172 thousand and the leasehold (difference in the fair value of the net assets at acquisition) of PLN 15,956 thousand (adjusted for a deferred tax asset) disclosed in the separate financial statements at the merger date were calculated as at the date of taking control of PRK by ZUE in 2010 and follow from the consolidated financial statements. Changes in interests resulting from the merger were accounted for as changes in equity.

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of assets. The impairment tests carried out as at 31 December 2022 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 30 September 2023, the Company reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Company intends to carry out the test at the end of the year.

2.5.2. Purchase and sale of property, plant and equipment and intangible assets

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 5,594 thousand.

As at 30 September 2023, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,073 thousand.

As at 30 September 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 540 thousand.

Major investments in property, plant and equipment and intangible assets made by the Company in the reporting period included:

- Complete overhauls of vehicles (mainly wagons) – PLN 2,608 thousand;
- Complete overhaul of tamping machine – PLN 1,166 thousand;
- Purchase of discharge conveyors – PLN 384 thousand;
- Purchase of cars – PLN 245 thousand.

In the reporting period, specialist property, plant and equipment were sold to become replaced with new machines.

In the three quarters of 2023, the Company sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 4,126 thousand. In the three quarters of 2022, the Company sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 329 thousand.

2.5.3. Financial instruments

The following table sets out the carrying amounts of the Company's financial instruments classified as particular classes and categories of assets and liabilities.

Balance at 30 September 2023

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	55,437	0	0	0	50,789
Trade receivables	215,972	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	11,715	0	0	0	0
Cash and cash equivalents	0	14,304	0	0	0
Loans and bank credits	0	0	0	0	42,323
Lease liabilities	0	0	0	0	17,977
Trade payables	0	0	0	0	144,574
Total	283,124	14,304	0	0	255,699

No changes to the classification of financial instruments or shifts between individual levels of fair value occurred in the reporting period.

Balance at 31 December 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	40,472	0	0	0	41,879
Trade receivables	187,283	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	9,668	0	0	0	0
Cash and cash equivalents	0	60,256	0	0	0
Loans and bank credits	0	0	0	0	25,000
Lease liabilities	0	0	0	0	17,558
Trade payables	0	0	0	0	118,606
Total	237,423	60,256	0	0	203,079

No changes to the classification of financial instruments or shifts between individual levels of fair value occurred in the reporting period.

2.5.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	30-09-2023	31-12-2022	30-09-2023	31-12-2022
Railway gft	113	89	2,105	253
BPK Poznań	0	737	0	828
RTI	0	0	0	0
Energopol	86	4	335	1,775
Wiesław Nowak	0	0	0	0
Total	199	830	2,440	2,856

	Revenue		Purchases	
	Period ended		Period ended	
	30-09-2023	30-09-2022	30-09-2023	30-09-2022
Railway gft	448	2,594	11,491	8,453
BPK Poznań	311	406	752	1,015
RTI	3	3	0	0
Energopol	612	0	1,648	0
Wiesław Nowak	1	2	0	0
Total	1,375	3,005	13,891	9,468

	Advanced loans		Financial income (interest on loans)	
	Balance at		Period ended	
	30-09-2023	31-12-2022	30-09-2023	30-09-2022
Railway gft	3,000	3,000	197	185
BPK Poznań	0	550	21	33
RTI	0	0	0	0
Energopol	2,640	0	76	0
Wiesław Nowak	0	0	0	0
Total	5,640	3,550	294	218

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

The following sales transactions were entered into in the reporting period between ZUE and the related parties:

- Lease of rooms, including utilities and telephone services;
- Financial services;
- Re invoicing of costs;
- Servicing and repair of vehicles;
- Lease of stacking yard; and
- Car rental.

The following purchase transactions were entered into in the reporting period between ZUE and the related parties:

- Purchase of materials used to build and repair tracks;
- Design services;
- Re invoicing of costs;
- Construction services;
- Lease of rooms, including utilities; and
- Transport services.

On 29 March 2023, ZUE and Railway gft signed an annex to the loan agreement of 11 June 2021 whereby the repayment date was extended until 31 May 2023.

On 29 March 2023, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the repayment date was extended until 31 May 2023.

On 12 April 2023, the Ordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 1,000 thousand to PLN 3,000 thousand through the creation of 20,000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 2,000 thousand were proportionally acquired by the existing shareholders. The increase was registered in the National Court Register. The Ordinary Shareholders Meeting of Railway gft also resolved to pay dividend to shareholders (PLN 399 thousand to ZUE). The dividend was paid on 26 April 2023.

On 9 May 2023, ZUE and Energopol signed the special-purpose loan agreement. The loan of PLN 500 thousand should be repaid by 30 April 2024. The loan was disbursed on the date of the agreement.

On 30 May 2023, ZUE and Railway gft signed an annex to the loan agreement of 11 June 2021 whereby the repayment date was extended until 30 September 2023.

On 30 May 2023, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the repayment date was extended until 30 September 2023.

On 30 May 2023, ZUE and Energopol signed the special-purpose loan agreement. The loan of PLN 1,500 thousand should be repaid by 30 May 2024. The loan was disbursed on the date of the agreement.

On 7 June 2023, the Extraordinary Shareholders Meeting of BPK Poznań resolved to voluntarily redeem 11,185 shares and increase the share capital through the creation of 11,185 new shares with the total nominal value of PLN 559,250. All the new shares with the total value of PLN 559,250 were acquired in full by ZUE and paid up in full with the in-kind contribution PLN 559,250 through the set-off of ZUE's claims under the loan agreement.

On 23 June 2023, ZUE and Energopol signed the special-purpose loan agreement. The loan of PLN 640 thousand should be repaid by 20 June 2024. The loan was disbursed on 26 June 2023.

On 10 July 2023, ZUE and Energopol signed the lease for the definite period until 31 August 2024.

On 29 September 2023, ZUE and Railway gft signed an annex to the loan agreement of 11 June 2021 whereby the repayment date was extended until 31 January 2024.

On 29 September 2023, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the repayment date was extended until 31 January 2024.

On 6 November 2023, ZUE and Energopol signed the special-purpose loan agreement. The loan of PLN 2,500 thousand should be repaid by 31 October 2024. The loan was disbursed on the date of the agreement.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 30 September 2023 is PLN 32,180 thousand.

Remuneration of key management personnel

No major changes to the remuneration of key management personnel occurred in the reporting period.

2.5.5. Major proceedings before court or arbitration or public administration authority at the date of preparation of this report

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

Court cases are discussed in detail in the note III 4.7.5 of these consolidated financial statements.

2.5.6. Tax settlements

Tax settlements and other areas of activity may be inspected by the administrative authorities authorised to impose harsh fines and penalties. The applicable laws are unclear and inconsistent because there are no

references to established regulations in Poland. Common differences of opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises give rise to uncertainty and conflicts. Therefore, the tax risk in Poland is much higher than that in the countries with more mature tax system.

Tax settlements may be inspected within five years after the end of the year the tax was paid in. Additional tax liabilities may be imposed on the Company as a result of such inspections.

No significant or countable tax risks were recognised by the Company as at 30 September 2023 or 31 December 2022.

The inspection of CIT for 2018 commenced at the Company on 7 February 2022. The Company was provided with the inspection result on 21 July 2023. The inspection revealed no irregularities to the settlement of CIT for 2018.

2.5.7. Contingent assets and contingent liabilities and security on property

Contingent assets

	30-09-2023	31-12-2022
Bonds	96,853	92,018
Guarantees	1,200	0
Promissory notes	22,301	18,035
Total	120,354	110,053

Contingent assets in the form of bonds include the bonds provided by banks and insurance companies for the benefit of the Company to secure its claims relating to subcontracted construction services and the repayment of advances.

In addition, the Company received promissory notes from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

The subcontractor appointed by the Company to perform the construction contract voluntarily submitted to enforcement to secure the repayment of an advance made by the Company.

Contingent liabilities and security on property

	30-09-2023	31-12-2022
Bonds	462,446	503,636
Guarantees	32,180	13,285
Promissory notes	274,967	235,467
Mortgages	171,529	171,529
Pledges	143,845	143,856
Total	1,084,967	1,067,773

Contingent liabilities in the form of bonds for the benefit of third parties include, in particular, bid bonds, performance bonds, defects liability bonds and advance payment bonds provided by insurance companies and banks to the Company's counterparties to secure their claims against the Company, mainly in connection with construction contracts and sales agreements. The insurance companies and the banks have recourse against the Company.

Contingent liabilities in the form of guarantees secure the bonds and credits provided to the Group companies by banks and insurance companies and guaranteed by ZUE as the Parent Company.

The liabilities to banks, lessors and strategic customers are secured by promissory notes.

Mortgages are additional security for the credit agreement with mBank S.A., the insurance agreement with PZU S.A. and InterRisk S.A., the guarantee limit agreement with PEKAO S.A. and the loan agreement with Agencja Rozwoju Przemysłu S.A.

Registered pledges were established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A., mBank S.A., CaixaBank and Agencja Rozwoju Przemysłu S.A. The pledged assets include wagons, pile driver, maintenance trains, engines and ballast profiling machine.

There is also financial pledge over the borrower's bank accounts to secure the agreements between the Company and mBank S.A.

2.5.8. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment as at 30 September 2023 or 31 December 2022.

2.5.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the reporting period or the comparative period.

2.5.10. Seasonal and cyclical nature of the Company's operations

Construction and assembly operations are marked by the seasonality of production and sales. The topic has been discussed in detail in the note III 2.14 of the consolidated financial statements: Seasonal and cyclical nature of the Group's operations.

2.5.11. Issue and redemption of debt and equity securities

No debt or equity securities were issued or redeemed by the Company in the reporting period.

2.5.12. Dividend

On 9 May 2023, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2022 of PLN 10,241 thousand in the following manner:

- 1) The part of the net profit for the financial year 2022 of PLN 1,594 thousand should be paid as dividend (PLN 0.07 per share);
- 2) The residual net profit for the financial year 2022 of PLN 8,647 thousand should be allocated to reserve funds.

The Company's Supervisory Board gave a favourable opinion on the said proposal on 9 May 2023.

On 7 June 2023, the Ordinary General Meeting of ZUE S.A. passed the resolution on the distribution of the Company's profit for 2022 whereby the dividend for 2022 of PLN 0.07 per share would be paid to the Company's shareholders. Shareholders' right to the dividend was determined as at 18 July 2023. The date of the dividend payment was set for 3 August 2023. The dividend was paid according to the said resolution.

2.6. Other notes to the financial statements

2.6.1. Use of the International Financial Reporting Standards

Statement of compliance

The condensed separate financial statements have been drawn up in accordance with IAS 34 as at 30 September 2023 as endorsed by the European Union.

The separate financial statements for the nine months ended 30 September 2023 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

Standards and interpretations used for the first time in the reporting period

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2023:

- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1 "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 12 "Income Taxes"** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 17 "Insurance Contracts" – first application of IFRS 17 and IFRS 9** – comparative information (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 12 "Income Taxes"** – global minimum income tax (Pillar Two) (effective for annual periods beginning on or after 1 January 2023).

According to the Company, the abovementioned standards or amendments to the standards do not have any material influence on the separate financial statements of ZUE.

Standards and interpretations published and endorsed by the EU but not yet effective

Standards and interpretations published and approved for use in the EU but not yet effective at the date of approval of the financial statements:

- **Amendments to IFRS 16 "Leases" – Lease Liability in Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 1 "Presentation of Financial Statements: – Classification of Liabilities as Current or Non-Current"** (effective for annual periods beginning on or after 1 January 2024 with earlier application permitted);
- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments – Disclosures"** – supplier finance arrangements (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"** – lack of exchangeability (effective for annual periods beginning on or after 1 January 2025).

Standards and interpretations adopted by the IASB but not yet endorsed by the EU

Amendments to the existing standards or the new standards published by the International Accounting Standards Board (IASB) and not yet endorsed by the EU:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"** (the effective date has been deferred by the IASB indefinitely).

According to the Company, the abovementioned standards or amendments to the standards will not have any material influence on the separate financial statements of ZUE.

2.6.2. Important accounting principles

2.6.2.1. Going concern

The separate financial statements have been prepared assuming that the Company will continue in operational existence for at least 12 months after the end of the reporting period. The most important factor influencing the Company's ability to continue in operational existence is the financial condition. The key factors with an impact on the Company's ability to continue its operations include liquidity, proper backlog and market situation.

In the 9 months ended 30 September 2023, the Company recognised the sales revenue of PLN 824.1m and the gross profit on sales of PLN 24.3m. As at 30 September 2023, the Company presented the total current assets of PLN 525.5m, including trade and other receivables of PLN 180.8m and the cash of approx. PLN 14.3m. At the end

of the reporting period, the Company had the backlog worth approximately PLN 1,987m and was in the process of winning new contracts.

Therefore, the Management Board of the Company state that there are no significant going concern risks at the date of preparation of this report, no economic circumstances have occurred or no strategic decisions have been made, and these financial statements have been prepared assuming that ZUE will continue in operational existence in the foreseeable future.

2.6.2.2. Preparation basis

The Company has prepared these quarterly separate financial statements according to the regulations set out in IAS 34 "Interim Financial Reporting" and applied the same principles for the current and comparative period.

2.6.2.3. Comparability of financial data

No changes in the presentation of financial data have been made in the comparative periods.

2.6.2.4. Applied accounting principles

These quarterly separate financial statements for the nine months ended 30 September 2023 have been prepared according to the same accounting principles and measurement methods as those applied in the last annual financial statements of the Company as at 31 December 2022. The financial statements for the financial year ended 31 December 2022 contain a detailed description of the accounting principles adopted by the Company.

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

2.6.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted principles 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 amounts 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.

The estimates relate, *inter alia*, to:

- Impairment of goodwill (note no. 2.5.1.)
- Useful economic lives of non-current assets
- Loss allowances for receivables (note no. 2.2.3.)
- Provisions (note no. 2.2.2.)
- Valuation of long-term construction contracts (note no. 2.2.1.)
- Deferred income tax (note no. 2.1.7.)
- Contingent assets and contingent liabilities and security on property (note no. 2.5.7.)
- Uncertainty over tax settlements (note no. 2.5.6.)

Revisions to estimates occurred in the reporting period with reference to construction contracts accounted for using percentage-of-completion method – the revision was influenced by the review of the construction contract budgets, which entailed a change in the planned income and expenses relating to the performed contracts. The said revisions did not have any material influence on the Company's performance in the reporting period.

3. Approval of the condensed consolidated and separate financial statements

These condensed consolidated and separate financial statements for the nine months ended 30 September 2023 were approved for publication by the Management Board of ZUE on 15 November 2023.

4. Signatures

The financial statements have been prepared by:

Marzena Filarek – Chief Accountant

Signatures of the management personnel:

Wiesław Nowak – Management Board President

Anna Mroczek – Management Board Vice-President

Jerzy Czeremuga – Management Board Vice-President

Maciej Nowak – Management Board Vice-President

Marcin Wiśniewski – Management Board Vice-President

Cracow, 15 November 2023