



ZUE Capital Group

**CONSOLIDATED HALF-YEARLY REPORT
FOR 6 MONTHS ENDED 30 JUNE 2021**

Cracow, 18 August 2021

Content of the consolidated half-yearly 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.

And the following separate documents:

- Management Board Report.
- Auditor's Report on the Review of the Condensed Consolidated Financial Statements of ZUE Capital Group.
- Auditor's Report on the Review of the Condensed Separate Financial Statements of ZUE S.A.

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 ZUE 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.
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 300,000 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 260,000 paid up in full. Subsidiary of ZUE.
RTI Germany	Railway Technology International Germany GmbH in liquidation with registered office in Görlitz, Germany, entered into the German Register of Entrepreneurs (<i>Handelsregister B, HRB</i>) maintained by the District Court in Dresden (<i>Amtsgericht Dresden</i>) under entry number HRB 36690. Share capital of EUR 25,000 paid up in full. The company was removed from the register after the end of the reporting period on 14 July 2021. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period ZUE, BPK Poznań, Railway gft, RTI and RTI Germany.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Uniform Text, Journal of Laws of 2020, item 1526, as amended).

Share capital details as at 30 June 2021.

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I. Selected financial data of the Capital Group

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

	Balance at 30-06-2021		Balance at 31-12-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	171,124	37,853	168,539	36,521
Current assets	356,794	78,923	353,094	76,513
Assets held for sale	3,340	739	3,340	724
Total assets	531,258	117,515	524,973	113,758
Equity	155,442	34,384	154,649	33,512
Non-current liabilities	50,772	11,231	51,910	11,249
Current liabilities	324,689	71,821	318,048	68,918
Lease liabilities relating to assets held for sale	355	79	366	79
Total equity and liabilities	531,258	117,515	524,973	113,758

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

	Period ended 30-06-2021		Period ended 30-06-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	362,415	79,701	382,419	86,106
Cost of sales	352,371	77,492	367,660	82,783
Gross profit (loss) on sales	10,044	2,209	14,759	3,323
Operating profit (loss)	1,871	411	2,385	537
Gross profit (loss)	1,544	340	1,620	365
Net profit (loss) from continuing operations	732	161	919	207
Total comprehensive income	793	174	859	193

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

	Period ended 30-06-2021		Period ended 30-06-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	14,703	3,233	7,394	1,665
Cash flows from investing activities	-2,808	-618	-3,755	-845
Cash flows from financing activities	-10,575	-2,326	-13,247	-2,983
Total net cash flows	1,320	289	-9,608	-2,163
Cash at the beginning of the period	23,487	5,089	30,378	7,133
Cash at the end of the period	24,892	5,506	20,779	4,653

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30-06-2021	Exchange rate on 31-12-2020	Exchange rate on 30-06-2020
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.5208	4.6148	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	4.5472	n/a	4.4413
"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	4.5208	4.6148	4.4660

II. Selected financial data of ZUE S.A.

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

	Balance at 30-06-2021		Balance at 31-12-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	170,395	37,691	167,782	36,357
Current assets	335,020	74,106	331,944	71,930
Assets held for sale	3,544	784	3,544	768
Total assets	508,959	112,581	503,270	109,055
Equity	154,764	34,233	153,596	33,283
Non-current liabilities	49,190	10,880	50,237	10,886
Current liabilities	304,650	67,389	299,071	64,807
Lease liabilities relating to assets held for sale	355	79	366	79
Total equity and liabilities	508,959	112,581	503,270	109,055

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

	Period ended 30-06-2021		Period ended 30-06-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	332,237	73,064	357,787	80,559
Cost of sales	324,580	71,380	344,741	77,622
Gross profit (loss) on sales	7,657	1,684	13,046	2,937
Operating profit (loss)	1,830	402	2,532	570
Gross profit (loss)	1,772	390	2,220	500
Net profit (loss) from continuing operations	1,107	243	1,494	336
Total comprehensive income	1,168	257	1,434	323

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

	Period ended 30-06-2021		Period ended 30-06-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	17,276	3,799	4,790	1,079
Cash flows from investing activities	-4,742	-1,043	-4,383	-987
Cash flows from financing activities	-10,055	-2,211	-9,301	-2,094
Total net cash flows	2,479	545	-8,894	-2,002
Cash at the beginning of the period	20,230	4,384	27,979	6,570
Cash at the end of the period	22,794	5,042	19,094	4,275

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30-06-2021	Exchange rate on 31-12-2020	Exchange rate on 30-06-2020
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.5208	4.6148	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	4.5472	n/a	4.4413
"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	4.5208	4.6148	4.4660



ZUE Capital Group

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR 6 MONTHS ENDED 30 JUNE

Cracow, 18 August 2021

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

Continuing operations	Note no.	6 months ended 30-06-2021	6 months ended 30-06-2020
Sales revenue	4.2.1.	362,415	382,419
Cost of sales	4.2.2.	352,371	367,660
Gross profit (loss) on sales		10,044	14,759
General and administrative expenses	4.2.2.	11,680	11,540
Other operating income	4.2.3.	3,918	633
Other operating expenses	4.2.4.	411	1,467
Operating profit (loss)		1,871	2,385
Financial income	4.2.5.	284	315
Financial expenses	4.2.6.	611	1,080
Pre-tax profit (loss)		1,544	1,620
Corporate income tax	4.2.7.	812	701
Net profit (loss) from continuing operations		732	919
Net profit (loss)		732	919
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		61	-60
Actuarial gains (losses) relating to specific benefit schemes		61	-60
Total other net comprehensive income		61	-60
Total comprehensive income		793	859
Number of shares		23,030,083	23,030,083
Consolidated net profit attributable to:			
Shareholders of the Parent Company		728	951
Non-controlling interests		4	-32
Net profit (loss) per share (PLN) attributable to shareholders of the Parent Company (basic and diluted)		0.03	0.04
Total comprehensive income attributable to:			
Shareholders of the Parent Company		789	891
Non-controlling interests		4	-32
Total comprehensive income per share (PLN)		0.03	0.04

Consolidated statement of financial position

	Note no.	Balance at 30-06-2021	Restated Balance at 31-12-2020
ASSETS			
Non-current assets			
Property, plant and equipment		62,502	63,601
Investment property		6,311	6,497
Intangible assets		2,944	2,073
Right-of-use assets		44,071	41,900
Goodwill	4.6.1.	31,172	31,172
Retentions on construction contracts		9,133	8,515
Deferred tax assets	4.2.7.	14,764	14,557
Other assets		227	224
Total non-current assets		171,124	168,539
Current assets			
Inventories		43,881	25,306
Trade and other receivables	4.4.1.	137,122	149,222
Measurement of long-term construction contracts	4.3.1.	143,101	146,929
Retentions on construction contracts		2,831	4,371
Advance payments		3,574	3,123
Current tax assets	4.2.7.	0	0
Advanced loans		10	10
Other assets		1,383	646
Cash and cash equivalents		24,892	23,487
Current assets		356,794	353,094
Assets held for sale		3,340	3,340
Total current assets		360,134	356,434
Total assets		531,258	524,973

EQUITY AND LIABILITIES

Equity

Share capital	5,758	5,758
Share premium account	93,837	93,837
Treasury shares	-2,690	-2,690
Retained earnings	58,378	57,589

Total equity attributable to shareholders of the parent company

155,283 **154,494**

Equity attributable to non-controlling interests

159 155

Total equity

155,442 **154,649**

Non-current liabilities

Long-term loans and bank credits	4.5.1.	0	4,443
Non-current lease liabilities	4.5.2.	12,559	12,020
Retentions on construction contracts		19,758	18,821
Liabilities under employee benefits		1,770	1,411
Deferred tax liability	4.2.7.	272	129
Long-term provisions	4.3.2.	16,413	15,086

Total non-current liabilities

50,772 **51,910**

Current liabilities

Trade and other payables	4.4.2.	78,973	135,073
Accruals	4.3.4.	98,022	65,617
Measurement of long-term construction contracts	4.3.1.	31,933	3,659
Retentions on construction contracts		18,147	19,393
Advance payments		31,719	28,841
Short-term loans and bank credits	4.5.1.	12,708	13,108
Current lease liabilities	4.5.2.	8,257	9,130
Other financial liabilities		36	36
Liabilities under employee benefits		34,766	33,313
Current tax liabilities	4.2.7.	802	5
Short-term provisions	4.3.2.	9,326	9,873

Total current liabilities

324,689 **318,048**

Lease liabilities relating to assets held for sale

355 **366**

Total liabilities

375,816 **370,324**

Total equity and liabilities

531,258 **524,973**

Consolidated statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2021	5,758	93,837	-2,690	57,589	154,494	155	154,649
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
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	728	728	4	732
Other net comprehensive income	0	0	0	61	61	0	61
Other	0	0	0	0	0	0	0
Balance at 30 June 2021	5,758	93,837	-2,690	58,378	155,283	159	155,442
Balance at 1 January 2020	5,758	93,837	-2,690	53,386	150,291	150	150,441
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
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	951	951	-32	919
Other net comprehensive income	0	0	0	-60	-60	0	-60
Other	0	0	0	0	0	0	0
Balance at 30 June 2020	5,758	93,837	-2,690	54,277	151,182	118	151,300
Balance at 1 January 2020	5,758	93,837	-2,690	53,386	150,291	150	150,441

Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
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	4,260	4,260	5	4,265
Other net comprehensive income	0	0	0	-57	-57	0	-57
Other	0	0	0	0	0	0	0
Balance at 31 December 2020	5,758	93,837	-2,690	57,589	154,494	155	154,649

Consolidated statement of cash flows

	6 months ended 30-06-2021	6 months ended 30-06-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	1,544	1,620
Adjustments for:		
Depreciation and amortisation	6,143	6,691
Foreign exchange gains / (losses)	-85	-9
Interest and share in profit (dividends)	392	898
Gain / (loss) on disposal of investments	-130	-30
Operating profit (loss) before changes in working capital	7,864	9,170
Change in receivables and retentions on construction contracts	13,821	95,574
Change in inventories	-18,575	-6,045
Change in provisions and liabilities under employee benefits	2,641	1,854
Change in payables and retentions on construction contracts	-57,286	-65,989
Change in measurement of construction contracts	32,102	-47,708
Change in accruals	32,406	23,414
Change in advance payments	2,427	-2,765
Change in other assets	-736	-109
Other adjustments	109	0
Income tax paid / tax refund	-70	-2
NET CASH FROM OPERATING ACTIVITIES	14,703	7,394
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	432	66
Purchase of property, plant and equipment and intangible assets	-3,277	-3,814
Advanced loans	0	-17
Repayment of advanced loans	35	0
Interest received	2	10
NET CASH FROM INVESTING ACTIVITIES	-2,808	-3,755
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	3,400	0
Repayment of loans and bank credits	-8,246	-5,906
Decrease in lease liabilities	-5,023	-6,282
Lease interest paid	-502	-533
Other interest paid	-204	-506
NET CASH FLOWS FROM FINANCING ACTIVITIES	-10,575	-13,247
TOTAL NET CASH FLOWS	1,320	-9,608
Net foreign exchange gains / (losses)	85	9
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23,487	30,378
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	24,892	20,779
- of limited availability	1,045	843

Notes to the condensed consolidated financial statements of the Capital Group

1. General information

1.1. Consolidated companies

Consolidated companies as at 30 June 2021:

Company name	Registered office	Interests as at		Consolidation method
		30 June 2021	31 December 2020	
ZUE S.A.	Cracow	Parent Company	Parent Company	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	85%	85%	Full

ZUE is entitled to manage the financial and operating policy of BPK Poznań and Railway gft because as at 30 June 2021, it held a 100% and an 85% interest, respectively, in the companies.

As at 30 June 2021, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

As at 30 June 2021, Railway Technology International Sp. z o.o. held 100% of shares in Railway Technology International Germany GmbH in liquidation. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Germany GmbH in liquidation was not consolidated. On 14 July 2021, RTI Germany was removed from the register maintained by the District Court in Dresden.

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

No changes in the Group's structure occurred between the beginning of 2021 and the date of this report approval.

On 12 July 2021, the Extraordinary Shareholders Meeting of RTI resolved to increase the share capital of RTI from PLN 260 thousand to PLN 280 thousand through the creation of 400 new shares with the nominal value of PLN 50 each. All the new shares with the total nominal value of PLN 20 thousand were acquired by the existing shareholder, namely ZUE.

On 14 July 2021, RTI Germany was removed from the register maintained by the District Court in Dresden. Accordingly, the company is no longer within the Capital Group.

1.3. Core business of the Capital Group

The core business of the Capital Group did not change. The Management Board Report for the first half of 2021 contains a detailed description of the Group's activities.

1.4. 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 zloty, unless specific circumstances require greater details.

2. Operational information

2.1. Major events after the end of the reporting period

On 3 August 2021, the Company learnt about the selection of the tender submitted by the Company as the most economically advantageous offer in the tender procedure for the project named: "Reconstruction of the tram line along the Jana Pawła II Street, from the Plac Centralny to the Ptaszyckiego Street and from the Ptaszyckiego Street to the Bardosa Street, including the reconstruction of OCL network, dehydration and reconstruction of colliding technical infrastructure." The Company informed about the submission of the lowest price tender in the current report 17/2021. Contracting Authority: Zarząd Dróg Miasta Krakowa. Net value of the tender submitted by the Company: PLN 27.2m. Gross value of the tender submitted by the Company: PLN 33.4m. Completion date: 10 months of the site delivery. **(Current report 20/2021)**

On 5 August 2021, the Company learnt about the selection of the tender submitted by the Company as the most economically advantageous offer in the tender procedure for the project named: "Reconstruction of the tram line with traction in the Nabrzeże Wieleckie, Nowa, Dworcowa, Kolumba, Chmielewskiego and Smolańska Streets, and the Powstańców Wlkp. Avenue and extension of the Pomorzany terminus in Szczecin." The Company informed about the tender in the current report 18/2021. Net value of the tender submitted by the Company: PLN 213m. Gross value of the tender submitted by the Company: PLN 262m. Completion date: 720 calendar days of the contract conclusion date. **(Current report 21/2021)**

On 11 August 2021, the Company learnt about ZUE's submission of the lowest price e-tender in the tender procedure for the project named: "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." Gross total value of the tender submitted by the Company: PLN 84.9m (the net value of PLN 69.0m). The tender is divided into the three sections: Main scope – the gross value of PLN 44.3m (the net value of PLN 36.0m), Option 1 – the gross value of PLN 24.9m (the net value of PLN 20.2m), Option 2 – the gross value of PLN 15.8m (the net value of PLN 12.8m). Option 1 and Option 2 will be carried out depending on the Contracting Authority's decision. Completion date: Main scope: 15 months of the contract conclusion date; Option 1 and Option 2: 22 months of the date of the statement made by the Contracting Authority. **(Current report 22/2021)**

2.2. 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.

The coronavirus epidemic or the related restrictions did not have any material influence on the Group's financial results achieved in the first half of 2021. Despite the restrictions, the Group continued to operate in all operating segments.

The Management Board of ZUE believe there are no indicators of impairment or any reasons for the recognition of additional provisions in connection with the pandemic. There are no major changes to the scope of operating activities. The Group's predictions about the performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Company's key assets.

2.3. Impact of the COVID-19 pandemic on the Group's activity

At the end of the reporting period or at the date of preparation of this report, there are no major disruptions to construction processes or the chain of supplies caused by the COVID-19 restrictions which could influence the Group's financial results. The situation is monitored on an ongoing basis.

The Management Board of ZUE state there are no indicators of impairment or any reasons for the recognition of additional provisions in connection with the pandemic. There are no major changes to the scope of operating activities. The Group's predictions about further performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Company's key assets.

The Management Board's activities relating to COVID-19 are discussed in detail in the Management Board Report for the first half of 2021.

2.4. 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 snow in winter, many tasks are stopped or slowed down to meet technological regimes.

Another factor with an impact on the seasonal nature of the industry is the fact that investment and modernisation projects on the construction market primarily take place in spring, summer and autumn.

3. Corporate information

3.1. Issue and redemption of debt and equity securities

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

3.2. Dividend

No dividend was paid the Company in the reporting period.

On 10 May 2021, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2020 of PLN 4,362 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 25 May 2021.

On 22 June 2021, the Company's Ordinary General Meeting resolved to allocate the entire net profit for 2020 to reserve funds.

4. Financial information

4.1. Factors and events with significant influence on the Group's financial results for the first half of 2021

The Group's revenue is generated mainly from construction activities carried out by ZUE (90% of the Group's revenue in the first half of 2021). The Company delivers construction projects on the railway and urban market. At present, the railway industry is between the projects financed under the previous EU perspective and the projects intended under the current perspective. Like other entities operating in the same industry, the Company is waiting for the key tenders to be announced while performing the contracts in progress. The market will see most of the new contracts not before the last quarter of 2021. They will mainly include the "build" contracts. There is a considerable number of projects on the urban market and the Company takes advantage of this fact by winning new contracts. ZUE S.A. has submitted the three most advantageous tenders with the total value of approx. PLN 371m. Since the beginning of 2021, the Company has entered into the contracts worth approx. PLN 68m.

In the reporting period, the Group generated sale revenue to the tune of PLN 362,415 thousand – down by 5% compared to the figure reported in the first half of 2020. ZUE's sales revenue amounted to PLN 332,237 thousand. A decrease in revenue and the related drop in gross margin result from unfavourable weather conditions in the first quarter of 2021 and the settlement of contracts won in the difficult times of 2016-2017.

4.2. Notes to the statement of comprehensive income

4.2.1. Revenue

	Period ended 30-06-2021	Period ended 30-06-2020
Revenue from construction contracts	326,215	352,738
Revenue from the rendering of services	3,331	6,204
Revenue from the sale of goods, raw and other materials	32,869	23,477
Total	362,415	382,419

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 certain tasks have been completed.

In 2021, the Group provided services in Poland. In addition, the Group earned the revenue of PLN 272 thousand from the sale of materials to Russia and Germany.

Concentration of revenue which exceeds 10% of total sales revenue

	Period ended 30-06-2021	Period ended 30-06-2020
Counterparty A	296,482	268,934

4.2.2. Operating expenses

	Period ended 30-06-2021	Period ended 30-06-2020
Change in products	-3,522	-1,765
Depreciation and amortization	6,143	6,691
Consumption of materials and energy, including:	61,609	76,360
- consumption of materials	58,408	73,202
- consumption of energy	3,201	3,158
Contracted services	203,954	209,944
Costs of employee benefits	61,606	58,099
Taxes and charges	854	824
Other expenses	6,060	8,125
Value of goods and materials sold	27,347	20,922
Total	364,051	379,200

	Period ended 30-06-2021	Period ended 30-06-2020
Cost of sales	352,371	367,660
General and administrative expenses	11,680	11,540
Total	364,051	379,200

Depreciation and amortisation

	Period ended 30-06-2021	Period ended 30-06-2020
Depreciation of property, plant and equipment	4,276	5,705

Depreciation of right-of-use assets	1,653	743
Amortisation of intangible assets	24	53
Depreciation of investments in real estate	190	190
Total	6,143	6,691

4.2.3. Other operating income

	Period ended 30-06-2021	Period ended 30-06-2020
Gain on disposal of assets	155	36
Gain on disposal of non-current assets	155	36
Other operating income	3,763	597
Damages and penalties	2,884	172
Release of allowances for receivables	573	107
Refund of the costs of court proceedings	16	1
Substitute performance	229	13
Release of write-downs of inventories	6	5
Subsidies	0	256
Other	55	43
Total	3,918	633

4.2.4. Other operating expenses

	Period ended 30-06-2021	Period ended 30-06-2020
Loss on disposal of assets	0	6
Loss on disposal of non-current assets	0	6
Other operating expenses	411	1,461
Donations	2	0
Allowances for receivables	85	1,055
Costs of litigations	32	339
Substitute performance	229	13
Other	63	54
Total	411	1,467

4.2.5. Financial income

	Period ended 30-06-2021	Period ended 30-06-2020
Interest income	196	136
Interest on bank deposits	66	57
Interest on receivables	130	79
Other financial income	88	179
Foreign exchange gains	23	0
Discount of long-term items	27	167
Other	38	12
Total	284	315

4.2.6. Financial expenses

	Period ended 30-06-2021	Period ended 30-06-2020
Interest expenses	561	934
Interest on bank credits	79	178
Interest on loans	129	331
Interest on leases	331	382
Interest on trade and other payables	22	43
Other financial expenses	50	146
Foreign exchange losses	32	126
Discount of long-term items	7	0
Other	11	20
Total	611	1,080

4.2.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 30-06-2021	Period ended 30-06-2020
Current income tax	867	2
Deferred tax	-55	699
Total tax expense/income	812	701

Current income tax

	Period ended 30-06-2021	Period ended 30-06-2020
Gross profit (loss)	1,544	1,620
Difference between gross profit (loss) and income tax base:	1,955	-10,873
- 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	44,594	-10,873
- other differences (including loss carried forward)	-42,639	0
Income/Loss	3,499	-9,253
Income tax base	4,562	12
Income tax at the applicable rate of 19%	867	2
Tax increases, waivers, exemptions, deductions and reductions	0	0
Current income tax	867	2

Income tax according to effective interest rate

	Period ended 30-06-2021	Period ended 30-06-2020
Gross profit (loss)	1,544	1,620
Income tax at the applicable rate of 19%	293	308
Effect of tax recognition of:	360	-2,106
- Use of tax losses brought forward	8,102	0
- Costs that are not tax-deductible under tax regulations	8,278	6,585

- Revenue not classified as revenue under tax regulations	-5,955	9,158
- Tax-deductible expenses not classified as balance sheet expenses	5,774	-489
- Taxable revenue not classified as balance sheet revenue	3	-22
Revaluation of deferred tax assets (current year loss)	214	1,800
Deferred tax	-55	699
Income tax according to effective tax rate	812	701
Effective tax rate	53%	43%

Current tax assets and liabilities

	Balance at 30-06-2021	Balance at 31-12-2020
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	802	5

Deferred tax

	Period ended 30-06-2021	Period ended 30-06-2020
Deferred tax balance at the beginning of the period	14,428	20,154
Temporary differences relating to deferred tax assets:	51,584	45,815
Provisions for expenses and accruals	28,050	25,292
Discount of receivables	137	161
Operating lease liabilities	2,593	2,096
Write-downs	942	1,458
Bonds and insurances accounted for over time	1,561	1,778
Tax work in progress	11,916	14,254
Measurement of long-term contracts	6,067	496
Other	318	280
Temporary differences relating to deferred tax liabilities:	41,090	42,948
Measurement of long-term contracts	27,189	29,950
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,186	12,362
Discount of payables	715	627
Other	0	9
Unutilised tax losses and other tax credits carried forward:	3,998	16,602
Tax losses	3,998	16,602
Total temporary differences relating to deferred tax assets:	55,582	62,417
Total temporary differences relating to deferred tax liabilities:	41,090	42,948
Deferred tax balance at the end of the period	14,492	19,469
Change in deferred tax, including:	64	-685
- recognised in income	55	-699
- recognised in equity	9	14

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

4.2.8. Operating segments

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

- Construction;
- Design; and
- Sales.

The segments jointly meet the following rules:

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

The construction activities conducted by ZUE include the construction and comprehensive modernisation of city transport systems, the construction and comprehensive modernisation of railway lines and services relating to power engineering and power electronics and civil structures.

Design activities relating to urban and railway transport systems complement the construction activities. This segment includes the contracts performed by BPK Poznań.

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.

Operating segments' results in H1 2021:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	332,237	30,530	4,911	-5,263	362,415
including:					
Revenue from external customers	331,941	26,760	3,392	322	362,415
Inter-segment revenues	296	3,770	1,519	-5,585	0
including:					
Revenue from construction contracts	322,504	0	4,911	-1,200	326,215
Revenue from the provision of services	3,572	52	0	-293	3,331
Revenue from the sale of goods, raw and other materials	6,161	30,478	0	-3,770	32,869
Gross profit	7,657	1,502	994	-109	10,044
Financial income / expenses	-58	-238	-41	10	-327
Interest received	9	0	0	-7	2
Interest paid	-629	-75	-10	8	-706
Pre-tax profit	1,772	100	-266	-62	1,544
Corporate income tax	665	14	145	-12	812
Net profit	1,107	86	-411	-50	732
Depreciation and amortisation	6,054	9	80	0	6,143
Property, plant and equipment	62,316	24	121	41	62,502
Non-current assets	170,395	475	840	-586	171,124
Total assets	508,959	17,256	12,437	-7,394	531,258
Total liabilities	354,195	16,231	12,401	-7,011	375,816

The Group operated in Poland in the first half of 2021. In addition, the Group earned the revenue of PLN 272 thousand from the sale of materials to Russia and Germany.

Operating segments' results in H1 2020:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	357,787	25,653	5,492	-6,513	382,419
including:					
Revenue from external customers	355,485	21,996	4,938	0	382,419
Inter-segment revenues	2,302	3,657	554	-6,513	0
including:					
Revenue from construction contracts	349,827	0	5,492	-2,581	352,738
Revenue from the provision of services	6,439	36	0	-271	6,204
Revenue from the sale of goods, raw and other materials	1,521	25,617	0	-3,661	23,477
Gross profit	13,046	1,130	824	-241	14,759
Financial income / expenses	-312	-414	-58	19	-765
Interest received	19	0	0	-9	10
Interest paid	-913	-134	-22	10	-1,059
Pre-tax profit	2,220	-232	159	-209	1,620
Corporate income tax	726	22	-7	-40	701
Net profit	1,494	-254	-152	-169	919
Depreciation and amortisation	6,606	1	93	-9	6,691
Property, plant and equipment	66,752	4	197	28	66,981
Non-current assets	176,291	390	889	-347	177,223
Total assets	473,906	13,117	18,159	-5,980	499,202
Total liabilities	323,181	12,411	17,938	-5,628	347,902

The Group operated in Poland in the first half of 2020. In addition, the Group earned the revenue of PLN 449 thousand from the sale of materials to Russia and Germany.

4.3. Contracts, provisions, write-downs and accruals

4.3.1. Construction contracts

	Balance at 30-06-2021	Balance at 31-12-2020
Assets (selected items)	197,978	185,048
- Measurement of long-term construction contracts	143,101	146,929
- Advance payments made in connection with performed contracts	3,574	3,123
- Retentions on construction contracts retained by customers	11,964	12,886
- Inventories	39,339	22,110
Liabilities (selected items)	223,984	159,805
- Measurement of long-term construction contracts	31,933	3,659
- Provisions for contract costs	96,717	64,169

- Advance payments received in connection with performed contracts	31,719	28,841
- Retentions on construction contracts retained for suppliers	37,905	38,214
- Provisions for warranty claims	18,338	16,850
- Provisions for expected losses on contracts	7,372	8,072

4.3.2. Provisions

Change in provisions

Provisions	01-01-2021	Created	Used	Released	Reclassified	30-06-2021	Item
Long-term provisions:	16,497	2,071	97	44	-244	18,183	
Provisions for employee benefits	1,411	403	0	44	0	1,770	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,086	1,668	97	0	-244	16,413	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	32,586	13,209	9,807	3,545	244	32,687	
Provisions for employee benefits	22,713	11,352	9,758	946	0	23,361	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,764	0	40	43	244	1,925	Short-term provisions
Provision for loss on contracts	8,072	1,856	0	2,556	0	7,372	Short-term provisions
Other provisions	37	1	9	0	0	29	Short-term provisions
Total provisions:	49,083	15,280	9,904	3,589	0	50,870	

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	01-01-2020	Created	Used	Released	Reclassified	31-12-2020	Item
Long-term provisions:	14,541	4,200	272	877	-1,095	16,497	
Provisions for employee benefits	2,092	196	0	877	0	1,411	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,449	4,004	272	0	-1,095	15,086	Long-term provisions

Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	35,539	29,519	17,390	16,177	1,095	32,586	
Provisions for employee benefits	19,597	22,425	17,275	2,034	0	22,713	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,742	55	103	1,025	1,095	1,764	Short-term provisions
Provision for loss on contracts	14,193	6,997	0	13,118	0	8,072	Short-term provisions
Other provisions	7	42	12	0	0	37	Short-term provisions
Total provisions:	50,080	33,719	17,662	17,054	0	49,083	

4.3.3. Allowances

Changes in allowances

Allowances	01-01-2021	Creation	Use	Write-down of unused amounts	30-06-2021
Allowances:	26,064	7,181	3,653	0	29,592
Write-downs of investment property	770	0	0	0	720
Write-downs of inventories	191	0	6	0	185
Allowances for trade receivables in connection with the increase of credit risk	24,914	7,181	3,647	0	28,448
Allowances for trade receivables – initial for expected credit losses	189	0	0	0	189
Total:	26,064	7,181	3,653	0	29,592

Allowances in connection with the increase of credit risk of PLN 28,448 thousand include, in particular:

- Debit notes issued by the Group for penalties, damages and substitute performance. The amount is for presentation purposes only because the notes are not the Group's revenue at the date of issue.
- Receivables under court and enforcement cases.
- Doubtful debt.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 573 thousand and the creation of allowances of PLN 85 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:

Allowances	01-01-2021	Creation	Use	Write-down of unused amounts	30-06-2021
Allowances:	21,045	7,672	1,436	1,217	26,064
Write-downs of investment property	1,770	0	0	1,000	770

Write-downs of inventories	197	0	6	0	191
Allowances for trade receivables in connection with the increase of credit risk	18,889	7,672	1,430	217	24,914
Allowances for trade receivables – initial for expected credit losses	189	0	0	0	189
Total:	21,045	7,672	1,436	1,217	26,064

4.3.4. Accruals

	Balance at 30-06-2021	Balance at 31-12-2020
Provisions for contract costs	96,717	64,169
Other accruals	1,305	1,448
Total	98,022	65,617

4.4. Trade and other receivables and payables

4.4.1. Trade and other receivables

	Balance at 30-06-2021	Balance at 31-12-2020
Trade receivables	161,426	170,035
Allowances for trade receivables in connection with the increase of credit risk	-28,448	-24,914
Allowances for trade receivables – initial for expected credit losses	-189	-189
Other receivables	4,333	4,290
Total trade and other receivables	137,122	149,222

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:

	Balance at 30-06-2021	Balance at 31-12-2020
Counterparty A	102,173	109,457

The concentration of credit risk is limited due to the fact that the creditability of the abovementioned counterparty 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 the Company believe there is no need to create additional provisions.

4.4.2. Trade and other payables

	Balance at 30-06-2021	Balance at 31-12-2020
Trade payables	73,408	131,382
Liabilities to the state budget other than corporate income tax	5,326	3,475
Other payables	239	216
Total trade and other payables	78,973	135,073

4.5. Credits, loans and leases

4.5.1. Loans and bank credits

	Balance at 30-06-2021	Balance at 31-12-2020
Long-term	0	4,443
Bank credits	0	0
Loans received	0	4,443
Short-term	12,708	13,108
Bank credits	3,550	3,950
Loans received	9,158	9,158
Total	12,708	17,551

Summary of loan and credit agreements as at 30 June 2021

No.	Bank	Description	Principal/limit according to the agreement as at 30-06-2021	Amount of available loans/credits as at 30-06-2021	Use as at 30-06- 2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		0	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	25,000	25,000	0		
		non-revolving working capital credit	25,000	25,000	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	8,888	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000			1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	14,116	50,884		
		Overdraft	4,000	4,000	0		

5	mBank S.A.	Working capital credit	3,650	0	3,550	1M WIBOR + margin	May 2022
6	Magdalena Lis	Loan agreement	270	0	270	3M WIBOR + margin	Unspecified
Total amount of available loans and credits			39,000				
Total debt under loans and credits					12,708		
Total use for bonds					50,884		

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

Types of security and liabilities under loan and credit agreements:

1. Overdraft:

- a) Financial pledge on cash kept on customer's bank accounts maintained by the Bank,
- 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.

2. Master Agreement:

- a) Contractual mortgage up to PLN 35,420 thousand on the land in Cracow,
- b) Security deposit established each time for the bond 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. Loan Agreement:

- a) Contractual mortgage up to PLN 30,000 thousand on the real estate situated in Kościelisko,
- b) Registered pledge on non-current assets – machinery and equipment owned by the Company,
- c) Assignment of rights under insurance policy,
- d) Assignment of claims under contracts,
- e) Promissory note with declaration,
- f) Statement on submission to enforcement.

4. Premium multi-purpose line of credit agreement:

- a) Blank promissory note with declaration,
- b) Assignment of claims under contract,
- c) Credit repayment guarantee provided by BGK as part of PLG FGP guarantee line for 80% of the Credit; i.e. not more than PLN 52m.

5. Working capital credit:

- a) ZUE's guarantees,
- b) Registered pledge on inventories,
- c) Blank promissory note with declaration,
- d) Statement on submission to enforcement,
- e) Assignment of rights under insurance policy,
- f) Financial pledge on cash kept on the company's bank accounts maintained by the Bank.

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

- mBank – Working capital credit (item 5) – on 26 January 2021, a subsidiary signed an annex to the Working capital credit agreement whereby the repayment date was extended until 31 May 2021 and a new repayment schedule was prepared.
- mBank – Master agreement (item 2) – on 3 March 2021, the Company repaid the credit granted on 10 June 2020 before the deadline specified in the schedule.
- BNP Paribas – Premium multi-purpose line of credit agreement (item 4) – on 22 March 2021, the Company received a signed annex to the premium multi-purpose line of credit agreement entered into with BNP Paribas S.A. Under the annex, the limit granted to the Company was raised to PLN 65m and the security was changed accordingly. The tenor did not change.
- mBank – Master agreement (item 2) – on 31 May 2021, an annex was signed by the Company whereby the maturity date was extended by one year.
- mBank – Working capital credit (item 5) – on 31 May 2021, a subsidiary signed an annex whereby the repayment date was extended by one year and a new repayment schedule was prepared.

The following amendments were made after the end of the reporting period:

- mBank – Overdraft (item 1) – on 6 July 2021, the Company signed an annex whereby the repayment date was extended by one year.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2020	Amount of available loans/credits as at 31-12-2020	Use as at 31-12-2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		0	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	21,600	21,600	0		
		sublimit for non-revolving working capital credit	3,400	3,400	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	13,333	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	30,000			1M WIBOR + margin	July 2022
	including:	sublimit for bonds	30,000	3,907	26 093		
		Overdraft	3,907	3,907	0		
5	mBank S.A.	Working capital credit	3,950	0	3,950	1M WIBOR + margin	January 2021
6	Magdalena Lis	Loan agreement	268	0	268	3M WIBOR + margin	Unspecified
Total amount of available loans and credits				17,307			
Total debt under loans and credits					17,551		
Total use for bonds					26,093		

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

4.5.2. Leases

Lease liabilities

	Balance at 30-06-2021	Balance at 31-12-2020
Long-term lease liabilities	12,559	12,020
Short-term lease liabilities	8,257	9,130
Total	20,816	21,150

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

In the reporting period, the Group signed leases for the total amount of PLN 4,852 thousand and bought the leased assets of the total net value of PLN 2,145 thousand.

4.6. Other notes to the financial statements

4.6.1. 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 information 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 information 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.

The goodwill of BPK Poznań is fully assigned to the design activity segment.

	Balance at 30-06-2021	Balance at 31-12-2020
At cost		
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
Balance at the end of the reporting period	31,172	31,172

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 the Company's assets. The impairment tests carried out as at 31 December 2020 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 30 June 2021, the Group reviewed the assumptions used to carry out the test and stated 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.

4.6.2. 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 3,277 thousand.

As at 30 June 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 248 thousand.

As at 30 June 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,913 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 1,718 thousand;
- Implementation of a new ERP system – PLN 895 thousand;
- Purchase of trucks – PLN 384 thousand.

In the first half of 2021, the Group sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 261 thousand. No property, plant and equipment or intangible assets were sold by the Group in the first half of 2020.

4.6.3. 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 June 2021.

Balance at 30 June 2021

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	12,679	0	0	0	39,895
Trade receivables	161,426	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	306	0	0	0	0
Cash and cash equivalents	24,892	0	0	0	0
Loans and bank credits	0	0	0	0	12,708
Lease liabilities	0	0	0	0	20,816
Lease liabilities relating to assets held for sale	0	0	0	0	355
Trade payables	0	0	0	0	73,408
Total	199,303	0	0	0	147,218

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 2020

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	13,569	0	0	0	40,197
Trade receivables	170,035	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	450	0	0	0	0
Cash and cash equivalents	23,487	0	0	0	0
Loans and bank credits	0	0	0	0	17,551
Lease liabilities	0	0	0	0	21,150
Lease liabilities relating to assets held for sale	0	0	0	0	366
Trade payables	0	0	0	0	131,382
Total	207,541	0	0	0	210,682

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

4.6.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	0	0	0
Total	3	0	0	0

	Revenue		Purchases	
	Period ended		Period ended	
	30-06-2021	30-06-2020	30-06-2021	30-06-2020
RTI	2	2	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	0	0	0
Total	4	2	0	0

	Advanced loans		Financial income (interest on loans)	
	Balance at		Period ended	
	30-06-2021	31-12-2020	30-06-2021	30-06-2020
RTI	10	10	0	0
RTI Germany	11	155	0	0
Wiesław Nowak	0	0	0	0
Total	21	165	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.

In the reporting period, ZUE and RTI Germany signed the agreement with an annex whereby the loans of EUR 25,000 were partially cancelled and the repayment of the remaining balance was extended until 20 December 2021. The loan was repaid in full after the end of the reporting period on 3 August 2021.

On the basis of the notarial deed of PLN 12 July 2021, ZUE acquired 400 newly created RTI shares with the total nominal value of PLN 20 thousand. The shares were paid up in cash.

On 3 August 2021, the loan between ZUE and RTI of 22 July 2020 was fully repaid.

Remuneration of key management personnel

	Period ended 30-06-2021	Period ended 30-06-2020
Management Board	3,338	2,987
Proxy	225	378
Supervisory Board	133	133
Total	3,696	3,498

The remuneration of the Supervisory Board includes only the remuneration paid to Members for their service on the Board.

In 2020, the Company also presented the remuneration paid to the Supervisory Board Members under employment contracts. In order to make the financial statements clearer, the amount for the year 2020 was adjusted for the remuneration payable under an employment contract.

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

Court cases are discussed in detail in the Management Board Report on the activities of ZUE Capital Group for the first half of 2021.

Pending court proceedings did not have any material influence on these financial statements.

4.6.6. 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. Accordingly, the tax risk in Poland is much higher than that in the countries with more mature tax systems.

Tax settlements may be inspected within five years of 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 June 2021 or 31 December 2020.

4.6.7. Contingent assets and contingent liabilities

Contingent assets

	Balance at 30-06-2021	Balance at 31-12-2020
Bonds	91,975	99,913
Guarantees	59	60
Promissory notes	746	822
Total	92,780	100,795

Contingent assets in the form of bonds and guarantees 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 Company received promissory notes from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

Contingent liabilities

	Balance at 30-06-2021	Balance at 31-12-2020
Bonds	527,669	547,326
Guarantees	15,854	15,056
Promissory notes	319,175	333,682
Mortgages	81,529	81,529
Pledges	151,895	171,161
Total	1,096,122	1,148,754

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 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 clients 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 the loan agreement with ARP.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A. and mBank S.A., and to secure the loan agreement entered into with ARP. The pledged assets include wagons, pile driver, maintenance train, engine and profiling machine.

Apart from the registered pledges, there is a financial pledge over the borrower's bank accounts to secure the agreements between the Company and mBank S.A.

4.6.8. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 June 2021 or 31 December 2020.

4.6.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the six months ended 30 June 2021 or the six months ended 30 June 2020.

4.7. Other notes to the financial statements

4.7.1. 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 June 2021 as endorsed by the European Union.

The consolidated financial statements for the six months ended 30 June 2021 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 2021:

- **Amendments to IFRS 4 "Insurance Contracts" – Deferral of effective date of IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 - IBOR reform** (effective for annual periods beginning on or after 1 January 2021 with earlier application permitted).

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

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

Standards and interpretations published and endorsed by the EU but not yet effective at the date of approval of the financial statements:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – clarification of costs considered in assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IFRS 3 "Business Combinations"** – updated reference to Conceptual Framework (effective for reporting periods beginning after 1 January 2022 with earlier application permitted);
- **Annual improvements 2018-2020** – the improvements clarify the guidelines for recognition and measurement: IFRS 1 "First-time Adoption of International Financial Reporting Standards," IFRS 9 "Financial Instruments," IAS 41 "Agriculture" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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:

- **Amendments to IFRS 16 "Leases" – COVID-19-Related Rent Concessions beyond 30 June 2021** published on 31 March 2021 (effective for annual periods beginning on or after 1 April 2021);
- **Amendment to IFRS 16 "Leases" – COVID-19-Related Rent Concessions** published on 28 May 2020 (effective for annual periods beginning on or after 1 June 2021 with earlier application permitted);
- **Annual improvements 2018-2020** – the improvements clarify the guidelines for recognition and measurement and illustrative examples of IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **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 – Classification of Liabilities as Current or Non-Current"** (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 with earlier application permitted);
- **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).

4.7.2. Important accounting principles

4.7.2.1. 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 Group's ability to continue its operations include liquidity, proper backlog and market situation.

In the six months ended 30 June 2021, the Group recognised the sales revenue of PLN 362.4m and the gross profit on sales of PLN 10m. As at 30 June 2021, the Group presented the total current assets of PLN 356.8m, including trade and other receivables of PLN 137.1m and the cash of approx. PLN 24.9m. At the end of the reporting period, the Group had the backlog worth approx. PLN 1,226m and was in the process of winning new contracts.

Accordingly, 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 and 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.

4.7.2.2. Preparation basis

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

4.7.2.3. Comparability of financial information

No changes in the presentation of financial information have been made in the comparative periods, except for the following changes.

A separate item, namely "Lease liabilities relating to assets held for sale," was presented by the Company in the statement of financial position. Previously, the item was recognised in lease liabilities.

The table below presents the effect of changes on the separate statement of financial position:

	Restated	Approved	
	Balance at	Balance at	Effect of
	31-12-2020	31-12-2020	changes
ASSETS			
Non-current assets			
Total non-current assets	168,539	168,539	0
Current assets			
Current assets	353,094	353,094	0
Assets held for sale	3,340	3,340	0
Total current assets	356,434	356,434	0
Total assets	524,973	524,973	0
EQUITY AND LIABILITIES			
Equity			
Total equity	154,649	154,649	0
Non-current liabilities			
Non-current lease liabilities	12,020	12,386	-366
Total non-current liabilities	51,910	52,276	-366
Current liabilities			
Total current liabilities	318,048	318,048	0
Lease liabilities relating to assets held for sale	366	0	366
Total liabilities	370,324	370,324	0
Total equity and liabilities	524,973	524,973	0

4.7.2.4. Applied accounting principles

These consolidated financial statements for the six months ended 30 June 2021 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Group as at 31 December 2020. The financial statements for the financial year ended 31 December 2020 contain a detailed description of the accounting principles adopted by the Group.

These half-yearly 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 financial statements of ZUE and the annual consolidated financial statements of the Group.

4.7.3. 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 policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying 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. 4.6.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 4.3.3.)

Provisions (note no. 4.3.2.)

Measurement of long-term construction contracts (note no. 4.3.1.)

Deferred income tax (note no. 4.2.7.)

Contingent assets and contingent liabilities (note no. 4.6.7.)

Uncertainty over tax settlements (note no. 4.6.6.)

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 revenues 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 6 MONTHS ENDED 30 JUNE 2021**

Cracow, 18 August 2021

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

Separate statement of comprehensive income

Continuing operations	Note no.	6 months ended 30-06-2021	6 months ended 30-06-2020
Sales revenue	2.1.1.	332,237	357,787
Cost of sales	2.1.2.	324,580	344,741
Gross profit (loss) on sales		7,657	13,046
General and administrative expenses	2.1.2.	9,360	9,426
Other operating income	2.1.3.	3,896	299
Other operating expenses	2.1.4.	363	1,387
Operating profit (loss)		1,830	2,532
Financial income	2.1.5.	420	496
Financial expenses	2.1.6.	478	808
Pre-tax profit (loss)		1,772	2,220
Corporate income tax	2.1.7.	665	726
Net profit (loss) from continuing operations		1,107	1,494
Net profit (loss)		1,107	1,494
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		61	-60
Actuarial gains (losses) relating to specific benefit schemes		61	-60
Total other net comprehensive income		61	-60
Total comprehensive income		1,168	1,434
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.05	0.06
Total comprehensive income per share (PLN)		0.05	0.06

Separate statement of financial position

	Note no.	Balance at 30-06-2021	Restated Balance at 31-12-2020
ASSETS			
Non-current assets			
Property, plant and equipment		62,316	63,380
Investment property		6,311	6,497
Intangible assets		2,921	2,047
Right-of-use assets		43,857	41,675
Goodwill	2.5.1.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts		9,090	8,472
Deferred tax assets	2.1.7.	14,507	14,296
Advanced loans		0	22
Total non-current assets		170,395	167,782
Current assets			
Inventories		39,339	22,110
Trade and other receivables	2.3.1.	127,245	141,335
Measurement of long-term construction contracts	2.2.1.	134,149	138,371
Retentions on construction contracts		2,504	4,042
Advance payments		4,143	3,692
Current tax assets	2.1.7.	0	0
Advanced loans		3,692	1,702
Other assets		1,154	462
Cash and cash equivalents		22,794	20,230
Current assets		335,020	331,944
Assets held for sale		3,544	3,544
Total current assets		338,564	335,488
Total assets		508,959	503,270

EQUITY AND LIABILITIES

Equity

Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		57,859	56,691
Total equity		154,764	153,596

Non-current liabilities

Long-term loans and bank credits	2.4.1.	0	4,443
Non-current lease liabilities	2.4.2.	12,472	11,925
Retentions on construction contracts		19,059	17,841
Liabilities under employee benefits		1,698	1,358
Long-term provisions	2.2.2.	15,961	14,670
Total non-current liabilities		49,190	50,237

Current liabilities

Trade and other payables	2.3.2.	70,092	127,583
Accruals	2.2.4.	94,169	61,490
Measurement of long-term construction contracts	2.2.1.	31,834	3,310
Retentions on construction contracts		17,288	18,911
Advance payments		31,619	28,741
Short-term loans and bank credits	2.4.1.	8,888	8,890
Current lease liabilities	2.4.2.	8,188	9,051
Other financial liabilities		36	36
Liabilities under employee benefits		32,256	31,188
Current tax liabilities	2.1.7.	802	0
Short-term provisions	2.2.2.	9,478	9,871

Total current liabilities

Lease liabilities relating to assets held for sale

		304,650	299,071
		355	366
Total liabilities		354,195	349,674
Total equity and liabilities		508,959	503,270

Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at	1 January 2021	5,758	93,837	-2,690	56,691	153,596
Payment of dividend		0	0	0	0	0
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	1,107	1,107
Other net comprehensive income		0	0	0	61	61
Balance at	30 June 2021	5,758	93,837	-2,690	57,859	154,764
Balance at	1 January 2020	5,758	93,837	-2,690	52,386	149,291
Payment of dividend		0	0	0	0	0
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	1,494	1,494
Other net comprehensive income		0	0	0	-60	-60
Balance at	30 June 2020	5,758	93,837	-2,690	53,820	150,725
Balance at	1 January 2020	5,758	93,837	-2,690	52,386	149,291
Payment of dividend		0	0	0	0	0
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	4,362	4,362
Other net comprehensive income		0	0	0	-57	-57
Balance at	31 December 2020	5,758	93,837	-2,690	56,691	153,596

Separate statement of cash flows

	6 months ended 30-06-2021	6 months ended 30-06-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	1,772	2,220
Adjustments for:		
Depreciation and amortisation	6,054	6,606
Foreign exchange gains / (losses)	-85	-9
Interest and share in profit (dividends)	294	739
Gain / (loss) on disposal of investments	-130	6
Operating profit (loss) before changes in working capital	7,905	9,562
Change in receivables and retentions on construction contracts	15,009	92,343
Change in inventories	-17,230	-6,625
Change in provisions and liabilities under employee benefits	2,357	1,062
Change in payables and retentions on construction contracts	-57,968	-65,224
Change in measurement of construction contracts	32,746	-48,806
Change in accruals	32,679	25,423
Change in advance payments	2,427	-2,795
Change in other assets	-693	-148
Other adjustments	109	0
Income tax paid / (tax refund)	-65	-2
NET CASH FROM OPERATING ACTIVITIES	17,276	4,790
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	432	7
Purchase of property, plant and equipment and intangible assets	-3,261	-3,846
Advanced loans	-2,000	-617
Repayment of advanced loans	78	54
Interest received	9	19
NET CASH FROM INVESTING ACTIVITIES	-4,742	-4,383
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	3,400	0
Repayment of loans and bank credits	-7,845	-2,222
Decrease in lease liabilities	-4,981	-6,166
Lease interest paid	-500	-548
Other interest paid	-129	-365
NET CASH FLOWS FROM FINANCING ACTIVITIES	-10,055	-9,301
TOTAL NET CASH FLOWS	2,479	-8,894
Net foreign exchange gains / (losses)	85	9
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	20,230	27,979
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	22,794	19,094
- of limited availability		

Notes to the condensed separate financial statements of the Company

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 Company's functional and reporting currency. The data in the financial statements has been disclosed in thousands of Polish zloty, unless specific circumstances require greater details.

2. Financial information

2.1. Notes to the statement of comprehensive income

2.1.1. Revenue

	Period ended 30-06-2021	Period ended 30-06-2020
Revenue from construction contracts	322,504	349,827
Revenue from the rendering of services	3,572	6,439
Revenue from the sale of goods, raw and other materials	6,161	1,521
Total	332,237	357,787

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 certain tasks have been completed.

In the reporting period, the Company operated in the territory of Poland.

The biggest portion of revenue was derived from long-term construction contracts.

The entire revenue is presented by the Company in one reporting segment: construction company.

Concentration of revenue which exceeds 10% of total sales revenue

	Period ended 30-06-2021	Period ended 30-06-2020
Counterparty A	295,887	267,610

2.1.2. Operating expenses

	Period ended 30-06-2021	Period ended 30-06-2020
Change in products	-3,593	-1,662
Depreciation and amortization	6,054	6,606
Consumption of materials and energy, including:	61,532	76,284
- consumption of materials	58,360	73,126

- consumption of energy	3,172	3,158
Contracted services	202,323	209,426
Costs of employee benefits	57,539	53,728
Taxes and charges	797	755
Other expenses	5,938	7,938
Value of goods and materials sold	3,350	1,092
Total	333,940	354,167

	Period ended 30-06-2021	Period ended 30-06-2020
Cost of sales	324,580	344,741
General and administrative expenses	9,360	9,426
Total	333,940	354,167

Depreciation and amortisation

	Period ended 30-06-2021	Period ended 30-06-2020
Depreciation of property, plant and equipment	4,225	5,608
Depreciation of right-of-use assets	1,618	697
Amortisation of intangible assets	21	45
Depreciation of investments in real estate	190	256
Total	6,054	6,606

2.1.3. Other operating income

	Period ended 30-06-2021	Period ended 30-06-2020
Gain on disposal of assets	155	0
Gain on disposal of non-current assets	155	0
Other operating income	3,741	299
Damages and penalties	2,882	163
Release of allowances for receivables	573	104
Refund of the costs of court proceedings	16	1
Substitute performance	229	13
Release of write-downs of inventories	6	5
Other	35	13
Total	3,896	299

2.1.4. Other operating expenses

	Period ended 30-06-2021	Period ended 30-06-2020
Loss on disposal of assets	0	6
Loss on disposal of non-current assets	0	6
Other operating expenses	363	1,381
Donations	2	0
Allowances for receivables	83	1,037
Costs of litigations	28	331

Substitute performance	229	13
Other	21	0
Total	363	1,387

2.1.5. Financial income

	Period ended 30-06-2021	Period ended 30-06-2020
Interest income	202	145
Interest on bank deposits	66	56
Interest on loans	18	10
Interest on receivables	118	79
Other financial income	218	351
Foreign exchange gains	23	0
Discount of long-term items	27	164
Guarantees	134	175
Other	34	12
Total	420	496

2.1.6. Financial expenses

	Period ended 30-06-2021	Period ended 30-06-2020
Interest expenses	478	782
Interest on bank credits	4	37
Interest on loans	126	328
Interest on leases	329	377
Interest on trade and other payables	19	40
Other financial expenses	0	26
Foreign exchange losses	0	9
Other	0	17
Total	478	808

2.1.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 30-06-2021	Period ended 30-06-2020
Current income tax	867	2
Deferred tax	-202	724
Total tax expense/income	665	726

Current income tax

	Period ended 30-06-2021	Period ended 30-06-2020
Gross profit (loss)	1,772	2,220
Difference between gross profit (loss) and income tax base:	2,790	-11,057
- 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	45,230	-11,057
- other differences (including loss carried forward)	-42,440	0
Income/Loss	4,562	-8,837
Income tax base	4,562	12
Income tax at the applicable rate of 19%	867	2
Current income tax	867	2

Income tax according to effective interest rate

	Period ended 30-06-2021	Period ended 30-06-2020
Gross profit (loss)	1,772	2,220
Income tax at the applicable rate of 19%	337	422
Effect of tax recognition of:	530	-2,201
- Use of tax losses brought forward	8,064	0
- Costs that are not tax-deductible under tax regulations	8,140	6,766
- Revenue not classified as revenue under tax regulations	-6,090	9,332
- Tax-deductible expenses not classified as balance sheet expenses	5,639	-502
- Taxable revenue not classified as balance sheet revenue	3	-37
Revaluation of deferred tax assets (current year loss)	0	1,681
Deferred tax	-202	724
Income tax according to effective tax rate	665	726
Effective tax rate	38%	33%

Current tax assets and liabilities

	Balance at 30-06-2021	Balance at 31-12-2020
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	802	0

Deferred tax

	Period ended 30-06-2021	Period ended 30-06-2020
Deferred tax balance at the beginning of the period	14,296	19,954
Temporary differences relating to deferred tax assets:	49,940	43,773
Provisions for expenses and accruals	27,013	24,042
Discount of receivables	130	154
Operating lease liabilities	2,563	2,052
Write-downs	620	1,136
Bonds and insurances accounted for over time	1,561	1,775
Tax work in progress	11,661	13,768
Measurement of long-term contracts	6,048	433
Other	344	413
Temporary differences relating to deferred tax liabilities:	39,255	40,699
Measurement of long-term contracts	25,488	27,764
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,078	12,356
Discount of payables	689	570
Other	0	9
Unutilised tax losses and other tax credits carried forward:	3,822	16,170
Tax losses	3,822	16,170
Total temporary differences relating to deferred tax assets:	53,762	59,943
Total temporary differences relating to deferred tax liabilities:	39,255	40,699
Deferred tax balance at the end of the period	14,507	19,244
Change in deferred tax, including:	211	-710
- recognised in income	202	-724
- recognised in equity	9	14

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

	Balance at 30-06-2021	Balance at 31-12-2020
Assets (selected items)	189,225	176,687
- Measurement of long-term construction contracts	134,149	138,371
- Advance payments made in connection with performed contracts	4,143	3,692
- Retentions on construction contracts retained by customers	11,594	12,514
- Inventories	39,339	22,110
Liabilities (selected items)	218,314	153,610
- Measurement of long-term construction contracts	31,834	3,310
- Provisions for contract costs	93,075	60,266
- Advance payments received in connection with performed contracts	31,619	28,741
- Retentions on construction contracts retained for suppliers	36,347	36,752
- Provisions for warranty claims	17,853	16,366
- Provisions for expected losses on contracts	7,586	8,175

2.2.2. Provisions

Change in provisions

Provisions	01-01- 2021	Created	Used	Released	Reclassified	30-06- 2021	Item
Long-term provisions:	16,028	2,009	97	44	-237	17,659	
Provisions for employee benefits	1,358	384	0	44	0	1,698	Liabilities under employee benefits (long-term)
Provisions for warranty claims	14,670	1,625	97	0	-237	15,961	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	31,567	12,724	9,468	3,417	237	31,643	
Provisions for employee benefits	21,696	10,874	9,461	944	0	22,165	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,696	0	7	34	237	1,892	Short-term provisions
Provision for loss on contracts	8,175	1,850	0	2,439	0	7,586	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	47,595	14,733	9,565	3,461	0	49,302	

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	01-01-2020	Created	Used	Released	Reclassified	31-12-2020	Item
Long-term provisions:	13,276	4,038	272	0	-1,014	16,028	
Provisions for employee benefits	1,200	158	0	0	0	1,358	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,076	3,880	272	0	-1,014	14,670	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	34,638	27,907	15,937	16,055	1,014	31,567	
Provisions for employee benefits	18,429	20,891	15,834	1,790	0	21,696	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,699	55	103	969	1,014	1,696	Short-term provisions
Provision for loss on contracts	14,510	6,961	0	13,296	0	8,175	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	47,914	31,945	16,209	16,055	0	47,595	

2.2.3. Allowances

Change in allowances

Allowances	01-01-2021	Creation	Use	Write-down of unused amounts	30-06-2021
Allowances:	24,924	7,152	3,644	0	28,432
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	190	0	6	0	184
Allowances for trade receivables in connection with the increase of credit risk	23,834	7,152	3,638	0	27,348
Allowances for trade receivables – initial for expected credit losses	130	0	0	0	130
Total:	24,924	7,152	3,644	0	28,432

Allowances in connection with the increase of credit risk of PLN 27,348 thousand include, in particular:

- Debit notes issued by the Company for penalties, damages and substitute performance. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue.
- Receivables under court and enforcement cases.

- Doubtful debt.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 573 thousand and the creation of allowances of PLN 83 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Company for the penalties and damages that are not the Company's revenue at the date of issue.

Comparative information:

Allowances	01-01-2020	Creation	Use	Write-down of unused amounts	31-12-2020
Allowances:	19,901	7,654	1,414	1,217	24,924
Write-downs of investment property	1,770	0	0	1,000	770
Write-downs of inventories	196	0	6	0	190
Allowances for trade receivables in connection with the increase of credit risk	17,805	7,654	1,408	217	23,834
Allowances for trade receivables – initial for expected credit losses	130	0	0	0	130
Total:	19,771	7,654	1,414	1,217	24,924

2.2.4. Accruals

	Balance at 30-06-2021	Balance at 31-12-2020
Provisions for contract costs	93,075	60,266
Other accruals	1,094	1,224
Total	94,169	61,490

2.3. Trade and other receivables and payables

2.3.1. Trade and other receivables

	Balance at 30-06-2021	Balance at 31-12-2020
Trade receivables	150,462	161,016
Allowances for trade receivables in connection with the increase of credit risk	-27,348	-23,834
Allowances for trade receivables – initial for expected credit losses	-130	-130
Other receivables	4,261	4,283
Total trade and other receivables	127,245	141,335

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:

Balance at

	30-06-2021	31-12-2020
Counterparty A	102,171	109,388

The concentration of credit risk is limited due to the fact that the creditability of the abovementioned counterparty 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 the Company believe there is no need to create additional provisions.

2.3.2. Trade and other payables

	Balance at 30-06-2021	Balance at 31-12-2020
Trade payables	65,437	124,687
Liabilities to the state budget other than corporate income tax	4,427	2,680
Other payables	228	216
Total trade and other payables	70,092	127,583

2.4. Credits, loans and leases

2.4.1. Loans and bank credits

	Balance at 30-06-2021	Balance at 31-12-2020
Long-term	0	4,443
Bank credits	0	0
Loans received	0	4,443
Short-term	8,888	8,890
Bank credits	0	0
Loans received	8,888	8,890
Total	8,888	13,333

Summary of loan and credit agreements as at 30 June 2021

No.	Bank	Description	Principal/limit according to the agreement as at 30-06-2021	Amount of available loans/credits as at 30-06-2021	Use as at 30-06- 2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		0	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	25,000	25,000	0		
		non-revolving working capital credit	25,000	25,000	0		
3	Agencja Rozwoju	Loan agreement	20,000	0	8,888	1M WIBOR + margin	June 2022

Przemysłu S.A.						
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	14,116	50,884	
		Overdraft	4,000	4,000	0	
Total amount of available loans and credits				39,000		
Total debt under loans and credits					8,888	
Total use for bonds					50,884	

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

Types of security and liabilities under loan and credit agreements:

1. Overdraft:

- a) Financial pledge on cash kept on customer's bank accounts maintained by the Bank,
- 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.

2. Master Agreement:

- a) Contractual mortgage up to PLN 35,420 thousand on the land in Cracow,
- b) Security deposit established each time for the bond 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. Loan Agreement:

- a) Contractual mortgage up to PLN 30,000 thousand on the real estate situated in Kościelisko,
- b) Registered pledge on non-current assets – machinery and equipment owned by the Company,
- c) Assignment of rights under insurance policy,
- d) Assignment of claims under contracts,
- e) Promissory note with declaration,
- f) Statement on submission to enforcement.

4. Premium multi-purpose line of credit agreement:

- a) Blank promissory note with declaration,
- b) Assignment of claims under contract,
- c) Credit repayment guarantee provided by BGK as part of PLG FGP guarantee line for 80% of the Credit; i.e. not more than PLN 52m.

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

- mBank – Master agreement (item 2) – on 3 March 2021, the Company repaid the credit granted on 10 June 2020 before the deadline specified in the schedule.
- BNP Paribas – Premium multi-purpose line of credit agreement (item 4) – on 22 March 2021, the Company received a signed annex to the premium multi-purpose line of credit agreement entered into with BNP Paribas S.A. Under the annex, the limit granted to the Company was raised to PLN 65m and the security was changed accordingly. The tenor did not change.
- mBank – Master agreement (item 2) – on 31 May 2021, an annex was signed by the Company whereby the maturity date was extended by one year.

The following changes occurred after the end of the reporting period:

- mBank – Overdraft (item 1) – on 6 July 2021, the Company signed an annex whereby the repayment date was extended by one year.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at	Amount of available loans/credits as at 31-12-2020	Use as at 31-12-2020	Interest	Repayment date
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31-12-2020

1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		0	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	21,600	21,600	0		
		sublimit for non-revolving working capital credit	3,400	3,400	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	13,333	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	30,000			1M WIBOR + margin	July 2022
	including:	sublimit for bonds	30,000	3,907	26 093		
		Overdraft	3,907	3,907	0		
Total amount of available loans and credits				17,307			
Total debt under loans and credits					13,333		
Total use for bonds					26,093		

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

2.4.2. Leases

Lease liabilities

	Balance at 30-06-2021	Balance at 31-12-2020
Long-term lease liabilities	12,472	11,925
Short-term lease liabilities	8,188	9,051
Total	20,660	20,976

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

In the reporting period, the Company signed leases for the total amount of PLN 4,828 thousand and bought the leased assets of the total net value of PLN 2,145 thousand.

2.5. Other notes to the financial statements

2.5.1. Goodwill

	Balance at 30-06-2021	Balance at 31-12-2020
At cost		
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.

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 impairment tests. The impairment tests carried out as at 31 December 2020 according to IAS 36 *Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 30 June 2021, the Company reviewed the assumptions used to carry out the test and stated 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 3,261 thousand.

As at 30 June 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 248 thousand.

As at 30 June 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,020 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 1,718 thousand;
- Implementation of a new ERP system – PLN 895 thousand;
- Purchase of trucks – PLN 384 thousand.

In the first half of 2021, the Company sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 261 thousand. No property, plant and equipment or intangible assets were sold by the Company in the first half of 2020.

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 June 2021

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	12,263	0	0	0	38,250
Trade receivables	150,462	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	3,988	0	0	0	0
Cash and cash equivalents	22,794	0	0	0	0
Loans and bank credits	0	0	0	0	8,888
Lease liabilities	0	0	0	0	20,660
Lease liabilities relating to assets held for sale	0	0	0	0	355
Trade payables	0	0	0	0	65,437

Total	189,507	0	0	0	133,626
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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 2020

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	13,164	0	0	0	38,644
Trade receivables	161,016	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	2,164	0	0	0	0
Cash and cash equivalents	20,230	0	0	0	0
Loans and bank credits	0	0	0	0	13,333
Lease liabilities	0	0	0	0	20,976
Lease liabilities relating to assets held for sale	0	0	0	0	366
Trade payables	0	0	0	0	124,687
Total	196,574	0	0	0	198,042

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	
	30-06-2021	31-12-2020		30-06-2021	31-12-2020
Railway gft	58	70		994	73
BPK Poznań	641	2,369		1,420	996
RTI	0	0		0	0
RTI Germany	0	0		0	0
Wiesław Nowak	2	0		0	0
Total	701	2,439		2,414	1,069

	Revenue			Purchases	
	Period ended			Period ended	
	30-06-2021	30-06-2020		30-06-2021	30-06-2020
Railway gft	208	220		3,770	3,658
BPK Poznań	262	2,322		1,519	554
RTI	2	2		0	0
RTI Germany	0	0		0	0
Wiesław Nowak	2	0		0	0
Total	474	2,544		5,289	4,212

	Advanced loans			Financial income (interest on loans)	
	Balance at			Period ended	
	30-06-2021	31-12-2020		30-06-2021	30-06-2020
Railway gft	3,017	1,007		11	0

BPK Poznań	665	707	8	10
RTI	10	10	0	0
RTI Germany	11	155	0	0
Wiesław Nowak	0	0	0	0
Total	3,703	1,879	19	10

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:

- o Lease of rooms, including utilities and phone services;
- o Financial services;
- o Sale of materials;
- o Re invoicing of costs; and
- o Other services.

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

- o Purchase of materials used to build and repair tracks; and
- o Design services.

On 29 January 2021, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the loan repayment date was extended until 30 April 2021. On 30 April 2021, another annex was signed whereby the loan repayment date was extended until 31 October 2021.

On 11 June 2021, ZUE and Railway gft signed the special-purpose loan agreement for the loan of PLN 2m to be repaid by 30 November 2021. PLN 1.5m was disbursed on the agreement conclusion date and the remaining balance of PLN 500,000 was disbursed on 16 June 2021.

On 21 June, ZUE and BPK Poznań signed an annex to the loan agreement of 11 February 2020 whereby the repayment date was extended until 20 December 2021.

In the reporting period, ZUE and RTI Germany signed the agreement with an annex whereby the loans of EUR 25,000 were partially cancelled and the repayment of the remaining balance was extended until 20 December 2021. The loan was repaid in full after the end of the reporting period on 3 August 2021.

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 the subsidiaries. The total amount of the guarantees as at 30 June 2021 is PLN 15,854 thousand.

On the basis of the notarial deed of PLN 12 July 2021, ZUE acquired 400 newly created RTI shares with the total nominal value of PLN 20 thousand. The shares were paid up in cash.

The loan granted under the agreement of 22 July 2020 between ZUE a RTI was repaid in full after the end of the reporting period on 3 August 2021.

Remuneration of key management personnel

	Period ended 30-06-2021	Period ended 30-06-2020
Management Board	3,338	2,987
Proxy	225	378
Supervisory Board	133	133
Total	3,696	3,498

The remuneration of the Supervisory Board includes only the remuneration paid to Members for their service on the Board.

In 2020, the Company also presented the remuneration paid to the Supervisory Board Members under employment contracts. In order to make the financial statements clearer, the amount for the year 2020 was adjusted for the remuneration payable under an employment contract.

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

Court cases are discussed in detail in the Management Board Report on the activities of ZUE Capital Group for the first half of 2021.

The pending court proceedings did not have any material influence on these 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. Accordingly, the tax risk in Poland is much higher than that in the countries with more mature tax systems.

Tax settlements may be inspected within five years of 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 June 2021 or 31 December 2020.

2.5.7. Contingent assets and contingent liabilities

Contingent assets

	Balance at 30-06-2021	Balance at 31-12-2020
Bonds	90,720	98,658
Promissory notes	6,871	4,750
Pledges	300	300
Total	97,891	103,708

Contingent assets in the form of bonds and guarantees include the bonds provided by banks and insurance companies for the benefit of ZUE 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.

Apart from the bonds and promissory notes, ZUE is the pledgee in connection with the pledge on movables established by a subsidiary.

Contingent liabilities

	Balance at 30-06-2021	Balance at 31-12-2020
Bonds	517,960	539,451
Guarantees	15,854	15,056
Promissory notes	304,892	321,888
Mortgages	81,529	81,529
Pledges	137,195	155,961
Total	1,057,430	1,113,885

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 clients 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 the loan agreement with ARP.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A. and mBank S.A., and to secure the loan agreement entered into with ARP. The pledged assets include wagons, pile driver, maintenance train, engine and profiling machine.

Apart from the registered pledges, there is a 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 at 30 June 2021 or 31 December 2020.

2.5.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the six months ended 30 June 2021 or the six months ended 30 June 2020.

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 2.13: 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

No dividend was paid the Company in the reporting period.

On 10 May 2021, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2020 of PLN 4,362 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 25 May 2021.

On 22 June 2021, the Company's Ordinary General Meeting resolved to allocate the entire net profit for 2020 to reserve funds.

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 June 2021 as endorsed by the European Union.

The separate financial statements for the six months ended 30 June 2021 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 2021:

- **Amendments to IFRS 4 “Insurance Contracts” – Deferral of effective date of IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 - IBOR reform** (effective for annual periods beginning on or after 1 January 2021 with earlier application permitted).

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

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

Standards and interpretations published and endorsed by the EU but not yet effective at the date of approval of the financial statements:

- **Amendments to IAS 16 “Property, Plant and Equipment”** – proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – clarification of costs considered in assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IFRS 3 “Business Combinations”** – updated reference to Conceptual Framework (effective for reporting periods beginning after 1 January 2022 with earlier application permitted);
- **Annual improvements 2018-2020** – the improvements clarify the guidelines for recognition and measurement: IFRS 1 “First-time Adoption of International Financial Reporting Standards,” IFRS 9 “Financial Instruments,” IAS 41 “Agriculture” (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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:

- **Amendments to IFRS 16 “Leases” – COVID-19-Related Rent Concessions beyond 30 June 2021** published on 31 March 2021 (effective for annual periods beginning on or after 1 April 2021);
- **Amendment to IFRS 16 “Leases” – COVID-19-Related Rent Concessions beyond 30 June 2021** published on 28 May 2020 (effective for annual periods beginning on or after 1 June 2021 with earlier application permitted);
- **Annual improvements 2018-2020** - the improvements clarify the guidelines for recognition and measurement and illustrative examples of IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **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 – Classification of Liabilities as Current or Non-Current”** (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 with earlier application permitted);
- **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).

2.6.2. Important accounting principles

2.6.2.1. Going concern

The 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 its 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 six months ended 30 June 2021, the Company recognised the sales revenue of PLN 332.2m and the gross profit on sales of PLN 7.7m. As at 30 June 2021, the Company presented the total current assets of PLN 170.4m, including trade and other receivables of PLN 127.2m and the cash of approx. PLN 22.8m. At the end of the reporting period, the Company had the backlog worth approx. PLN 1,196m and was in the process of winning new contracts.

Accordingly, 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 and 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 condensed separate financial statements according to the regulations set out in IAS 34 "Interim Financial Reporting" and used the same principles for the current and comparative period.

2.6.2.3. Comparability of financial information

No changes in the presentation of financial information have been made in the comparative periods, except for the following changes.

A separate item, namely "Lease liabilities relating to assets held for sale," was presented by the Company in the statement of financial position. Previously, the item was recognised in lease liabilities.

The table below presents the effect of changes on the separate statement of financial position:

	Restated	Approved	
	Balance at	Balance at	Effect of
	31-12-2020	31-12-2020	changes
ASSETS			
Non-current assets			
Total non-current assets	167,782	167,782	0
Current assets			
Current assets	331,944	331,944	0
Assets held for sale	3,544	3,544	0
Total current assets	335,488	335,488	0
Total assets	503,270	503,270	0
EQUITY AND LIABILITIES			
Equity			
Total equity	153,596	153,596	0
Non-current liabilities			
Non-current lease liabilities	11,925	12,291	-366
Total non-current liabilities	50,237	50,603	-366
Current liabilities			
Total current liabilities	299,071	299,071	0
Lease liabilities relating to assets held for sale	366	0	366
Total liabilities	349,674	349,674	0
Total equity and liabilities	503,270	503,270	0

2.6.2.4. Applied accounting principles

These separate financial statements for the six months ended 30 June 2021 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Company as at 31 December 2020. The financial statements for the financial year ended 31 December 2020 contain a detailed description of the accounting principles adopted by the Company.

These half-yearly 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 policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying 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.)

Measurement of long-term construction contracts (note no. 2.2.1.)

Deferred income tax (note no. 2.1.7.)

Contingent assets and contingent liabilities (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 revenues 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 six months ended 6 months ended 30 June 2021 were approved for publication by the Management Board of ZUE on 18 August 2021.

Statement by the Management Board of ZUE

Preparation of half-yearly condensed consolidated and separate financial statements

On the basis of 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, the Management Board of ZUE state that according to their best knowledge, these half-yearly condensed consolidated and separate financial statements and the comparative information have been prepared in accordance with applicable accounting principles binding on the Group and the Company and give a true and fair view of the economic and financial position and profit or loss of the Group and the Company.

4. Signatures

The financial statements have been prepared by:

Ewa Bosak – 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, 18 August 2021