



**ZUE Capital Group**

---

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

---

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

**Cracow, 1 March 2022**

## Contents

Selected financial data of the Capital Group .....	5
Consolidated statement of comprehensive income .....	6
Consolidated statement of financial position .....	7
Consolidated statement of changes in equity .....	9
Consolidated statement of cash flows .....	10
Notes to the consolidated financial statements as at 31 December 2021 .....	11
<b>1. General information .....</b>	<b>11</b>
1.1. Governing bodies of the Parent Company .....	11
1.2. Shareholders of the Parent Company .....	12
1.3. Composition of the Capital Group .....	12
1.4. Consolidated companies .....	13
1.5. Changes in the Group's structure in 2021 and their consequences .....	13
1.6. Activities of the Capital Group .....	14
1.7. Functional and reporting currency .....	14
<b>2. Notes to the statement of comprehensive income .....</b>	<b>14</b>
2.1. Revenue .....	14
2.2. Operating expenses .....	15
2.3. Other operating income .....	16
2.4. Other operating expenses .....	16
2.5. Financial income .....	16
2.6. Financial expenses .....	17
2.7. Corporate income tax .....	17
2.8. Items of other comprehensive income .....	19
2.9. Operating segments .....	19
<b>3. Contracts, retentions, provisions, advance payments and accruals .....</b>	<b>21</b>
3.1. Construction contracts .....	21
3.2. Retentions on construction contracts .....	21
3.3. Provisions .....	23
3.4. Allowances .....	24
3.5. Advance payments .....	25
3.6. Accruals .....	25
<b>4. Trade and other receivables and payables .....</b>	<b>25</b>
4.1. Trade and other receivables .....	25
4.2. Trade and other payables .....	26
<b>5. Equity .....</b>	<b>27</b>
5.1. Share capital .....	27
5.2. Profit (loss) per share .....	27
5.3. Share premium account .....	28
5.4. Treasury shares .....	28
5.5. Retained earnings .....	28
<b>6. Debt and management of capital and liquidity .....</b>	<b>29</b>
6.1. Loans and bank credits .....	29
6.2. Leases .....	31
6.3. Management of capital .....	32
6.4. Financial risk management .....	33
6.5. Cash and cash equivalents .....	35
<b>7. Other notes to the financial statements .....</b>	<b>36</b>
7.1. Property, plant and equipment .....	36
7.2. Investment property .....	38
7.3. Intangible assets .....	41
7.4. Right-of-use assets .....	42
7.5. Assets held for sale .....	44
7.6. Goodwill .....	46
7.7. Investments in subordinates .....	47
7.8. Other financial assets .....	47
7.9. Other assets .....	47
7.10. Advanced loans .....	47
7.11. Inventories .....	47
7.12. Other financial liabilities .....	48
7.13. Liabilities under employee benefits .....	48
7.14. Financial instruments .....	51
7.15. Transactions with related parties .....	52

7.16.	Proceedings before court or arbitration or public administration authority at the date of preparation of this report	53
7.17.	Tax settlements.....	54
7.18.	Remuneration of key management personnel.....	55
7.19.	Liabilities incurred to purchase property, plant and equipment.....	55
7.20.	Contingent assets and contingent liabilities.....	55
7.21.	Discontinued operations.....	56
7.22.	Revisions to estimates.....	56
7.23.	Influence of the coronavirus pandemic on the Group's activities.....	57
7.24.	Influence of the situation in Ukraine on the Group's activities.....	58
<b>8.</b>	<b>Other notes to the financial statements .....</b>	<b>59</b>
8.1.	Use of the International Financial Reporting Standards .....	59
8.2.	Important accounting principles.....	60
8.3.	Sources of estimation uncertainty.....	75
<b>9.</b>	<b>Events after the end of the reporting period .....</b>	<b>77</b>
<b>10.</b>	<b>Approval of the consolidated financial statements .....</b>	<b>78</b>
<b>11.</b>	<b>Signatures.....</b>	<b>79</b>

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 280,000 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 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 and RTI.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Uniform text, Journal of Laws of 2020, item 1526).

Share capital details as at 31 December 2021.

## Selected financial data of the Capital Group

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

	31-12-2021	31-12-2021	31-12-2020	31-12-2020
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	175,512	38,160	168,539	36,521
Current assets	398,655	86,675	353,094	76,513
Assets held for sale	3,340	726	3,340	724
<b>Total assets</b>	<b>577,507</b>	<b>125,561</b>	<b>524,973</b>	<b>113,758</b>
Equity	166,403	36,179	154,649	33,512
Non-current liabilities	57,034	12,400	51,910	11,249
Current liabilities	353,704	76,902	318,048	68,918
Lease liabilities associated with assets held for sale	366	80	366	79
<b>Total equity and liabilities</b>	<b>577,507</b>	<b>125,561</b>	<b>524,973</b>	<b>113,758</b>

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

	2021	2021	2020	2020
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	851,450	186,008	901,358	201,457
Cost of sales	816,414	178,354	870,040	194,457
<b>Gross profit (loss) on sales</b>	<b>35,036</b>	<b>7,654</b>	<b>31,318</b>	<b>7,000</b>
Operating profit (loss)	14,164	3,094	10,620	2,374
Gross profit (loss)	15,364	3,356	10,011	2,237
<b>Net profit (loss) from continuing operations</b>	<b>11,821</b>	<b>2,582</b>	<b>4,265</b>	<b>953</b>
Total comprehensive income	11,754	2,568	4,208	941

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

	2021	2021	2020	2020
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	109,826	23,993	16,314	3,646
Cash flows from investing activities	-3,995	-873	-6,051	-1,352
Cash flows from financing activities	-20,597	-4,500	-17,160	-3,835
<b>Total net cash flows</b>	<b>85,234</b>	<b>18,620</b>	<b>-6,897</b>	<b>-1,541</b>
Cash at the beginning of the period	23,487	5,089	30,378	7,133
Cash at the end of the period	108,736	23,641	23,487	5,089

### Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	31-12-2021	31-12-2020	31-12-2019
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.5994	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	4.5775	4.4742	n/a
"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	4.5994	4.6148	4.2585

## Consolidated statement of comprehensive income

Continuing operations	Note no.	2021	2020
Sales revenue	2.1.	851,450	901,358
Cost of sales	2.2.	816,414	870,040
<b>Gross profit (loss) on sales</b>		<b>35,036</b>	<b>31,318</b>
General and administrative expenses	2.2.	25,123	23,405
Other operating income	2.3.	5,686	4,624
Other operating expenses	2.4.	1,435	1,917
<b>Operating profit (loss)</b>		<b>14,164</b>	<b>10,620</b>
Financial income	2.5.	2,505	1,383
Financial expenses	2.6.	1,305	1,992
<b>Pre-tax profit (loss)</b>		<b>15,364</b>	<b>10,011</b>
Corporate income tax	2.7.	3,543	5,746
<b>Net profit (loss) from continuing operations</b>		<b>11,821</b>	<b>4,265</b>
<b>Net profit (loss)</b>		<b>11,821</b>	<b>4,265</b>
<b>Other net comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>-67</b>	<b>-57</b>
Actuarial gains (losses) relating to specific benefit schemes	2.8.	-67	-57
<b>Total other net comprehensive income</b>		<b>-67</b>	<b>-57</b>
<b>Total comprehensive income</b>		<b>11,754</b>	<b>4,208</b>
Number of shares		23,030,083	23,030,083
<b>Consolidated net profit attributable to:</b>			
Shareholders of the Parent Company		11,765	4,260
Non-controlling interests		56	5
Net profit (loss) per share (PLN) attributable to shareholders of the Parent Company (basic and diluted)	5.2.	0.51	0.19
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Parent Company		11,698	4,203
Non-controlling interests		56	5
Total comprehensive income per share (PLN)		0.51	0.18

## Consolidated statement of financial position

Restated

ASSETS	Note no.	31-12-2021	31-12-2020
<b>Non-current assets</b>			
Property, plant and equipment	7.1.	64,718	63,601
Investment property	7.2.	6,145	6,497
Intangible assets	7.3.	2,716	2,073
Right-of-use assets	7.4.	41,510	41,900
Goodwill	7.6.	31,172	31,172
Investments in subordinates	7.7.	0	0
Retentions on construction contracts	3.2.	7,431	8,515
Deferred tax assets	2.7.	21,778	14,557
Other financial assets	7.8.	42	0
Other assets	7.9.	0	224
<b>Total non-current assets</b>		<b>175,512</b>	<b>168,539</b>
<b>Current assets</b>			
Inventories	7.11.	37,822	25,306
Trade and other receivables	4.1.	137,057	149,222
Measurement of long-term construction contracts	3.1.	107,149	146,929
Retentions on construction contracts	3.2.	3,713	4,371
Retentions on construction contracts	3.5.	3,425	3,123
Current tax assets	2.7.	32	0
Advanced loans	7.10.	0	10
Other financial assets	7.8.	105	0
Other assets	7.9.	616	646
Cash and cash equivalents	6.5.	108,736	23,487
<b>Current assets</b>		<b>398,655</b>	<b>353,094</b>
<b>Assets held for sale</b>	7.5.	<b>3,340</b>	<b>3,340</b>
<b>Total current assets</b>		<b>401,995</b>	<b>356,434</b>
<b>Total assets</b>		<b>577,507</b>	<b>524,973</b>

Restated

EQUITY AND LIABILITIES	Note no.	31-12-2021	31-12-2020
<b>Equity</b>			
Share capital	5.1.	5,758	5,758
Share premium account	5.3.	93,837	93,837
Treasury shares	5.4.	-2,690	-2,690
Retained earnings	5.5.	69,287	57,589
<b>Total equity attributable to shareholders of the parent company</b>		<b>166,192</b>	<b>154,494</b>
Equity attributable to non-controlling interests		211	155
<b>Total equity</b>		<b>166,403</b>	<b>154,649</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	6.1.	0	4,443
Long-term lease liabilities	6.2.	14,248	12,020
Retentions on construction contracts	3.2.	24,068	18,821
Liabilities under employee benefits	7.13.	1,864	1,411
Deferred tax liabilities	2.7.	284	129
Long-term provisions	3.3.	16,570	15,086
<b>Total non-current liabilities</b>		<b>57,034</b>	<b>51,910</b>
<b>Current liabilities</b>			
Trade and other payables	4.2.	134,916	135,073
Accruals	3.6.	70,258	65,617
Measurement of long-term construction contracts	3.1.	49,539	3,659
Retentions on construction contracts	3.2.	17,760	19,393
Advance payments	3.5.	6,737	28,841
Short-term loans and bank credits	6.1.	7,964	13,108
Short-term lease liabilities	6.2.	6,289	9,130
Other financial liabilities	7.12.	36	36
Liabilities under employee benefits	7.13.	42,057	33,313
Current tax liabilities	2.7.	1,098	5
Short-term provisions	3.3.	17,050	9,873
<b>Total current liabilities</b>		<b>353,704</b>	<b>318,048</b>
<b>Lease liabilities associated with assets held for sale</b>		<b>366</b>	<b>366</b>
<b>Total liabilities</b>		<b>411,104</b>	<b>370,324</b>
<b>Total equity and liabilities</b>		<b>577,507</b>	<b>524,973</b>



## Consolidated statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
<b>Balance at 1 January 2021</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>57,589</b>	<b>154,494</b>	<b>155</b>	<b>154,649</b>
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	11,765	11,765	56	11,821
Other net comprehensive income	0	0	0	-67	-67	0	-67
Other	0	0	0	0	0	0	0
<b>Balance at 31 December 2021</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>69,287</b>	<b>166,192</b>	<b>211</b>	<b>166,403</b>

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
<b>Balance at 1 January 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,386</b>	<b>150,291</b>	<b>150</b>	<b>150,441</b>
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
<b>Balance at 31 December 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>57,589</b>	<b>154,494</b>	<b>155</b>	<b>154,649</b>

## Consolidated statement of cash flows

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before tax	15,364	10,011
Adjustments for:		
Depreciation and amortisation	12,893	13,306
Foreign exchange gains / (losses)	-15	-6
Interest and share in profit (dividends)	999	1,585
Gain / (loss) on disposal of investments	-524	-1,530
<b>Operating profit (loss) before changes in working capital</b>	<b>28,717</b>	<b>23,366</b>
Change in receivables and retentions on construction contracts	13,960	36,542
Change in inventories	-12,516	5,047
Change in provisions and liabilities under employee benefits	17,750	-346
Change in payables and retentions on construction contracts	3,372	-24,557
Change in measurement of construction contracts	85,660	-35,961
Change in accruals	4,641	4,195
Change in advance payments	-22,406	7,550
Change in other assets	30	480
Other adjustments	94	0
Income tax paid / (tax refund)	-9,476	-2
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>109,826</b>	<b>16,314</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	1,969	1,394
Purchase of property, plant and equipment and intangible assets	-6,037	-7,370
Advanced loans	0	-90
Repayment of advanced loans	49	0
Interest received	24	15
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-3,995</b>	<b>-6,051</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	4,109	20,303
Repayment of loans and bank credits	-12,990	-23,592
Decrease in lease liabilities	-10,563	-12,352
Lease interest paid	-780	-726
Other interest paid	-373	-793
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-20,597</b>	<b>-17,160</b>
<b>TOTAL NET CASH FLOWS</b>	<b>85,234</b>	<b>-6,897</b>
Net foreign exchange differences	15	6
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>23,487</b>	<b>30,378</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>108,736</b>	<b>23,487</b>
- of limited availability	15,159	3,759

## Notes to the consolidated financial statements as at 31 December 2021

### 1. General information

General information about the Capital Group	
Name of the reporting unit or other identification details	ZUE Capital Group
Changes in the reporting unit's name or other identification details since the end of the previous reporting period	-
Registered office	30-048 Cracow, the Kazimierza Czapińskiego Street no. 3
Legal form	Public Limited Company
Registration state	Poland
Address	30-048 Cracow, the Kazimierza Czapińskiego Street no. 3
Principal place of business	The Group operated in Poland in 2021. In addition, the Group earned revenue from the sale of materials to Germany and Russia.
Core business	The Group's activities include construction projects relating to urban and railway infrastructure, design services relating to urban and railway transport systems and the sale of materials and accessories required to build tracks.
Name of the parent company	ZUE Spółka Akcyjna
Top company within the Group	ZUE Spółka Akcyjna

#### 1.1. Governing bodies of the Parent Company

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

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

##### Management Board:

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

##### Supervisory Board:

Mariusz Szubra	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
Agnieszka Klimas	Supervisory Board Member
Piotr Korzeniowski	Supervisory Board Member
Bogusław Lipiński	Supervisory Board Member

##### Audit Committee:

Mariusz Szubra	Audit Committee Chairperson
Barbara Nowak	Audit Committee Member

Piotr Korzeniowski

Audit Committee Member

As at 31 December 2021, Mr. Michał Lis was a member of the Supervisory Board. On 12 January 2022, the Extraordinary General Meeting of ZUE resolved to dismiss Mr. Michał Lis and appoint Ms. Agnieszka Klimas to the Supervisory Board.

Ms. Agnieszka Klimas, Mr. Mariusz Szubra and Mr. Piotr Korzeniowski meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (Uniform text, Journal of Laws of 2020, item 1415).

### 1.2. Shareholders of the Parent Company

According to the information held, the Parent Company had the following shareholding structure at the date of approval of these consolidated financial statements:

Shareholder	Number of votes/shares at 1 March 2022	% of the share capital/total number of votes	Number of shares/votes according to the previous interim report <sup>(1)</sup>	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
METLIFE OFE	1,460,000 <sup>(2)</sup>	6.34%	1,460,000	6.34%
PKO Bankowy OFE	1,780,786 <sup>(3)</sup>	7.73%	1,780,786	7.73%
Other	5,388,977 <sup>(4)</sup>	23.40%	5,388,977	23.40%
<b>Total</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>

(1) Publication of the last interim report (consolidated report of the Group for the three quarters of 2021): 17 November 2021.

(2) Shareholding on the basis of information provided by the Central Securities Depository of Poland for the purposes of the Ordinary General Meeting of ZUE held on 22 June 2021. According to the Company's best knowledge, the information is valid as the date of publication of this report.

(3) Shareholding on the basis of information provided by the Central Securities Depository of Poland for the purposes of the Ordinary General Meeting of ZUE held on 22 June 2021. According to the Company's best knowledge, the information is valid as the date of publication of this report.

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

### 1.3. Composition of the Capital Group

At the end of the reporting period, the Capital Group was composed of ZUE S.A. (the Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o. and Railway gft Polska Sp. z o.o.

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

The Company has been incorporated on 20 May 2002. Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow–Śródmieście in Cracow XI Commercial Division of the National Court Register under entry no. KRS 0000135388.

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

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



**Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.** has been established on 15 June 2009. Poznań is the company's registered office. The company has been registered with the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry no. KRS 0000332405.

**Subsidiary – Railway gft Polska Sp. z o.o.** has been established on 21 October 2014. Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000532311.

**Subsidiary – Railway Technology International Sp. z o.o.** has been established on 20 July 2011. Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000397032.

The companies within the Capital Group have been incorporated for indefinite period. The financial statements of all the subordinates have been prepared for the same reporting period as the Parent Company using consistent accounting policies. The Parent Company and the companies within the Group use a calendar year as their financial year.

#### 1.4. Consolidated companies

Consolidated companies as at 31 December 2021:

Company name	Registered office	Shares as at 31 December 2021	Shares as at 31 December 2020	Consolidation method
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 has the power to govern financial and operating policy of BPK Poznań and Railway gft because at 31 December 2021, it held a 100% and 85% interest, respectively, in the companies.

At 31 December 2021, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

#### 1.5. Changes in the Group's structure in 2021 and their consequences

No changes to the Group's structure occurred between the beginning of 2021 and the date of approval of these financial statements, except for the following changes.

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 par value of PLN 50 each. All the new shares with the total value of PLN 20 thousand were acquired by the existing shareholder; i.e. ZUE.

On 14 July 2021, an entry was made in the District Court of Dresden to complete the liquidation process and remove RTI Germany from the register. Accordingly, the company was removed from the structures of the Group.

### 1.6. Activities of the Capital Group

The Group operates in the three aggregate operating segments:

- ❖ Construction activities conducted by ZUE;
- ❖ Design activities conducted by BPK Poznań;
- ❖ Sales activities conducted by Railway gft.

**Construction** activities include:

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

In 2021, the Group focused on the provision of rail and urban infrastructure construction services.

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

**Design activities** relating to urban and rail transport systems complement the abovementioned construction activities.

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

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

The financial data of operating segments is presented in the note 2.9.

### 1.7. Functional and reporting currency

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

## 2. Notes to the statement of comprehensive income

### 2.1. Revenue

	2021	2020
Revenue from construction contracts	764,112	835,543
Revenue from the provision of services	11,067	15,065
Revenue from the sale of goods, raw and other materials	76,271	50,750
<b>Total</b>	<b>851,450</b>	<b>901,358</b>

Revenue from construction and design activity is recognised by the Group under 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 as the works are progressing.

The Group operated in the territory of Poland in 2021. In addition, the Group earned the revenue in the total amount of PLN 594 thousand from the sale of materials to Russia and Germany.

#### Concentration of revenue exceeding 10% of total sales revenue

	2021	2020
Counterparty A	627,404	644,477

PKP Polskie Linie Kolejowe S.A. was the Group's major customer in 2021. The company's share in the Group's total sales revenue in 2021 was about 74%.

## 2.2. Operating expenses

	2021	2020
Change in products	-454	346
Depreciation and amortization	12,893	13,306
Consumption of materials and energy, including:	165,983	180,082
- consumption of materials	158,260	173,534
- consumption of energy	7,723	6,548
Contracted services	449,362	514,636
Costs of employee benefits	129,384	119,719
Taxes and charges	1,816	1,759
Other expenses	19,379	18,546
Value of goods and materials sold	63,174	45,051
<b>Total</b>	<b>841,537</b>	<b>893,445</b>

	2021	2020
Cost of sales	816,414	870,040
General and administrative expenses	25,123	23,405
<b>Total</b>	<b>841,537</b>	<b>893,445</b>

#### Depreciation and amortisation

	2021	2020
Depreciation of property, plant and equipment	9,006	8,399
Amortisation of rights to use assets	3,219	4,434
Amortisation of intangible assets	289	93
Depreciation of investments in real estate	379	380

<b>Total</b>	<b>12,893</b>	<b>13,306</b>
--------------	---------------	---------------

### 2.3. Other operating income

	2021	2020
<b>Gain on disposal of assets:</b>	<b>646</b>	<b>514</b>
Gain on disposal of non-current assets	646	514
<b>Other operating income:</b>	<b>5,040</b>	<b>4,110</b>
Damages and penalties	3,581	130
Release of allowances for receivables	604	989
Termination of the company social benefits fund	0	1,174
Refund of the costs of court proceedings	102	126
Substitute performance	415	181
Release of write-downs of inventories	190	6
Release of write-downs of investment property	0	1,000
Grants	0	380
Other	148	124
<b>Total</b>	<b>5,686</b>	<b>4,624</b>

The amount of PLN 2.9m was recognised under the item "Damages and penalties." A subcontractor was charged by ZUE with the abovementioned amount for their failure to perform or duly perform the contract and to meet the deadlines.

### 2.4. Other operating expenses

	2021	2020
<b>Loss on disposal of assets:</b>	<b>0</b>	<b>0</b>
Loss on disposal of non-current assets	0	0
<b>Other operating expenses:</b>	<b>1,435</b>	<b>1,917</b>
Donations	34	6
Damages and penalties	58	0
Making allowances for receivables	334	1,062
Costs of litigations	512	603
Substitute performance	415	181
Other	82	65
<b>Total</b>	<b>1,435</b>	<b>1,917</b>

### 2.5. Financial income

	2021	2020
<b>Interest income:</b>	<b>242</b>	<b>467</b>
Interest on bank deposits	87	127
Interest on loans	5	0
Interest on receivables	150	340
<b>Other financial income:</b>	<b>2,263</b>	<b>916</b>
Foreign exchange gains	10	0
Discount of long-term items	2,201	895
Other	52	21
<b>Total</b>	<b>2,505</b>	<b>1,383</b>



## 2.6. Financial expenses

	2021	2020
<b>Interest expenses:</b>	<b>1,209</b>	<b>1,581</b>
Interest on credits	162	289
Interest on loans	215	508
Interest on leases	782	726
Interest on trade and other payables	50	58
<b>Other financial expenses:</b>	<b>96</b>	<b>411</b>
Foreign exchange losses	45	156
Discount of long-term items	0	158
Commission expense	0	42
Other	51	55
<b>Total</b>	<b>1,305</b>	<b>1,992</b>

## 2.7. Corporate income tax

### Corporate income tax recognised in statement of comprehensive income

	2021	2020
Current income tax	10,569	7
Deferred tax	-7,026	5,739
<b>Total tax expense (income)</b>	<b>3,543</b>	<b>5,746</b>

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and items of income or expense that are never taxable. The Group's tax liability is calculated using tax rates applicable during the fiscal year in question.

The Group is subject to general regulations governing corporate income tax. The Group neither forms a tax capital group nor operates in a Special Economic Zone. Tax year and financial year coincide with a calendar year.

### Current income tax

	2021	2020
<b>Gross profit (loss)</b>	<b>15,364</b>	<b>10,011</b>
Difference between gross profit (loss) and income tax base:	39,033	-12,931
- differences between gross profit and taxable income resulting from expenses that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional expenses and revenue	82,051	-12,061
- other differences (including loss brought forward)	-43,018	-870
<b>Income/Loss</b>	<b>54,397</b>	<b>-2,920</b>
Income tax base	55,627	37
Income tax at the applicable rate of 19%	10,569	7
<b>Current income tax</b>	<b>10,569</b>	<b>7</b>

### Income tax according to effective interest rate

	2021	2020
<b>Gross profit (loss)</b>	<b>15,364</b>	<b>10,011</b>

Income tax at the applicable rate of 19%	2,918	1,902
<b>Effect of tax recognition of:</b>	<b>7,374</b>	<b>-2,491</b>
- Use of tax losses brought forward	8,173	165
- Expenses not classified as tax-deductible under tax regulations	9,301	4,911
- Revenue not classified as revenue under tax regulations	-15,579	7,321
- Tax-deductible expenses not classified as balance sheet expenses	9,508	1,599
- Tax revenue not classified as balance sheet revenue	175	1,683
Revaluation of deferred tax assets (current year loss)	277	596
Deferred tax	-7,026	5,739
<b>Income tax according to effective tax rate</b>	<b>3,543</b>	<b>5,746</b>
Effective tax rate	23%	57%

#### Current tax assets and liabilities

	31-12-2021	31-12-2020
<b>Current tax assets</b>		
Tax refundable	32	0
<b>Current tax liabilities</b>		
Tax payable	1,098	5

#### Deferred tax balance

	2021	2020
<b>Deferred tax balance at the beginning of the period</b>	<b>14,428</b>	<b>20,154</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>52,431</b>	<b>43,328</b>
Provisions for expenses and accruals	25,372	21,613
Discount of receivables	182	132
Operating lease liabilities	3,050	2,155
Write-downs	946	1,036
Bonds and insurances accounted for over time	2,651	2,114
Tax work in progress	10,562	15,319
Measurement of long-term contracts	9,413	695
Other	255	264
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>35,079</b>	<b>41,072</b>
Measurement of long-term contracts	20,358	27,917
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,546	12,444
Discount of payables	1,175	705
Other	0	6
<b>Unused tax losses and other tax credits carried forward:</b>	<b>4,142</b>	<b>12,172</b>
Tax losses	4,142	12,172
<b>Total temporary differences relating to deferred tax assets:</b>	<b>56,573</b>	<b>55,500</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>35,079</b>	<b>41,072</b>

<b>Deferred tax balance at the end of the period</b>	<b>21,494</b>	<b>14,428</b>
<b>Change in deferred tax, including:</b>	<b>7,066</b>	<b>-5,726</b>
- recognised in income	7,026	-5,739
- recognised in equity	40	13

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

## 2.8. Items of other comprehensive income

Items of other comprehensive income:

	2021	2020
Actuarial gains (losses) relating to specific benefit schemes	-107	-70
Deferred tax	40	13
<b>Amount recognised in other comprehensive income</b>	<b>-67</b>	<b>-57</b>

## 2.9. Operating segments

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

- Construction;
- Design; and
- Sales.

The segments comply jointly with the following rules:

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

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

### Operating segments results in 2021:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>781,383</b>	<b>73,126</b>	<b>9,602</b>	<b>-12,661</b>	<b>851,450</b>
including:					
Revenue from external customers	780,715	63,291	6,946	498	851,450
Inter-segment revenues	668	9,835	2,656	-13,159	0

including:					
Revenue from construction contracts	756,660	0	9,602	-2,150	764,112
Revenue from the provision of services	11,680	63	0	-676	11,067
Revenue from the sale of goods, raw and other materials	13,043	73,063	0	-9,835	76,271
<b>Gross profit</b>	<b>29,912</b>	<b>3,947</b>	<b>1,509</b>	<b>-332</b>	<b>35,036</b>
Financial income / expenses	1,727	-519	-24	16	1,200
Interest received	106	0	0	-82	24
Interest paid	-990	-223	-21	81	-1,153
<b>Pre-tax profit</b>	<b>15,437</b>	<b>704</b>	<b>-555</b>	<b>-222</b>	<b>15,364</b>
Corporate income tax	3,296	133	157	-43	3,543
<b>Net profit</b>	<b>12,141</b>	<b>571</b>	<b>-712</b>	<b>-179</b>	<b>11,821</b>
Depreciation and amortisation	12,660	34	158	41	12,893
Property, plant and equipment	64,623	18	77	0	64,718
Non-current assets	175,213	162	423	-286	175,512
<b>Total assets</b>	<b>552,172</b>	<b>22,608</b>	<b>11,775</b>	<b>-9,048</b>	<b>577,507</b>
<b>Total liabilities</b>	<b>386,502</b>	<b>21,099</b>	<b>12,040</b>	<b>-8,537</b>	<b>411,104</b>

The Group operated in Poland in 2021. In addition, the Group earned the revenue of PLN 594 thousand from the sale of materials to Russia and Germany.

#### Operating segments results in 2020:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>849,649</b>	<b>52,395</b>	<b>11,082</b>	<b>-11,768</b>	<b>901,358</b>
including:					
Revenue from external customers	845,183	46,694	9,055	426	901,358
Inter-segment revenues	4,466	5,701	2,027	-12,194	0
including:					
Revenue from construction contracts	829,982	0	11,082	-5,521	835,543
Revenue from the provision of services	15,412	199	0	-546	15,065
Revenue from the sale of goods, raw and other materials	4,255	52,196	0	-5,701	50,750
<b>Gross profit</b>	<b>28,023</b>	<b>2,492</b>	<b>1,081</b>	<b>-278</b>	<b>31,318</b>
Financial income / expenses	253	-640	-251	29	-609
Interest received	34	0	0	-19	15
Interest paid	-1,273	-230	-35	19	-1,519
<b>Pre-tax profit</b>	<b>10,035</b>	<b>2</b>	<b>158</b>	<b>-184</b>	<b>10,011</b>
Corporate income tax	5,673	23	84	-34	5,746
<b>Net profit</b>	<b>4,362</b>	<b>-21</b>	<b>74</b>	<b>-150</b>	<b>4,265</b>
Depreciation and amortisation	13,137	7	184	-22	13,306
Property, plant and equipment	63,380	29	150	42	63,601
Non-current assets	167,782	470	646	-359	168,539
<b>Total assets</b>	<b>503,270</b>	<b>12,637</b>	<b>14,750</b>	<b>-5,684</b>	<b>524,973</b>
<b>Total liabilities</b>	<b>349,674</b>	<b>11,698</b>	<b>14,303</b>	<b>-5,351</b>	<b>370,324</b>

The Group operated in Poland in 2020. In addition, the Group earned the revenue of PLN 494 thousand from the sale of materials to Russia and Germany.

### 3. Contracts, retentions, provisions, advance payments and accruals

#### 3.1. Construction contracts

	31-12-2021	31-12-2020
<b>Assets (selected items)</b>	<b>152,077</b>	<b>185,048</b>
- Measurement of long-term construction contracts	107,149	146,929
- Advance payments made in connection with performed contracts	3,425	3,123
- Retentions on construction contracts retained by customers	11,144	12,886
- Inventories	30,359	22,110
<b>Liabilities (selected items)</b>	<b>200,329</b>	<b>159,805</b>
- Measurement of long-term construction contracts	49,539	3,659
- Provisions for contract costs	68,636	64,169
- Advance payments received in connection with performed contracts	6,737	28,841
- Retentions on construction contracts retained for suppliers	41,828	38,214
- Provisions for warranty claims	19,059	16,850
- Provisions for expected losses on contracts	14,530	8,072

#### 3.2. Retentions on construction contracts

	31-12-2021	31-12-2020
Retained by customers – to be repaid after 12 months	7,431	8,515
Retained by customers – to be repaid within 12 months	3,713	4,371
<b>Total retentions on construction contracts retained by customers</b>	<b>11,144</b>	<b>12,886</b>
Retained for suppliers – to be repaid after 12 months	24,068	18,821
Retained for suppliers – to be repaid within 12 months	17,760	19,393
<b>Total retentions on construction contracts retained for suppliers</b>	<b>41,828</b>	<b>38,214</b>

The construction contracts and work-for-hire contracts entered into by the Group provide for an obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or

insurance companies. If the term of a bond provided by a bank is longer than 37 months, the bank establishes additional security in the form of cash deposit.

#### Discount of long-term retentions

	31-12-2021	31-12-2020
Discount of long-term retentions on construction contracts retained by customers	953	683
Discount of long-term retentions on construction contracts retained for suppliers	3,229	1,983

	2021	2020
Financial income from the discount on retentions	976	671
Deferred tax	185	127
<b>Net effect on the statement of comprehensive income</b>	<b>791</b>	<b>544</b>

#### Ageing analysis of past due retentions on construction contracts (nominal values before discount)

	31-12-2021	31-12-2020
Past due retentions on construction contracts:		
– up to 1 month	0	0
– 1 - 3 months	0	0
– 3 - 6 months	0	0
– 6 months - 1 year	0	0
– over 1 year	11	11
<b>Total past due retentions on construction contracts (gross)</b>	<b>11</b>	<b>11</b>
Write-downs	-11	-11
<b>Total past due retentions on construction contracts (net)</b>	<b>0</b>	<b>0</b>

#### Discount rate

The effective interest rate in 2021 used for the discounting of retentions was 3% (2.1% in 2020).

### 3.3. Provisions

Provisions	01-01-2021	Created	Used	Released	Reclassified	31-12-2021	Item
<b>Long-term provisions:</b>	<b>16,497</b>	<b>3,229</b>	<b>19</b>	<b>45</b>	<b>-1,228</b>	<b>18,434</b>	
Provisions for employee benefits	1,411	498	0	45	0	1,864	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,086	2,731	19	0	-1,228	16,570	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>32,586</b>	<b>40,367</b>	<b>19,503</b>	<b>6,187</b>	<b>1,228</b>	<b>48,491</b>	
Provisions for employee benefits	22,713	28,958	19,215	1,015	0	31,441	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,764	100	271	332	1,228	2,489	Short-term provisions
Provision for loss on contracts	8,072	11,298	0	4,840	0	14,530	Short-term provisions
Other provisions	37	11	17	0	0	31	Short-term provisions
<b>Total provisions</b>	<b>49,083</b>	<b>43,596</b>	<b>19,522</b>	<b>6,232</b>	<b>0</b>	<b>66,925</b>	

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
<b>Long-term provisions:</b>	<b>14,541</b>	<b>4,200</b>	<b>272</b>	<b>877</b>	<b>-1,095</b>	<b>16,497</b>	
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
<b>Short-term provisions:</b>	<b>35,539</b>	<b>29,519</b>	<b>17,390</b>	<b>16,177</b>	<b>1,095</b>	<b>32,586</b>	
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
<b>Total provisions:</b>	<b>50,080</b>	<b>33,719</b>	<b>17,662</b>	<b>17,054</b>	<b>0</b>	<b>49,083</b>	

### 3.4. Allowances

#### Change in allowances

Allowances	01-01-2021	Created	Used	Released	31-12-2021
<b>Allowances:</b>	<b>26,075</b>	<b>8,663</b>	<b>4,809</b>	<b>16</b>	<b>29,913</b>
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	191	0	190	0	1
Allowances for trade receivables in connection with the increase of credit risk	24,914	8,360	4,619	13	28,642
Allowances for trade receivables – initial for expected credit losses	189	300	0	0	489
Write-downs of retentions	11	3	0	3	11
<b>Total:</b>	<b>26,075</b>	<b>8,663</b>	<b>4,809</b>	<b>16</b>	<b>29,913</b>

Allowances for trade receivables of PLN 29m include:

- ❖ Debit notes issued by the Company for penalties, damages and substitute performance of PLN 26m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue. The major items include the notes of PLN 21m issued in past years.
- ❖ Receivables under court and enforcement cases of PLN 1m.
- ❖ Doubtful debt of PLN 1m (including PLN 0.9m of prior years).

#### Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 604 thousand and the creation of allowances of PLN 334 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	01-01-2020	Created	Used	Released	31-12-2020
<b>Allowances:</b>	<b>21,056</b>	<b>7,672</b>	<b>1,436</b>	<b>1,217</b>	<b>26,075</b>
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	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
Write-downs of retentions	11	0	0	0	11
<b>Total:</b>	<b>21,056</b>	<b>7,672</b>	<b>1,436</b>	<b>1,217</b>	<b>26,075</b>

### 3.5. Advance payments

	31-12-2021	31-12-2020
Advance payments made in connection with performed contracts	3,425	3,123
Other advance payments	47	47
Write-downs of advance payments	-47	-47
<b>Total</b>	<b>3,425</b>	<b>3,123</b>

	31-12-2021	31-12-2020
Advance payments received in connection with performed contracts	6,737	28,841
<b>Total</b>	<b>6,737</b>	<b>28,841</b>

### 3.6. Accruals

	31-12-2021	31-12-2020
Provisions for contract costs	68,636	64,169
Other accruals	1,622	1,448
<b>Total</b>	<b>70,258</b>	<b>65,617</b>

## 4. Trade and other receivables and payables

### 4.1. Trade and other receivables

	31-12-2021	31-12-2020
Trade receivables	161,414	170,035
Allowances for trade receivables in connection with the increase of credit risk	-28,642	-24,914
Allowance for trade receivables – initial for expected credit losses	-489	-189
Receivables from the state budget other than corporate income tax	632	0
Other receivables	4,142	4,290
<b>Total trade and other receivables</b>	<b>137,057</b>	<b>149,222</b>

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

### Ageing analysis of trade receivables

	31-12-2021	31-12-2020
--	------------	------------

<b>Not past due receivables</b>	<b>129,800</b>	<b>143,371</b>
<b>Receivables that are past due but not impaired</b>	<b>2,978</b>	<b>1,750</b>
1-30 days	2,142	1,086
31-60 days	12	211
61-90 days	1	43
91-180 days	3	156
181-360 days	321	253
360 + days	499	1
<b>Past due receivables for which allowances were made</b>	<b>28,636</b>	<b>24,914</b>
1-30 days	231	41
31-60 days	1	1,052
61-90 days	49	1,151
91-180 days	165	1,801
181-360	4,038	3,697
360 + days	24,152	17,172
<b>Total trade receivables (gross)</b>	<b>161,414</b>	<b>170,035</b>
<b>Allowances for trade receivables</b>	<b>-28,642</b>	<b>-24,914</b>
<b>Total trade receivables (net)</b>	<b>132,772</b>	<b>145,121</b>

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

	31-12-2021	31-12-2020
Counterparty A	101,121	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 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.

#### 4.2. Trade and other payables

	31-12-2021	31-12-2020
Trade payables	117,208	131,382
Liabilities to the state budget other than corporate income tax	17,466	3,475
Other payables	242	216
<b>Total trade and other payables</b>	<b>134,916</b>	<b>135,073</b>

#### Ageing analysis of trade payables

	31-12-2021	31-12-2020
<b>Not past due payables</b>	<b>116,375</b>	<b>127,412</b>
<b>Past due payables</b>	<b>833</b>	<b>3,970</b>
1-30 days	646	3,183
31-60 days	40	185
61-90 days	0	39

91-180 days	1	0
181-360 days	0	193
360 + days	146	370
<b>Total trade payables</b>	<b>117,208</b>	<b>131,382</b>

## 5. Equity

### 5.1. Share capital

At 31 December 2021, the amount of the registered share capital disclosed in the consolidated financial statements was PLN 5,757,520.75.

#### Share capital as at 1 March 2022

(PLN)

Class/issue	Type of shares	Number of shares	Class/issue at nominal value	Contribution	Registration date (Right to dividend from registration date)
Class A	Ordinary bearer shares	16,000,000	4,000,000.00	Contribution in kind	12 July 2002
Class B	Ordinary bearer shares	6,000,000	1,500,000.00	Fully paid up in cash by way of issue	19 October 2010
Class C	Bearer – "Merger shares"	1,030,083	257,520.75	Fully paid up in cash by way of issue	20 December 2013
<b>Total</b>		<b>23,030,083</b>	<b>5,757,520.75</b>		

Class A, B and C shares are not preferred and rights to the shares are not limited.

At 31 December 2021, the share capital structure was the same as at 1 March 2022.

### 5.2. Profit (loss) per share

(PLN)

	2021	2020
Basic profit (loss) per share	0.51	0.19
Diluted profit (loss) per share	0.51	0.19

#### Basic profit (loss) per share

Profit and weighted average number of ordinary shares used in the calculation of basic profit per share:

(PLN)

	2021	2020
Profit (loss) per share for the financial year	0.51	0.19
<b>Total profit (loss) used in the calculation of basic profit per share</b>	<b>11,763,413.67</b>	<b>4,260,864.18</b>
Weighted average number of ordinary shares used in the calculation of profit (loss) per share	23,030,083	23,030,083

Basic profit per share is calculated by dividing net profit for the period by weighted average number of shares for the period.

## Diluted profit (loss) per share

There are no diluting instruments.

### 5.3. Share premium account

	2021	2020
<b>Balance at the beginning of the year</b>	<b>93,837</b>	<b>93,837</b>
Share issue	0	0
Issue costs	0	0
<b>Balance at the end of the year</b>	<b>93,837</b>	<b>93,837</b>

ZUE raised cash of PLN 88.5m through the issue of shares on 1 October 2010. The costs of class B shares issue in 2010 amounted to PLN 3.1m.

The Company did not launch any new issue of shares in 2012 or 2011.

In 2013, the Company launched a new issue of class C shares. The *agio* generated by the Company on 6 December 2013 was PLN 9m. The costs of class C shares issue in 2013 amounted to PLN 0.5m. The Company did not launch any new issue of shares in the years 2014-2021.

### 5.4. Treasury shares

At the date of preparation of these financial statements, the Company holds 264,652 treasury shares worth PLN 2,690 thousand. The shares were acquired by the Company from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., the company which merged with ZUE S.A., as part of the buy-back effected in 2015. The shares were bought back on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back own shares. The transaction was described in detail in note no. 25 of the consolidated financial statements for the year ended 31 December 2015.

### 5.5. Retained earnings

	2021	2020
<b>Balance at the beginning of the year</b>	<b>57,589</b>	<b>53,386</b>
<b>Net profit distribution</b>	<b>4,260</b>	<b>3,753</b>
Reserve funds	4,260	3,753
Capital reserve	0	0
Coverage of loss of brought forward	0	0
<b>Profit (loss) of the current year</b>	<b>11,765</b>	<b>4,260</b>
<b>Other net comprehensive income</b>	<b>-67</b>	<b>-57</b>
<b>Payment of dividend for the prior year</b>	<b>0</b>	<b>0</b>
<b>Balance at the end of the year</b>	<b>69,287</b>	<b>57,589</b>

Retained earnings of prior years include the earnings retained at companies on the basis of the shareholders' decision and the effects of the implementation of IFRS.

Companies create a capital reserve according to the articles of association. A company's profit to be distributed in subsequent periods or used to cover special losses or other expenses may be allocated to capital reserve.

The Company's reserve funds meet the requirements of Art. 396 of the Act. According to the Act, reserve funds should be created so that a loss can be financed. At least 8% of profit for the financial year should be transferred to the reserve funds until the reserve funds reach at least one third of the share capital.

## 6. Debt and management of capital and liquidity

### 6.1. Loans and bank credits

	31-12-2021	31-12-2020
<b>Long-term</b>	<b>0</b>	<b>4,443</b>
Bank credits	0	0
Loans received	0	4,443
<b>Short-term</b>	<b>7,964</b>	<b>13,108</b>
Bank credits	3,250	3,950
Loans received	4,714	9,158
<b>Total</b>	<b>7,964</b>	<b>17,551</b>

### Summary of loan and credit agreements

#### Balance at 31 December 2021

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2021	Amount of available loans and credits as at 31-12-2021	Use at as 31-12-2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2022
2	mBank S.A. (i)	Master agreement	25,000		100	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	24,900	100		
		non-revolving working capital credit	25,000	24,900	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	4,443	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		0	1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	65,000	0		
		Overdraft	4,000	4,000	0		
5	mBank S.A.	Working capital credit	3,250	0	3,250	1M WIBOR + margin	May 2022
6	Magdalena Nowak (ii)	Loan agreement	271	0	271	3M WIBOR + margin	Unspecified
	<b>Total amount of available loans and credits</b>			<b>38,900</b>			

	<b>Total debt under loans and credits</b>			<b>7,964</b>		
	<b>Total use for bonds</b>			<b>100</b>		

- (i) ZUE is able to use the limit for both working capital credit and bank guarantees.  
(ii) Change of last name.

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;
  - b) Registered pledge on non-current assets – machinery and equipment owned by the Company;
  - c) Statement on submission to enforcement;
  - d) 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 bonds expiring after 36 months;
  - c) Financial pledge on cash kept on customer's bank accounts maintained by the Bank;
  - d) Registered pledge on non-current assets – machinery and equipment owned by the Company;
  - e) Statement on submission to enforcement;
  - f) Assignment of rights under insurance policy.
3. **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
1. **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 customer's bank accounts maintained by the Bank.

The following changes to certain credit agreements signed by the Group occurred in the reporting period:

- 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 the 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 credit repayment date was extended by one year and the new repayment schedule was prepared.
- 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 and 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		
		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 SA	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.	Overdraft	3,950	0	3,950	1M WIBOR + margin	January 2021
6	Magdalena Nowak (ii)	Loan agreement	268	0	268	3M WIBOR + margin	Unspecified
	<b>Total amount of available loans and credits</b>			17,307			
	<b>Total debt under loans and credits</b>				17,551		
	<b>Total use for bonds</b>				26,093		

- (i) ZUE is able to use the limit for both working capital credit and bank guarantees.  
(ii) Change of last name.

## 6.2. Leases

### Lease liabilities

	31-12-2021	31-12-2020
Long-term lease liabilities	14,248	12,020
Short-term lease liabilities	6,289	9,130
Lease liabilities associated with assets held for sale	366	366
<b>Total</b>	<b>20,903</b>	<b>21,516</b>

In the reporting period, the Group signed the leases with the total amount of PLN 9,979 thousand and purchased the leased assets with the total net value of PLN 7,147 thousand.

	Minimum lease payments		Present value of minimum lease payments	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Not later than one year	6,986	9,679	6,289	9,130
Later than one year and not later than five years	12,418	8,621	7,638	7,139
Later than five years	23,019	19,215	6,976	5,247
Less: future finance charges	-21,520	-15,999	0	0
<b>Present value of minimum lease payments</b>	<b>20,903</b>	<b>21,516</b>	<b>20,903</b>	<b>21,516</b>

### General terms of lease

The leases signed by the Group mainly concern vehicles. The term of the leases concerning manufacturing equipment and vehicles is from three to six years. The Company has an option to purchase the equipment at the end of the lease for a price equal to their residual value. The Group's liabilities under finance leases are secured by the lessor's title to the leased assets and a blank promissory note. The leasehold land is used on the basis of administrative decisions and except for the investment property in Kościelisko where the term of lease is 39 years, leases have been concluded for 89 years.

### Short-term and low value leases

The Group applied IFRS 16 and used the following practical solutions offered by the standard:

1. Not to recognise operating leases with a lease term less than 12 months which are treated as short-term leases; and
2. Not to recognise leases where the underlying asset has a low value; i.e. PLN 20 thousand

The costs associated with short-term and low value leases amounted to PLN 4,401 thousand in 2021 and to PLN 4,587 thousand in 2020.

### Lease details presented by the Group in the following notes:

No.	Note	2021	2020
2.2.	Depreciation and amortisation	3,219	4,434
2.6.	Financial expenses – interest on leases	782	726

No.	Note	31-12-2021	31-12-2020
6.2.	Leases – lease liabilities	20,537	21,150
6.2.	Lease liabilities associated with assets held for sale	366	366
7.4.	Right-of-use assets	41,510	41,900

### 6.3. Management of capital

The Group reviews the capital structure each time for the purpose of the financing of major contracts/orders.

During the review, the Group considers own resources required for day-to-day operations, the schedule of contract/order financing, the cost of capital and the risks associated with each class of the capital.

	31-12-2021	31-12-2020
Long- and short-term loans and bank credits	7,964	17,551
Long- and short-term lease liabilities	20,537	21,150
Lease liabilities associated with assets held for sale	366	366
Long- and short-term other financial liabilities	36	36
<b>Total financial liabilities</b>	<b>28,903</b>	<b>39,103</b>
Cash and cash equivalents	108,736	23,487
<b>Net debt</b>	<b>-79,833</b>	<b>15,616</b>
Equity	166,403	154,649
<b>Net debt to equity ratio</b>	<b>-47.98%</b>	<b>10.10%</b>



Negative net debt is due to the fact that total financial liabilities at the end of 2021 fell below the amount of cash at the Group.

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

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

#### Changes in liabilities resulting from financing activities

Non-cash flows							
Item	01-01-2021	Cash flows (change)	Change on gain/loss of control	Change on foreign exchange gains/losses	Change on conclusion of new leases	Reclassification	31-12-2021
Long-term loans and bank credits	4,443	-4,443	0	0	0	0	0
Long-term lease liabilities	12,020	0	0	0	6,546	-4,318	14,248
Long-term other financial liabilities	0	0	0	0	0	0	0
Short-term loans and bank credits	13,108	-5,144	0	0	0	0	7,964
Short-term lease liabilities	9,130	-10,563	0	0	3,404	4,318	6,289
Lease liabilities associated with assets held for sale	366	0	0	0	0	0	366
Short-term other financial liabilities	36	0	0	0	0	0	36
<b>Total financing liabilities</b>	<b>39,103</b>	<b>-20,150</b>	<b>0</b>	<b>0</b>	<b>9,950</b>	<b>0</b>	<b>28,903</b>

#### 6.4. Financial risk management

The main financial instruments used by the Group include:

- Leases;
- Credits;
- Loan to finance day-to-day operations;
- Trade and other receivables and payables as well as cash and short-term deposits arising during the course of the Group's operations.

The Group's operations expose it to different financial risks including foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Management Board verify these risks and define the rules governing the management thereof.

#### Foreign exchange risk

As part of its operations, the Group makes settlements in foreign currencies, mainly in EUR. The foreign exchange risk is mainly hedged by concluding contracts with counterparties whereby the risk is transferred to them. If this is not possible, currency exposure (if relevant) is hedged on the financial market using currency futures.

#### Foreign exchange risk – sensitivity to changes

To analyse the sensitivity to exchange rate changes, the reasonably possible change in foreign exchange rates was assessed, on the basis of historical changes and the Group's experience and knowledge of financial markets, at -5% / +5% for EUR/PLN exchange rate as at 31 December 2021.

The following table presents the sensitivity of the profit or loss of the period to reasonably possible changes in foreign exchange rates assuming that other factors remain unchanged (the effect on the profit or loss of the year and net assets is identical)

#### Sensitivity to changes as at 31 December 2021

	Currency	Nominal value at the end of the reporting period	Depreciation of PLN	Appreciation of other currencies
			<b>+5%</b>	<b>-5%</b>
Cash	EUR	275	14	-14
	USD	158	8	-8
	HRK	1	0	0
	BGN	2	0	0
Trade and other payables	EUR	3,431	-172	172
Trade and other receivables	EUR	171	9	-9
<b>Gross effect on profit or loss of the period and net assets</b>			<b>-141</b>	<b>141</b>
Deferred tax			27	-27
<b>Total</b>			<b>-114</b>	<b>114</b>

The Group had no hedging currency futures as at 31 December 2021 or 31 December 2020.

#### Interest rate risk

The Group is exposed to interest rate risk mainly because it uses such instruments as leases, multi-purpose lines of credit and loans to finance day-to-day operations. These financial instruments are based on variable interest rates and expose the Group to the risk of cash flow fluctuations. The hedging activity is assessed on an ongoing basis so that the Group can adapt to the current situation and be prepared to incur the risk.

#### Interest rate risk – sensitivity to changes

To analyse the sensitivity to interest rate changes, the reasonably possible change in interest rates was assessed, on the basis of historical changes and the Group's experience and knowledge of financial markets, at -1 / +1 pp at 31 December 2021. A parallel shift of interest rate curve was assumed for the purpose of calculating the sensitivity to change in interest rates.

The following table sets out the effect on the profit or loss of the period and net assets as at 31 December 2021.

	Amount at the end of the reporting period	31-12-2021	
		+100 bp	-100 bp
Long-term retentions on construction contracts (discount):			
– recognised in assets (present value)	7,431	-282	299
– recognised in liabilities (present value)	24,068	943	-1,006
Cash at banks	108,736	1,087	-1,087
Loans and bank credits	7,964	-80	80
Lease liabilities	20,537	-205	205
Lease liabilities associated with assets held for sale	366	-4	4
<b>Gross effect on profit or loss of the period and net assets</b>		<b>1,460</b>	<b>-1,506</b>
Deferred tax		-277	286
<b>Total</b>		<b>1,181</b>	<b>-1,220</b>

### Price risk

The Group is exposed to price risk relating to the increase in prices of the most popular products and raw materials such as concrete, aggregates, steel elements (including tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact wires) and, given a big number of machines, liquid fuels (including diesel oil and petrol). Changes in prices of materials or labour costs may contribute to a change in service fees charged by subcontractors. Prices contained in contracts with investors remain fixed throughout the term of such contracts (usually from 6 to 36 months). However, contracts with subcontractors may be concluded at later dates as the works progress.

The Group reduces the price risk by signing master agreements for the supply of strategic materials.

### Credit risk

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

The Group's financial assets exposed to increased credit risk include trade receivables (excluding receivables from contracting authorities (investors) in connection with the projects carried out pursuant to the Public Procurement Act). A contract-related credit risk is assessed and verified by the Group both at the stage of tender submission and at the stage of project execution.

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

The nature of construction activities requires the Group to use a considerable part of its working capital to perform the contracts due to their relatively high value and a long time of their performance. Accordingly, a failure of the Group's customers to timely settle their liabilities to the Group directly influences the Group's financial results.

### Liquidity risk

The Group reduces liquidity risk by keeping sufficient cash and concluding multi-purpose credit line agreements which serve as an additional safeguard against the loss of liquidity. The Group uses own resources, credits and long-term finance lease agreements to finance capital expenditures and to ensure a stable financing structure for such type of assets.

Liquidity management is supported by the system of reporting cash flow projections.

The maturity structure for financial liabilities is set out in Note 7.14 – Financial instruments.

## 6.5. Cash and cash equivalents

	31-12-2021	31-12-2020
Cash in hand and at banks	108,736	23,487
Bank deposits up to three months	0	0
<b>Total</b>	<b>108,736</b>	<b>23,487</b>

The cash does not include the cash on escrow accounts attributable to consortium members. The Group believes that the cash cannot be defined as an asset and is not presented in the balance sheet. As at 31 December 2021, the cash on escrow accounts maintained by ZUE was PLN 6,318 thousand, including PLN 3,663 thousand attributable to ZUE. There was no cash on escrow accounts as at 31 December 2020.

## 7. Other notes to the financial statements

### 7.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>0</b>	<b>23,237</b>	<b>48,607</b>	<b>59,951</b>	<b>2,425</b>	<b>134,220</b>	<b>324</b>	<b>0</b>	<b>134,544</b>
Additions	0	0	1,964	1,920	84	3,968	3,088	98	7,154
Reclassification – right-of-use*	0	0	1,767	8,585	0	10,352	-735	0	9,617
Transfer to non-current assets	0	0	0	0	0	0	1,990	33	2,023
Sale/Liquidation	0	0	4,066	3,255	23	7,344	122	0	7,466
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>23,237</b>	<b>48,272</b>	<b>67,201</b>	<b>2,486</b>	<b>141,196</b>	<b>565</b>	<b>65</b>	<b>141,826</b>

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>0</b>	<b>8,968</b>	<b>27,354</b>	<b>32,725</b>	<b>1,896</b>	<b>70,943</b>	<b>0</b>	<b>0</b>	<b>70,943</b>
Elimination on disposal of assets	0	0	3,408	2,613	25	6,046	0	0	6,046
Reclassification – right-of-use* - depreciation expense	0	0	442	2,763	0	3,205	0	0	3,205
Depreciation expense	0	613	2,706	5,545	142	9,006	0	0	9,006
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>9,581</b>	<b>27,094</b>	<b>38,420</b>	<b>2,013</b>	<b>77,108</b>	<b>0</b>	<b>0</b>	<b>77,108</b>

Net carrying amount	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>0</b>	<b>14,269</b>	<b>21,253</b>	<b>27,226</b>	<b>529</b>	<b>63,277</b>	<b>324</b>	<b>0</b>	<b>63,601</b>
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>13,656</b>	<b>21,178</b>	<b>28,781</b>	<b>473</b>	<b>64,088</b>	<b>565</b>	<b>65</b>	<b>64,718</b>

\* Purchase at the end of lease and leaseback.

No impairment losses were recognised by the Group in the reporting period.

As at 31 December 2021, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 239 thousand. As at 31 December 2021, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 17,388 thousand.

## Assets pledges as security

The types of security for the bank agreements concerning property, plant and equipment are discussed in the note.

## Comparative information:

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	0	26,311	37,335	55,709	2,331	121,686	377	27	122,090
Additions	0	56	1,581	4,260	230	6,127	1,199	46	7,372
Adjustment	0	2,268	179	46	0	2,493	0	0	2,493
Reclassification – right-of-use*	0	0	10,457	4,827	0	15,284	0	0	15,284
Transfer to non-current assets	0	0	0	0	0	0	1,252	73	1,325
Sale/Liquidation	0	189	945	4,891	136	6,161	0	0	6,161
Reclassification to assets held for sale	0	-5,209	0	0	0	-5,209	0	0	-5,209
<b>Balance at 31 December 2020</b>	0	23,237	48,607	59,951	2,425	134,220	324	0	134,544

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	0	9,594	23,563	30,492	1,916	65,565	0	0	65,565
Elimination on disposal of assets	0	178	880	4,796	136	5,990	0	0	5,990
Reclassification – right-of-use* - depreciation expense	0	0	1,847	671	0	2,518	0	0	2,518
Depreciation expense	0	722	2,768	4,815	94	8,399	0	0	8,399
Adjustment	0	871	56	1,543	22	2,492	0	0	2,492
Reclassification to assets held for sale	0	-2,041	0	0	0	-2,041	0	0	-2,041
<b>Balance at 31 December 2020</b>	0	8,968	27,354	32,725	1,896	70,943	0	0	70,943

Net carrying amount	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	0	16,717	13,772	25,217	415	56,121	377	27	56,525
<b>Balance at 31 December 2020</b>	0	14,269	21,253	27,226	529	63,277	324	0	63,601

\* Purchase at the end of lease and leaseback.

## 7.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>126</b>	<b>6,713</b>	<b>4,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,963</b>	<b>0</b>	<b>0</b>	<b>10,963</b>
Additions	0	0	0	0	0	0	0	27	0	27
Adjustment	0	-1,000	914	0	0	0	-86	22	0	-64
Sale/Liquidation	0	0	0	0	0	0	0	0	0	0
<b>Balance at 31 December 2021</b>	<b>126</b>	<b>5,713</b>	<b>5,038</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,877</b>	<b>49</b>	<b>0</b>	<b>10,926</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>0</b>	<b>2,078</b>	<b>2,388</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,466</b>	<b>0</b>	<b>0</b>	<b>4,466</b>
Elimination on disposal of assets	0	0	0	0	0	0	0	0	0	0
Adjustment	0	0	-64	0	0	0	-64	0	0	-64
Depreciation expense	0	212	167	0	0	0	379	0	0	379
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>2,290</b>	<b>2,491</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,781</b>	<b>0</b>	<b>0</b>	<b>4,781</b>

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>126</b>	<b>4,635</b>	<b>1,736</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,497</b>	<b>0</b>	<b>0</b>	<b>6,497</b>
<b>Balance at 31 December 2021</b>	<b>126</b>	<b>3,423</b>	<b>2,547</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,096</b>	<b>49</b>	<b>0</b>	<b>6,145</b>

The investment property as at 31 December 2021 included the real estate in Kościelisko. The investment property comprises buildings with land and leasehold land. The Group's investment property is held either as freehold or leasehold interests.

No impairment losses were recognised by the Group in the reporting period. The total amount of investment property impairment losses is PLN 770 thousand.

The investment property was measured at purchase price less impairment losses. The Group did not earn income from the lease of investment property in 2021 or 2020. Operating expenses relating to investment property amounted to PLN 502 thousand in 2021 (PLN 456 thousand in 2020).

#### Assets pledged as security

The types of security for the bank agreements concerning investment property are discussed in the note 7.20.

#### Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	126	5,243	4,594	0	0	0	9,963
Additions	0	0	0	0	0	0	0
Adjustment	0	470	-470	0	0	0	0
Impairment	0	1,000	0	0	0	0	1,000
Sale/Liquidation	0	0	0	0	0	0	0
Balance at 31 December 2020	126	6,713	4,124	0	0	0	10,963

Depreciation	Freehold	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	0	1,743	2,343	0	0	0	4,086
Elimination on disposal of assets	0	0	0	0	0	0	0
Adjustment	0	-183	183	0	0	0	0
Depreciation expense	0	152	228	0	0	0	380
Balance at 31 December 2020	0	2,078	2,388	0	0	0	4,466

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	126	3,500	2,251	0	0	0	5,877
Balance at 31 December 2020	126	4,635	1,736	0	0	0	6,497





### 7.3. Intangible assets

#### Structure of intangible assets

	31-12-2021	31-12-2020
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>2,716</b>	<b>2,073</b>
- software	2,716	2,073

#### Movement in intangible assets

Intangible assets – software	31-12-2021	31-12-2020
<b>Gross value</b>		
<b>Balance at the beginning of the period</b>	<b>6,096</b>	<b>5,778</b>
Additions	932	647
Sale/Liquidation	92	329
<b>Balance at the end of the period</b>	<b>6,936</b>	<b>6,096</b>
<b>Amortisation and impairment</b>		
<b>Balance at the beginning of the period</b>	<b>4,023</b>	<b>4,257</b>
Amortisation expense	289	93
Sale/Liquidation	92	327
<b>Balance at the end of the period</b>	<b>4,220</b>	<b>4,023</b>
<b>Net carrying amount</b>		
<b>Balance at the beginning of the period</b>	<b>2,073</b>	<b>1,521</b>
<b>Balance at the end of the period</b>	<b>2,716</b>	<b>2,073</b>

No impairment losses were recognised by the Group in 2021 or 2020. As at 31 December 2021, the gross carrying amount of fully amortised intangible assets still in use was PLN 4,363 thousand.

#### 7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>0</b>	<b>13,164</b>	<b>0</b>	<b>5,824</b>	<b>31,002</b>	<b>0</b>	<b>49,990</b>	<b>0</b>	<b>0</b>	<b>49,990</b>
Conclusion of new contracts	0	0	0	1,486	5,861	0	7,347	0	0	7,347
Changes on amendments to contracts	0	1,767	0	0	130	0	1,897	0	0	1,897
Reclassification – right of use *	0	0	0	-1,767	-8,585	0	-10,352	735	0	-9,617
Transfer to right-of-use assets	0	0	0	0	735	0	735	-735	0	0
Changes on the shortening of a contract	0	0	0	0	-20	0	-20	0	0	-20
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>14,931</b>	<b>0</b>	<b>5,543</b>	<b>29,123</b>	<b>0</b>	<b>49,597</b>	<b>0</b>	<b>0</b>	<b>49,597</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>0</b>	<b>1,445</b>	<b>0</b>	<b>1,211</b>	<b>5,434</b>	<b>0</b>	<b>8,090</b>	<b>0</b>	<b>0</b>	<b>8,090</b>
Depreciation expense	0	176	0	620	2,423	0	3,219	0	0	3,219
Reclassification – right of use* - depreciation expense	0	0	0	-442	-2,763	0	-3,205	0	0	-3,205
Elimination on the shortening of a contract	0	0	0	0	-17	0	-17	0	0	-17
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>1,621</b>	<b>0</b>	<b>1,389</b>	<b>5,077</b>	<b>0</b>	<b>8,087</b>	<b>0</b>	<b>0</b>	<b>8,087</b>

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
<b>Balance at 1 January 2021</b>	<b>0</b>	<b>11,719</b>	<b>0</b>	<b>4,613</b>	<b>25,568</b>	<b>0</b>	<b>41,900</b>	<b>0</b>	<b>0</b>	<b>41,900</b>
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>13,310</b>	<b>0</b>	<b>4,154</b>	<b>24,046</b>	<b>0</b>	<b>41,510</b>	<b>0</b>	<b>0</b>	<b>41,510</b>

\* Purchase at the end of lease and leaseback.

#### Assets pledged as security

The Company's lease liabilities (note 6.2.) are secured with the lessor's title to the leased assets (vehicles, machines and equipment).

**Comparative information:**

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	<b>1,239</b>	<b>13,844</b>	<b>1,157</b>	<b>15,592</b>	<b>33,857</b>	<b>0</b>	<b>65,689</b>
Conclusion of new contracts	522	0	186	730	2,305	0	3,743
Changes on amendments to contracts	0	0	0	-41	-263	0	-304
Reclassification – right of use *	0	0	0	-10,457	-4,827	0	-15,284
Changes on the shortening of a contract	-1,761	0	-1,343	0	-70	0	-3,174
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-913	0	0	0	0	-913
<b>Balance at 31 December 2020</b>	<b>0</b>	<b>13,164</b>	<b>0</b>	<b>5,824</b>	<b>31,002</b>	<b>0</b>	<b>49,990</b>

  

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	<b>535</b>	<b>1,128</b>	<b>618</b>	<b>2,282</b>	<b>4,034</b>	<b>0</b>	<b>8,597</b>
Depreciation expense	518	176	550	810	2,380	0	4,434
Reclassification – right of use* - depreciation expense	0	0	0	-1,847	-671	0	-2,518
Elimination on the shortening of a contract	1,053	0	1,168	34	309	0	2,564
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-92	0	0	0	0	-92
<b>Balance at 31 December 2020</b>	<b>0</b>	<b>1,445</b>	<b>0</b>	<b>1,211</b>	<b>5,434</b>	<b>0</b>	<b>8,090</b>

  

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	<b>704</b>	<b>12,716</b>	<b>539</b>	<b>13,310</b>	<b>29,823</b>	<b>0</b>	<b>57,092</b>
<b>Balance at 31 December 2020</b>	<b>0</b>	<b>11,719</b>	<b>0</b>	<b>4,613</b>	<b>25,568</b>	<b>0</b>	<b>41,900</b>

\* Purchase at the end of lease and leaseback.

## 7.5. Assets held for sale

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	913	3,850	0	0	0	4,763
Additions	0	0	0	0	0	0	0
Liquidations	0	0	0	0	0	0	0
Balance at 31 December 2021	0	913	3,850	0	0	0	4,763

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	92	1,331	0	0	0	1,423
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	0	0	0	0	0	0
Balance at 31 December 2021	0	92	1,331	0	0	0	1,423

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	821	2,519	0	0	0	3,340
Balance at 31 December 2021	0	821	2,519	0	0	0	3,340

The assets held for sale as at 31 December 2021 and 31 December 2020 included the real estate situated in Poznań.

As at 31 December 2021, the amount of lease liabilities on assets held for sale was PLN 366 thousand.

The Group intends to sell the real estate in Poznań and expects the transaction to be at least equal to the carrying amount of assets.

The extension of the period required to complete the sales transaction is caused by the events or circumstances beyond the Group's control (activities relating to the organisation of the real estate's legal condition). The Group still intends to sell the real estate.

**Comparative information:**

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
Liquidations	0	0	1,359	0	0	0	1,359
Reclassification from property, plant and equipment	0	0	5,209	0	0	0	5,209
Reclassification from right-of-use assets	0	913	0	0	0	0	913
<b>Balance at 31 December 2020</b>	0	913	3,850	0	0	0	4,763

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
Elimination on disposal of assets	0	0	710	0	0	0	710
Reclassification from property, plant and equipment	0	0	2,041	0	0	0	2,041
Reclassification from right-of-use assets	0	92	0	0	0	0	92
<b>Balance at 31 December 2020</b>	0	92	1,331	0	0	0	1,423

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
<b>Balance at 31 December 2020</b>	0	821	2,519	0	0	0	3,340

## 7.6. 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.

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

### Annual impairment test

The test was carried out using the FCFF approach in a five-year time horizon. According to the Group's principles, the recoverable amount of an asset generating cash was measured at use value.

The recoverable amount was determined with the discounted future cash flows method. The rate of average weighted cost of capital including the projected structure and the cost of financing, and the market risks was 11.6%.

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 as at 31 December 2021.

The impairment tests carried out as at 31 December 2021 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets.

### Sensitivity to changes in assumptions

If the useful value of an asset generating cash is estimated, the management personnel is convinced that no reasonably possible change to any key assumption will cause the carrying amount of the said asset to substantially exceed its recoverable value.

### 7.7. Investments in subordinates

At the end of the reporting period, ZUE holds 100% of shares in Railway Technology International Sp. z o.o. of Cracow. At present, the company does not conduct any operating activities.

Company name	Core business	Registered office and principal place of business	Interest %		Value at historical cost	
			31-12-2021	31-12-2020	31-12-2021	31-12-2020
Railway Technology International Sp. z o.o.	Holding activities	Cracow	100%	100%	231	211
<b>Total investments in subordinates</b>					<b>231</b>	<b>211</b>
Allowances for shares of RTI (cumulative)					231	211
<b>Total investments in subordinates net of allowances</b>					<b>0</b>	<b>0</b>

### 7.8. Other financial assets

	Current		Non-current	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Debt instruments	0	0	0	0
Other	105	0	42	0
<b>Total</b>	<b>105</b>	<b>0</b>	<b>42</b>	<b>0</b>

### 7.9. Other assets

	Current		Non-current	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
Deferred expenses	554	613	0	224
Other receivables	62	33	0	0
<b>Total</b>	<b>616</b>	<b>646</b>	<b>0</b>	<b>224</b>

The amount of short-term deferred expenses mainly includes the items of property insurance and defects liability bonds accounted for over time.

### 7.10. Advanced loans

	31-12-2021	31-12-2020
Loans advanced to related parties	0	165
Loans advanced to third parties	285	285
Impairment losses	-285	-440
<b>Total</b>	<b>0</b>	<b>10</b>

### 7.11. Inventories

	31-12-2021	31-12-2020
Goods, raw and other materials	37,056	24,893
Work-in-progress	766	205
Finished goods	0	208

<b>Total</b>	<b>37,822</b>	<b>25,306</b>
--------------	---------------	---------------

The security for liabilities created on inventories at 31 December 2021 and 31 December 2020 amounted to PLN 4,000 thousand.

The write-downs on inventories of PLN 190 thousand were used in the reporting period. No new write-downs were made. The total amount of write-downs was PLN 1 thousand as at 31 December 2021 and PLN 190 thousand as at 31 December 2020.

#### 7.12. Other financial liabilities

	31-12-2021	31-12-2020
Liabilities under dividends	36	36
<b>Total</b>	<b>36</b>	<b>36</b>

#### 7.13. Liabilities under employee benefits

Liabilities under employee benefits recognised in the statement of financial position:

	31-12-2021	31-12-2020
<b>Pension and retirement gratuities and death allowances, including:</b>	<b>2,116</b>	<b>1,499</b>
– present amount of obligation at the end of the reporting period	2,116	1,499
– actuarial gains / (losses) unrecognised at the end of the reporting period	0	0
– past service cost unrecognised at the end of the reporting period	0	0
<b>Liabilities to employees</b>	<b>0</b>	<b>0</b>
<b>Other employee benefits</b>	<b>41,805</b>	<b>33,225</b>
– provision for unused leaves	7,919	7,249
– provision for bonuses	23,270	15,376
– salaries and wages	5,349	5,371
– social security and other benefits	5,267	5,229
<b>Total liabilities under retirement and other benefits</b>	<b>43,921</b>	<b>34,724</b>
including:		
– long-term	1,864	1,411
– short-term	42,057	33,313

Gratuities are paid to the employees who retire or draw pension. The gratuity amount is the product of the base at the date of entitlement and the appropriate ratio progressing in proportion to the years of service.

If an employee dies during the term of employment, their family is paid a death allowance by the employer. The amount of the allowance depends on the seniority.

**Main actuarial assumptions for calculating liabilities under pension and retirement gratuities and death allowances**



	31-12-2021	31-12-2020
Discount rate	3.41%	1.59%
Expected increase in salaries and wages	3.50%	2.50%

### Pension and retirement gratuities and death allowances

	2021	2020
<b>Present amount of obligation at the beginning of the period</b>	<b>1,499</b>	<b>1,352</b>
Interest expense	32	22
Current service cost	196	162
Past service cost	440	0
Benefits paid	-153	-110
Actuarial (gains) / losses	102	73
<b>Present amount of obligation at the end of the period</b>	<b>2,116</b>	<b>1,499</b>

### Amounts recognised in the statement of comprehensive income in respect of future employee benefits:

	2021	2020
Current service cost	196	162
Interest expense	32	22
Actuarial (gains) / losses to be recognised in the period	102	73
Past service cost	440	0
<b>Costs recognised in the statement of comprehensive income</b>	<b>770</b>	<b>257</b>
Amount recognised in profit or loss	663	187
Amount recognised in other comprehensive income (without deferred tax)	107	70

	2021	2020
Actuarial gains (losses) relating to specific benefit schemes	-107	-70
Deferred tax	40	13
<b>Amount recognised in other comprehensive income</b>	<b>-67</b>	<b>-57</b>

Actuarial gains and losses are recognized by the Group in the statement of comprehensive income.

Provisions for pension and retirement gratuities and death allowances are made on the basis of actuarial valuation made by an independent actuarial consultancy company.

### Provision sensitivity analysis

The table below presents the analysis of sensitivity of provisions for employee benefits as at 31 December 2021 to the key parameters of actuarial model. The first line presents initial provisions. The remaining lines show how the change in the actuarial model parameter influences the amount of provisions.

PARAMETER / BENEFIT	Retirement gratuity	Pension gratuity	Death allowance	Total
initial provision amounts	1,502	99	515	2,116
rotation rate -1.0%	1,556	104	546	2,206
rotation rate +1.0%	1,454	95	489	2,038
probability of drawing pension -0.5	1,509	82	518	2,109
probability of drawing pension +0.5	1,496	116	513	2,125

technical discount rate -1.00%	1,573	102	540	2,215
technical discount rate +1.00%	1,437	96	493	2,026
rise in bases	0	0	0	0
remuneration at the Company -1.0%	1,376	93	471	1,940
remuneration at the Company +1.0%	1,649	106	566	2,321

#### 7.14. Financial instruments

The following table sets out the carrying amounts of all financial instruments of the Group with a breakdown into particular classes and categories of assets and liabilities.

##### Balance at 31 December 2021

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	12,108	0	0	0	45,057
Trade receivables	161,414	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	285	0	0	0	0
Cash and cash equivalents	0	108,736	0	0	0
Loans and bank credits	0	0	0	0	7,964
Lease liabilities	0	0	0	0	20,537
Lease liabilities associated with assets held for sale	0	0	0	0	366
Trade payables	0	0	0	0	117,208
<b>Total</b>	<b>173,807</b>	<b>108,736</b>	<b>0</b>	<b>0</b>	<b>191,168</b>

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 profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	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	0	23,487	0	0	0
Loans and bank credits	0	0	0	0	17,551
Lease liabilities	0	0	0	0	21,150
Lease liabilities associated with assets held for sale	0	0	0	0	366
Trade payables	0	0	0	0	131,382
<b>Total</b>	<b>184,054</b>	<b>23,487</b>	<b>0</b>	<b>0</b>	<b>210,682</b>

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

##### Maturity profile of financial liabilities at fair value through profit or loss and at amortised cost (before discount)

Age structure	31-12-2021	31-12-2020
– less than 1 year	149,477	172,679
– 1 - 3 years	17,624	18,146
– 3 - 5 years	3,391	2,560
– 5 + years	20,676	17,297
<b>Total</b>	<b>191,168</b>	<b>210,682</b>

##### Derivative instruments

No derivative instrument transactions were entered into by the Group in 2021 or 2020.

### 7.15. Transactions with related parties

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

	Receivables		Payables	
	31-12-2021	31-12-2020	31-12-2021	31-12-2020
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Revenue		Purchases	
	2021	2020	2021	2020
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	5	0	0	0
<b>Total</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>0</b>

	Advanced loans		Financial income (interest)	
	31-12-2021	31-12-2020	2021	2020
RTI	0	10	0	0
RTI Germany	0	155	5	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>0</b>	<b>165</b>	<b>5</b>	<b>0</b>

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 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.

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

### Remuneration of key management personnel

	2021	2020
Management Board	4,767	4,420
Proxy	785	603
Supervisory Board	267	267
<b>Total</b>	<b>5,819</b>	<b>5,290</b>

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.

#### **7.16. Proceedings before court or arbitration or public administration authority at the date of preparation of this report**

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

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

##### **Major pending court proceedings concerning liabilities:**

There are no pending court proceedings concerning liabilities.

##### **Major pending court proceedings concerning claims:**

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

On 29 September 2016, the Petitioner (PORR Polska Infrastruktury; i.e. former BILFINGER INFRASTRUCTURE S.A., ZUE S.A., Przedsiębiorstwo Budowy Kopalń PEBEKA S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. and Kolejowe Zakłady Automatyki Katowice S.A.) sued the Defendant (PKP Polskie Linie Kolejowe S.A.) for PLN 11.5m (out of which PLN 2.9m plus statutory interest was payable to ZUE) after additional works had been carried out and expenses had been incurred during the extended completion time. The lawsuit concerned the construction contract of 27 October 2009 between the Petitioner (the Contractor) and the Defendant (the Contracting Authority) for the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding. Phase 3: construction work on the siding as part of the project no. POLiŚ 7.1-18: "Modernisation of the railway line no. 8, construction of the Okęcie Airport siding."

An expert opinion was prepared according to which the petitioner's claims were to a considerable extent well-grounded. There was also another opinion and the arguments contained therein were basically the same as in the first opinion. The Parties made further reservations and the Court ordered that another opinion be prepared. The date of the next trial was not set by the date of preparation of these financial statements.

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

On 30 December 2016, the consortium of:

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

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

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

1) PLN 1.2m – costs relating to the requirement to extend the performance bond and insurance provided by the Contractor; and

2) PLN 38.1m – fixed costs relating to the performance of works over the extended period.

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

On 11 March 2019, the Court delivered the partial judgment whereby it ordered that PKP Polskie Linie Kolejowe S.A. pay ZUE PLN 347 thousand plus statutory default interest from 21 December 2016 to the date of payment and dismissed ZUE's claim concerning the payment of PLN 283 thousand plus statutory interest from 21 December 2016. The Parties appealed against this judgment. The Petitioner appealed against the dismissal of the claim of PLN 283 thousand plus statutory interest and the Defendant appealed against the order to pay PLN 347 thousand plus statutory interest. The appeal hearing referring to the partial judgment was held on 13 February 2020. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding. After the trial of 8 April 2021, the Court admitted the expert opinion. The date of the next trial, however, was not set.

#### Court case relating to contractual claim

On 28 April 2020, the claim of approx. PLN 34.8m was lodged against PKP PLK S.A. with the District Court in Warsaw to increase/pay the remuneration for the performance of the following contract: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The case is pending. The Parties exchange the pleadings. The Defendant (PKP PLK S.A.), represented by the General Counsel to the Republic of Poland, responded to the claim and applied for the dismissal thereof. The Plaintiff upheld the claim. Witnesses and the parties were heard and the proceedings are pending. The parties were set the date to provide detailed evidence in writing for the purpose of admitting an expert opinion and proposing the candidate expert.

#### Other court cases concerning inflation claims in respect of railway contracts

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

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

### **7.17. 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 system.

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 at 31 December 2021 or 31 December 2020.

The inspection of CIT for 2018 commenced at the Company on 7 February 2022.

### 7.18. Remuneration of key management personnel

Remuneration of the Management Board members and other members of key management personnel in the financial year:

	Term	Remuneration	Term	Remuneration
<b>Management Board</b>				
Wiesław Nowak	01.2021-12.2021	1,540	01.2020-12.2020	1,490
Anna Mroczek	01.2021-12.2021	823	01.2020-12.2020	813
Jerzy Czeremuga	01.2021-12.2021	739	01.2020-12.2020	707
Maciej Nowak	01.2021-12.2021	815	01.2020-12.2020	720
Marcin Wiśniewski	01.2021-12.2021	850	01.2020-12.2020	690
<b>Proxy</b>				
Magdalena Nowak*	01.2021-12.2021	785	01.2020-12.2020	603
<b>Supervisory Board</b>				
Mariusz Szubra	01.2021-12.2021	67	01.2020-12.2020	67
Barbara Nowak	01.2021-12.2021	50	01.2020-12.2020	50
Bogusław Lipiński	01.2021-12.2021	50	01.2020-12.2020	50
Piotr Korzeniowski	01.2021-12.2021	50	01.2020-12.2020	50
Michał Lis	01.2021-12.2021	50	01.2020-12.2020	50
<b>Total</b>		<b>5,819</b>		<b>5,290</b>

\*Change of last name.

The remuneration of the Management Board members is determined by the Supervisory Board and the remuneration of the key management personnel is determined by the Management Board President (the main shareholder of the Company) depending on the performance of individual members and market trends.

At the end of the reporting period, the Company has no liabilities under retirement or similar benefits to any former members of the of the supervisory or managing personnel.

### 7.19. Liabilities incurred to purchase property, plant and equipment

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

### 7.20. Contingent assets and contingent liabilities

#### Contingent assets

	31-12-2021	31-12-2020
Bonds	89,133	99,913
Guarantees	0	60
Promissory notes	747	822
<b>Total</b>	<b>89,880</b>	<b>100,795</b>

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

### Contingent liabilities

	31-12-2021	31-12-2020
Bonds	514,540	547,326
Guarantees	14,291	15,056
Promissory notes	301,346	333,682
Mortgages	81,529	81,529
Pledges	159,872	171,161
<b>Total</b>	<b>1,071,578</b>	<b>1,148,754</b>

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

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

The liabilities to banks, lessors and strategic 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., mBank S.A., CaixaBank 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 Group and mBank S.A.

### 7.21. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in 2021 or the comparative period.

### 7.22. Revisions to estimates

The following revisions to estimates occurred in the reporting period:

1/ Construction contracts accounted for using percentage-of-completion method – the revision was influenced by the review of the construction contract budgets; and

2/ Useful economic lives of non-current assets – the revision was influenced by the annual review of useful economic lives.

The estimates relate, *inter alia*, to:

Impairment of goodwill (note no. 7.6.)

Useful economic lives of non-current assets (note no. 8.2.11., note no. 8.2.13. and note no. 8.2.17.)

Loss allowances for receivables (note no. 3.4.)

Provisions (note no. 3.3.)

Measurement of long-term construction contracts (note no. 3.1.)



Deferred income tax (note no. 2.7.)

Contingent assets and contingent liabilities (note no. 7.20.)

Uncertainty over tax settlements (note no. 7.17.)

## **7.23. Influence of the coronavirus pandemic on the Group's activities**

### **Measures taken by the Group**

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

The Group reacts on an ongoing basis to the pandemic situation in Poland following the Government's announcement of the new restrictions on 10 October 2020 and 20 March 2021 and considers the related recommendations. In times of the pandemic increase in 2021, the Group extended the ability of its employees to work remotely or on a rotational basis where remote work was impossible. The Group also employed additional measures to keep its employees informed, monitor their health and provide them with protective equipment. The situation is constantly monitored.

Measures have been taken by the Group to ensure the safety of employees and collaborators and to continue operating activities.

### **Impact of the coronavirus pandemic on the Group's activity and financial standing in 2021**

The coronavirus epidemic in Poland and the related restrictions have an influence both on the performance of construction contracts and other areas of the Company's activity. Direct contacts with the representatives of investors and other entities involved in construction projects have been kept to a minimum and due precaution measures have been taken. Most of the contacts, arrangements and acceptances have continued remotely. The work has been organised to ensure the safety of people involved in the performance of construction contracts.

In addition to general restrictions witnessed in Poland at the end of the reporting period and at present, employees and other people involved in construction projects have been absent due to isolation and quarantine caused by COVID-19. These factors, however, have not disturbed the Group's construction processes or supply chains thanks to the measures taken by the Group and the fact that the absence from work has been relatively small. In addition, the Issuer believes that the situation is common and experienced by the majority of entities operating on the market.

BPK Poznań reported a decrease in revenues and profitability in 2021. The situation was due to the factors beyond the company's control such as delayed administrative procedures caused by the pandemic-related restrictions, long contract performance dates, the requirement of additional cost-generating activities reported by contracting authorities and, in consequence, postponed financial settlements.

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 predictions about further performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Group's key assets.

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

The impact of the coronavirus pandemic on the Group's future position or results cannot be estimated at the date of preparation of this report. Restrictions and changes in the economy continue and it is hard to predict when the situation will return to the way it was before the pandemic.

The Group has not taken and does not intend to take any advantage of the government shielding programmes.

Below please find the factors which may influence the markets in which the Issuer operates and ZUE's activities in the next quarters.

Factors which may have a negative influence:

- Limited supply of certain building materials caused by disruptions in the chains of supply;
- Increased prices of certain imported building materials caused by the weakening of PLN to EUR and USD rates;
- Temporary suspension of competitive tenders for new urban infrastructure contracts as a result of poorer financial condition of the cities caused by the imposed restrictions;
- Possible problems associated with the liquidity of certain enterprises (e.g. subcontractors);
- Possible extensions of deadlines for certain construction contracts caused by delays in the issue of certain administrative consents or approvals;
- Impediments relating to the absence or temporary exclusion of the Group's employees, subcontractors and consortium members; and
- Possible suspension of works under construction contracts.

Factors which may have a positive influence:

- Government decisions to continue the national transport infrastructure modernisation projects;
- Simplified procedures concerning, for instance, the acceptance of works and the circulation of documents in connection with railway contracts and quick payments for the works performed.

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

The COVID-19 pandemic has mainly influenced the Group's employees and social issues. Interpersonal communication was affected in 2021 and work had, to a certain extent, to be done remotely. Remote communication tools were also used to recruit and train employees. Limited direct interactions among people reduced the mobility of employees and, consequently, limited the emission of gases to the atmosphere. Electronic communication was more environmentally friendly because less paper was used. The pandemic did not affect other areas, such as respect of human rights or counteracting corruption.

#### **7.24. Influence of the situation in Ukraine on the Group's activities**

The war in Ukraine has no direct material influence on the Group's operations or financial results at the date of approval of this report. Ukraine's political and economic situation is constantly monitored by the Group in terms of the actual and potential impact thereof on the Group's activities.

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

- a) Increased prices of certain imported products and materials caused by the weakening of PLN rate (as well as other currencies of the region);
- b) Disruptions in the chains of supply of certain imported products and materials;
- c) Increased prices of fuels, natural gas and electricity;
- d) Limited access to fuels;
- e) Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs;
- f) Possible migration of Ukrainian employees from Poland to Ukraine (to protect their families and properties or at the request of the authorities); and
- g) Possible road obstructions after certain sections have been used for military transports or humanitarian aid.

## 8. Other notes to the financial statements

### 8.1. Use of the International Financial Reporting Standards

#### 8.1.1. Statement of compliance

The consolidated financial statements of the Group for the year ended 31 December 2021 and the comparative information for the financial year ended 31 December 2020 have been drawn up in accordance with the requirements of the International Financial Reporting Standards as endorsed by the European Union (EU).

#### 8.1.2. 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);
- **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).

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

#### 8.1.3. 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" 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).

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

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

- **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 the IFRS Board guidelines on disclosures of accounting policies in practice** – 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);
- **Amendments to IFRS 17 "Insurance Contracts"** – first application of IFRS 17 and IFRS 9 – comparative information (effective for annual periods beginning on or after 1 January 2023 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).

#### 8.1.5. Changes in applied accounting principles

No changes to the applied accounting principles occurred in the reporting period.

### 8.2. Important accounting principles

#### 8.2.1. Going concern

The consolidated financial statements have been prepared assuming that the Group will continue in operational existence for at least 12 months after the end of the reporting period.

The most important factor influencing the Group's ability to continue in operational existence is the financial condition of the Parent Company. The key factors with an impact on the Group's ability to continue its operations include liquidity, proper backlog and market situation.

In the 12 months ended 31 December 2021, the Group recognised the sales revenue of PLN 851.5m and the gross profit of PLN 35m. As at 31 December 2021, the Group presented the total current assets of PLN 402m, including trade and other receivables of PLN 137m and the cash of approx. PLN 108.7m. At the end of the reporting period, the Group had the backlog worth approx. PLN 1,500m 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.

#### 8.2.2. Comparability of financial data

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 associated with assets held for sale," was presented by the Group 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
<b>ASSETS</b>			
Non-current assets			
Total non-current assets	<b>168,539</b>	<b>168,539</b>	<b>0</b>
Current assets			

Current assets	353,094	353,094	0
<b>Assets held for sale</b>	<b>3,340</b>	<b>3,340</b>	<b>0</b>
<b>Total current assets</b>	<b>356,434</b>	<b>356,434</b>	<b>0</b>
<b>Total assets</b>	<b>524,973</b>	<b>524,973</b>	<b>0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Total equity</b>	<b>154,649</b>	<b>154,649</b>	<b>0</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities	12,020	12,386	-366
<b>Total non-current liabilities</b>	<b>51,910</b>	<b>52,276</b>	<b>-366</b>
<b>Current liabilities</b>			
<b>Total current liabilities</b>	<b>318,048</b>	<b>318,048</b>	<b>0</b>
<b>Lease liabilities associated with assets held for sale</b>	<b>366</b>	<b>0</b>	<b>366</b>
<b>Total liabilities</b>	<b>370,324</b>	<b>370,324</b>	<b>0</b>
<b>Total equity and liabilities</b>	<b>524,973</b>	<b>524,973</b>	<b>0</b>

### 8.2.3. Preparation basis

The consolidated financial statements have been prepared in accordance with the historic cost convention, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair value according to the accounting policy below.

The accounting principles (policies) used in the preparation of these consolidated financial statements are consistent with the accounting principles (policies) used in the preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2020.

The most important accounting principles applied by the Group are presented below.

### 8.2.4. Consolidation rules

#### Investments in subsidiaries

Subsidiaries are entities controlled by the parent (this includes SPVs). The control is exercised if the parent has the power to govern financial and operating policies of subsidiaries so as to obtain benefit from their activities.

The results of subsidiaries acquired or sold during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests are identified separately from the Group's equity. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquired net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequently, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the

non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in the Group's equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of assets (including goodwill), liabilities and non-controlling interests. Amounts recognized in other comprehensive income in relation to disposed subsidiary are reclassified to profit or loss. The fair value of any investment retained in the former subsidiary is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

### **Investments in associates**

An associate is an entity over which the Parent has a significant influence, but which is not a subsidiary or an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an associate without control or joint control.

The results, assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for in accordance with IFRS 5 – Noncurrent Assets Held for Sale and Discontinued Operations. Under the equity method of accounting, investments in associates are carried in the consolidated statement of financial position at historical cost as adjusted by post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value of individual investments. Losses of the associates in excess of the Group's interest in those associates (including any long-term shares which in fact are a part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Group transacts with an associate, profits and losses are eliminated to the extent of the Group's interest in the associate.

### **Loss of control**

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### **Transactions with minority shareholders not resulting in change of control**

Transactions with minority shareholders that do not result in a change of control are accounted for as equity transactions.

### **Goodwill**

Goodwill arising on acquisition represents the excess of the aggregate of transferred consideration, non-controlling interests and the fair value of interests previously held in the acquired unit over the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired unit at the date of acquisition.

If negative goodwill arises, the fair values of acquired net assets are reassessed by the Group. If negative goodwill still arises, then it should be recognised immediately in profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is not subsequently reversed.

On disposal of a subsidiary or a jointly controlled unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### **8.2.5. Segment reporting**

The Group's reporting is based on operating segments.

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

- Construction;
- Design; and
- Sales.

The Group is organised and managed within the abovementioned segments. The Group applies a uniform accounting policy for all operating areas within the segments.

#### **8.2.6. Recognition of revenue from long-term construction contracts**

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of goods or services to customers (contracting authorities) in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The Group's revenue:

- revenue from construction contracts;
- revenue from the provision of services; and
- revenue from the sale of goods, raw and other materials.

The Group recognises revenue from design and construction activities as revenue from construction contracts.

#### **Revenue from construction contracts**

A five-step model is applied under IFRS 15 to the recognition of revenue:

1. Identification of the contract.
2. Identification of performance obligations.
3. Determination of transaction price.
4. Allocation of the price.

## 5. Recognition of revenue.

The Group recognises revenue from unfinished construction service according to the five-step model and has used an input method in compliance with a modified retrospective approach.

There is one performance obligation in construction services provided by the Group. Accordingly, the allocation of transaction price to performance obligation does not require any estimates.

### Input method

Input method uses expenditures (costs) incurred by the Group relative to total expected expenditures (costs) to measure the extent of progress toward completion.

### Zero-profit method

If the Group is not able to reasonably measure the outcome of a performance obligation but expects to recover the costs incurred in satisfying the performance obligation, the Group applies a zero-profit method and recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

### Recognition of expected losses

When it is probable that total contract costs will exceed total contract revenue, a loss provision is recognised by the Group according to IAS 37.

### Practical use of progress toward completion measurement methods

An input method has been selected based on the type of the Group's operations.

Contract measurement stages:

- a) Determining of a change in contract status – contracts in progress and completed contracts;
- b) Determining of adjustments to the planned revenue;
- c) Revenue budget updates (twice a year);
- d) Cost budget updates (twice a year);
- e) Determining the amount of invoiced revenue;
- f) Determining the amount of direct and indirect costs relating to the performance of construction works;
- g) Determining the amount of general construction costs incurred (entity's general costs and general construction costs);
- h) Measurement of progress toward completion under a contract and recognition of revenue with an input method; and
- i) Measurement of payables and receivables where invoices for construction services contain prices lower or higher than agreed.

In an input method, the percentage of completion is defined as the ratio of actual costs to estimated (budgeted) costs required to perform the contract. Contract budgets are prepared for each construction contract. Budgets are updated twice a year on the basis of April- and October-end closings. The stage of completion of a contract is determined on the basis of contract budgets by calculating the ratio of the costs actually incurred for the work performed to date to the estimated total costs of the contract. Contracts, which have been signed but do not have approved budgets, are measured with a zero-profit method.

## 8.2.7. Foreign currencies

Transactions in currencies other than functional currency are recognised at the rate prevailing on the day preceding the transaction. At the end of each reporting period, financial assets and liabilities denominated in foreign currencies are translated at the rate quoted at that date by the National Bank of Poland. Assets and



liabilities measured at fair value and denominated in foreign currencies are measured at the rate prevailing at the date when the fair value was determined. Non-monetary items are measured at historical cost.

Foreign exchange differences arising on translation are recognised in financial income (expenses) or, in circumstances defined by accounting principles (policy), capitalised in the value of assets.

#### **8.2.8. Borrowing costs**

Borrowing costs directly attributable to the acquisition or production of assets that take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs include exchange differences arising from foreign currency loans and borrowings to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are recognised, subject to item 8.2.6, in profit or loss in the period in which they are incurred. Borrowing costs relating to construction contracts are debited directly to the cost of the Group's operating activities.

These capitalisation rules do not apply to assets measured at fair value.

#### **8.2.9. Employee benefits**

Costs of employee benefits include short-term benefits and post-employment benefits.

Costs of wages and salaries include the wages and salaries under employment contracts entered into with individual employees. Costs of wages and salaries also include bonuses and incentive rewards paid according to the company's regulations.

Costs of social insurance financed by the employer include pension, social security and accident benefits and contributions to the Guaranteed Employee Benefits Fund and the Labour Fund. Costs of pension benefits include retirement and pension gratuities paid to employees according to the employment law.

The Group pays retirement gratuities according to the employment code and makes a provision for these benefits. The payments are recognised in profit or loss in a way enabling the spread of these costs over the entire term of employees' employment with the Group. The amount of the provision is determined by an independent actuary using the projected unit method according to the employment code.

If an employee dies during the term of employment, their family is paid a death allowance by the employer. The amount of the allowance depends on the seniority.

The provisions for employee benefits also include the provisions for leaves and bonuses.

The Group companies may create the Company Social Benefits Fund. Contributions to this Fund are the Company's expenses and must be blocked on a separate bank account. The fund assets and liabilities are presented in the financial statements at their net value.

Other employee benefits are paid under the law and the corporate regulations. The Group also covers the costs of trainings in occupational health and safety and private medical care for its employees.

The Group recognises actuarial gains and losses in the period in which they arise. Actuarial gains and losses are recognised in the statement of comprehensive income.

#### **8.2.10. Income tax (including deferred tax)**

Income tax expense represents the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is calculated based on taxable profit for the year. Taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and

items of income or expense that are never taxable. The Group's liability for current tax is calculated using tax rates applicable in the year.

### Deferred tax

Deferred tax is accounted for using the balance sheet liability method as the tax payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

A deferred tax liability is recognised for all taxable temporary differences and a deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, tax losses or tax credit can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised or the liability becomes due. Income tax is presented in the statement of financial position after the offset against liability payable to the same taxation authority.

### Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is recognised directly in equity.

#### 8.2.11. Property, plant and equipment

Property, plant and equipment include non-current assets and expenditures on non-current assets under construction the entity intends to use in its operation and for administrative purposes for more than 1 year from which future economic benefits are expected to flow to the entity. Expenditure on non-current assets includes capital expenditure and expenses incurred in connection with future deliveries of plant and equipment and services related to the production of non-current assets (prepayments). Non-current assets also include essential specialist spare parts, which function as elements of non-current assets.

Non-current assets and non-current assets under construction are initially recognised at purchase price or production cost, including financing costs less impairment losses.

Non-current assets are depreciated according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. Non-current assets are depreciated on a straight-line basis. The following useful lives are used for non-current assets:

Item	Useful lives
Buildings and structures	10 – 50 years
Plant and equipment	3 – 30 years
Vehicles	5 – 30 years
Other non-current assets	4 – 15 years

Freehold land is not depreciated.

According to the principle of prudence, low-value non-current assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred. Prudence is analysed in terms of accumulated value of low-value non-current assets.

Non-current assets and non-current assets under construction are tested for impairment if there are indications of impairment at least at the end of each reporting period. Rules governing the determining of impairment are set out in note 8.2.14. Effects of the impairment of non-current assets and non-current assets under construction are recognised in other operating expenses.

Gains or losses from the sale/liquidation or discontinued use of non-current assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

Each part of an item of property, plant and equipment with a purchase price or production cost that is significant in relation to the total price or cost of the item is depreciated separately.

#### **8.2.12. Investment property**

Investment properties are initially recognised at purchase price, including associated transaction costs. Subsequent to initial recognition, investment properties, except for land, are depreciated on a straight-line basis less impairment losses.

Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are carried at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment properties, which meet the criteria of being classified as held for sale or disclosed in a pool held for sale, are measured according to the rules set forth in note 8.2.15.

Gains or losses arising from the sale/liquidation or discontinued use of properties are determined as a difference between sales revenue and the carrying amounts of these items and recognised in profit or loss.

#### **8.2.13. Intangible assets**

Intangible assets are the Group's assets which are without physical substance and identifiable, can be reliably measured and from which future economic benefits are expected.

Intangible assets are initially recognised at purchase price or production cost.

Intangible assets are amortised according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. The Group does not own any intangible assets whose useful lives are indefinite. Intangible assets with definite useful lives are amortised on a straight-line basis. The following useful lives are used for particular intangible assets:

<b>Item</b>	<b>Useful lives</b>
Licences for software	2 – 10 years
Leasehold	25 – 99 years

Intangible assets are tested for impairment if there are indications of impairment and any impairment is determined at the end of each reporting period. Rules governing the determining of impairment are set out in note 8.2.14. Effects of the impairment of intangible assets and their amortisation are carried to other operating expenses.

According to the principle of prudence, low value intangible assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred.

Gains or losses from the sale/liquidation or discontinued use of intangible assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

At the end of the reporting period, intangible assets are measured at cost less amortisation and impairment losses, if any.

#### **8.2.14. Impairment of property, plant and equipment and intangible assets, excluding goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such

indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are substantially independent from cash flows generated by other assets, the Group analyses the group of cash-generating assets to which the asset belongs. If it is possible to identify a reliable and uniform allocation basis, non-current assets held by the Group are allocated to specific cash-generating units or to the smallest groups of cash-generating units for which reliable and uniform allocation bases can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. The latter is equivalent to the present value of estimated future cash flows discounted at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to an asset.

If the recoverable amount is less than the carrying amount of an assets (or a cash-generating unit), the carrying amount of the asset or the unit is reduced to the recoverable amount. An impairment loss is immediately recognised as an expense of the period in which it occurred, unless the asset is carried at revalued amount (in which case, such impairment loss is treated as a revaluation decrease).

If the impairment loss is subsequently reversed, the net value of the asset (or the cash-generating unit) is increased to the new estimated recoverable value, however not higher than the carrying amount of the asset as it would have been established had impairment not been identified in the past years. Any reversal of impairment is recognised immediately in the profit or loss, unless the asset is carried at a revalued amount – in this case, the reversal will be treated as a revaluation increase.

#### **8.2.15. Non-current assets held for sale**

Non-current assets held for sale are the assets that meet all the following criteria:

- An appropriate level of management must be committed to sell the asset;
- Assets are available for immediate sale in their present condition;
- An active programme to locate a buyer must have been initiated;
- The completion of the sale is highly probable within 12 months of classification as held for sale;
- Sales price is reasonable in relation to its present fair value; and
- It is unlikely that plan will be significantly changed.

The classification change is reflected in the reporting period in which the aforementioned criteria have been satisfied. If the abovementioned criteria are satisfied after the end of the reporting period, an asset is not reclassified at the end of the financial year preceding the event.

No further depreciation will be recorded once an asset is classified as held-for-sale. Assets held for sale (excluding, inter alia, financial assets and investment property) are measured at the lower of carrying amount and fair value less costs to sell.

In the case of any subsequent increase in the fair value less costs to sell, a gain is recognised to the extent this does not exceed the cumulative impairment loss.

#### **8.2.16. Long-term financial assets, including investments in related parties**

Non-current financial assets are measured at historical cost net of impairment, if any. The carrying amount of such assets is reviewed each time to find out whether it does not exceed the amount of future economic benefits. If the carrying amount exceeds the amount of anticipated economic benefits it is reduced to the amount of net sales price. Impairment losses are recognised in financial expenses. The rise in the value of an investment directly associated with a previous decrease in the value included in financial expenses is recognised up to the amount of these expenses as financial income.

### 8.2.17. Leases

IFRS 16 provides a single lessee accounting model by eliminating the classification of leases as either operating leases or finance leases. As such, the lessee is required to recognise a right-of-use asset and a lease liability, unless the lease term is short (up to 12 months) or the underlying asset is of low value.

The lessee is also required to recognise the depreciation of a right-of-use asset and interest on lease liability in profit and loss account (according to IAS 17, expenditures relating to the use of leased assets were recognised in general administrative expenses). Right-of-use assets are depreciated on a straight-line basis and lease liabilities are measured at amortised cost.

The change of the definition of a lease mainly related to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. The Group uses the definition of a lease and the related guidelines specified in IFRS 16 for all lease contracts regardless of whether the Group is a lessee or lessor under the contract.

Right-of-use assets are initially measured by the Group at cost which includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement of the lease (less any lease incentives received);
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If the lessee applies the fair value model, price or cost model in IAS 40 Investment property to its investment property then the same model should be applied to right-of-use assets (the land) which meet the definition of investment property contained in IAS 40.

After initial recognition, a right-of-use asset is measured by the Group at cost less depreciation (on a straight line basis) and impairment losses, adjusted for any remeasurement of the lease liability.

Lease liabilities are measured by the Group at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined. If the rate cannot be readily determined, the Group's incremental borrowing rate can be used. The rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- b) Variable lease payments that depend on an index or a rate initially measured with the index or the rate at the commencement date;
- c) Amounts expected to be payable by the lessee under residual value guarantees;
- d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the lease liability is measured by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

After initial recognition, a lease liability is measured by the Group at amortised cost.

Remeasurement of lease liability is recognised by the Group as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount as profit or loss.

The amount of incremental borrowing rate for leases is remeasured by the Group annually.

The Group applies the same discount rates to the portfolio of leased cars and rentals. The Group applies a separate discount rate to the leasehold land.

In the case of short-term leases and leases of low-value assets, lease payments are recognised by the Group as an expense on a straight-line basis over the lease term.

Non-current assets are depreciated according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. Non-current assets are depreciated on a straight-line basis. The following useful lives are used for non-current assets:

<u>Item</u>	<u>Useful lives</u>
Land and buildings	1 - 5 years
Plant and equipment	10 - 25 years
Vehicles	1 - 25 years
Leasehold land	30 - 89 years

The lease information is presented by the Group in the note 6.2. Leases.

The disclosure requirements set out in IAS 40 apply to the leasehold land which meets the definition of investment property.

#### **8.2.18. Inventories**

Inventories are the assets held for sale in the ordinary course of business, assets in the production process for sale and materials that are consumed in the production process or service provision. Inventories include materials, merchandise, finished goods and work in progress.

Materials and merchandise are initially measured at purchase price. At the end of the reporting period, materials and merchandise are measured on a prudent basis; i.e. these categories are measured at purchase price or achievable sales price, depending on which is lower.

Work in progress is initially measured at actual production cost. At the end of the reporting period, work in progress and finished goods are measured on a prudent basis.

Materials, merchandise and finished goods are written down at the discretion of the Group.

Inventory disbursement is recorded in accordance with the principles of specific identification and is recognised in the cost of sales. Write-downs of inventories resulting from prudent valuation and write-downs of items in excess of anticipated demand are recognised as an expense of the period and the reversal of write-downs is recognised as a decrease in the expense of the period.

#### **8.2.19. Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for expected credit losses. Where the effect of the time value of money is material, the balance of receivables is determined by discounting projected future cash flows to their present value using the discount rate, which reflects current market assessments of the time value of money. If a discounting approach is used, the increase in receivables as a result of the passage of time is recognised as financial income.

Trade and other receivables are classified by the Group in the following manner:

- a) Trade receivables;
- b) Receivables from the state budget other than corporate income tax;

c) Other receivables.

Other receivables include advance payments for remuneration, purchases, other (accommodation), accounting for: business trips (overall), mileage compensation limits, credit cards, shortages or damage, shortages charged on employees, treatment of surpluses, other accounts payable-bid bond and determining the Company Social Benefits Fund.

The Group recognises allowances on the basis expected credit losses likely to occur over the life of an instrument at an amount equal to 12-month expected credit losses.

If a credit risk related to the instrument increases significantly at the end of the reporting period, an allowance is measured by the Group at an amount equal to expected credit losses over the entire lifetime.

#### **8.2.20. Cash and cash equivalents**

Cash and short-term bank deposits recognised in the balance sheet include cash at bank and in hand and short-term bank deposits which have a maturity of three months or less.

#### **8.2.21. Trade and other payables**

Short-term trade and other payables are recognised at an amount due.

Trade and other payables are classified by the Group in the following manner:

- a) Trade payables;
- b) Liabilities to the state budget other than corporate income tax;
- c) Other payables.

Other payables include employees' life insurance premiums, court seizures, train tickets, contributions to organisations, contributions to trade unions, contributions to the Employee Mutual Assistance Fund, sports and recreation cards, medical care for employees, medical care for the company, contributions to the Employees Capital Pension Scheme, etc.

Other non-financial liabilities include, in particular, liabilities to revenue office relating to VAT. Other non-financial liabilities are recognised at an amount due.

#### **8.2.22. Accruals**

Accruals include provisions for the costs of contracts.

In the course of performance of construction contracts, the Group enters into agreements with subcontractors whereby the works performed by subcontractors are accepted at later dates. Accordingly, there may be the works of significant value already performed at the end of the reporting period for which no invoice has been issued to the Group. In such cases, the Group recognises accruals relating to the works uninvoiced by the subcontractors.

Provisions for the works performed by subcontractors are charged to contract costs. Provisions are created at the Group with a breakdown into particular contracts.

After it has been used, the provision is released by reducing the cost of sales.

#### **8.2.23. Advance payments**

There are the following types of advance payments at the Group: Advance payments made/received in connection with performed contracts and Other advance payments.

The Group presents the advance payments transferred to counterparties in the Advance payments item excluding Advance payments for the purchase of property, plant and equipment, investment property and intangible assets which are presented according to the nature of the assets they relate to.

The amounts transferred to subcontractors to ensure the timely performance of construction contracts are presented in the item of Advance payments made in connection with performed contracts.

The item of Advance payments received in connection with performed contracts presents the obligation under the contracts in respect of which the advance payment has been made and the remuneration has been paid in advance for the construction works which have not yet been performed by the Group. Advance payments for performed contracts are settled during the contract performance as part of the ordinary course of the Group's operations.

## 8.2.24. Financial assets

### Classification and measurement

The classification of financial assets depends on the business model for managing financial assets and characteristics of contractual cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is to hold the assets in order to collect the contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or fair value through other comprehensive income.

The following items are included by the Group into the category of financial assets measured at amortised cost:

- Trade receivables;
- Retentions on supplies and services;
- Advanced loans.

The following items are included by the Group into the category of financial assets measured at fair value through profit or loss:

- Cash and cash equivalents.

Under IFRS 9 financial instruments are initially measured at fair value. The fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration paid or received). Given a diverse range of financial instruments as a result of the classification, in the case of a financial asset or financial liability not at fair value through profit or loss, the initial value includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade receivables under IFRS 15 without a significant financing component (i.e. the measurement of long-term construction contracts) are initially recognised at their transaction price.

### Impairment

IFRS 9 introduces new impairment requirements – the expected credit loss model. Unlike the model applied under



IAS 39 according to which credit losses are recognised once there has been an incurred loss event, the expected credit loss model is based on the calculation of expected losses. The expected credit losses are weighted by the probability that the obligation will not be performed.

The Group measures allowances on the basis of expected credit losses likely to occur over the life of an instrument at an amount equal to 12-month expected credit losses.

If a credit risk related to the instrument increases significantly at the end of the reporting period, an allowance is measured by the Group at an amount equal to expected credit losses over the entire lifetime.

Trade receivables are the most important item of financial assets in the Group's financial statements, which is governed by the rules of calculating the expected credit losses.

The Group has applied a simplified model of recognising loss allowances for trade receivables based on historical data concerning credit losses adjusted, where appropriate, for the influence of information about the future. In the case of trade receivables covered by IFRS 15 (i.e. the measurement of long-term construction contracts), a loss allowance is measured by the Group at an amount of expected credit losses for the entire expected lifetime of the financial asset.

### Hedge accounting

No hedge accounting is applied by the Group.

#### 8.2.25. Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or equity depending on the substance of contractual arrangements.

The Group classifies all financial liabilities into one of the following categories:

- a) financial liabilities measured at fair value through profit or loss; or
- b) financial liabilities measured at amortised cost.

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading or defined as measured at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term;
- it is part of a portfolio of identified financial instruments that are managed together by the Group according to a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial liability other than held for trading may be designated as measured at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms a part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it is a part of a contract containing one or more embedded derivatives and under IFRS 9, the entire contract (asset or liability) may be designated as an item as at fair value through profit or loss.

Financial derivative instruments are recognised in financial liabilities measured at fair value through profit or loss.

The following items are included by the Group into the category of financial liabilities measured at amortised cost:

- Retentions on construction contracts;
- Loans and bank credits and other financing sources; and
- Trade and other payables.

#### **8.2.26. Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation but the amount and timing are uncertain.

The amount recognised as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain the reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are charged to the cost of sales, general and administrative expenses or other operating expenses depending on the type of a provision and an organisational unit within the Group the provision relates to.

After it has been used, the provision is released by reducing the cost of sales, general and administrative expenses or other operating expenses.

A provision is used for what it has been initially created.

### 8.3. Sources of estimation uncertainty

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

The estimates relate, *inter alia*, to:

1. Impairment of goodwill
2. Useful economic lives of non-current assets
3. Loss allowances for receivables
4. Provisions
5. Measurement of long-term construction contracts
6. Deferred income tax
7. Contingent assets and contingent liabilities
8. Uncertainty over tax settlements

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant influence on the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 8.3.1. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of all cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate required to calculate the present value.

#### 8.3.2. Useful economic lives of non-current assets

As set out in items 8.2.11 and 8.2.13, the Group verifies the expected periods of useful economic lives of property, plant and equipment and intangible assets at the end of each annual reporting period.

Depreciation and amortisation rates are determined on the basis of the expected useful economic lives of property, plant and equipment and intangible assets. The Group verifies the adopted useful economic lives every year based on current estimates.

#### 8.3.3. Loss allowances for receivables

The Group recognises loss allowances on the basis of expected credit losses likely to occur over the life of an instrument at an amount equal to 12-month expected credit losses.

If a credit risk related to the instrument increases significantly at the end of the reporting period, an allowance is measured by the Group at an amount equal to expected credit losses over the entire lifetime.

Trade receivables are the most important item of financial assets in the consolidated financial statements of the Group, which is governed by the rules of calculating the expected credit losses

The Group has applied a simplified model of recognising loss allowances for trade receivables based on historical data concerning credit losses adjusted, where appropriate, for the influence of information about the future.

#### **8.3.4. Provisions**

##### **Provisions for litigations**

The Company's employees and the Management Board make detailed analyses of the number and substance of litigations and potential risks relating to them. Based on these analyses, they decide about the necessity to account for the effects of such proceedings in the consolidated financial statements and the amount of the provision for litigations and the associated risks.

##### **Provisions for employee benefits**

Provisions for employee benefits include the provisions for leaves, bonuses, pension and retirement gratuities and death allowances.

##### **Provisions for warranty claims**

Provisions for warranty claims are charged to the cost of a contract based on the amount of direct expenses that have been involved. Provisions for warranty claims are created at the Group with a breakdown into individual contracts. They are maintained until the expiry date of warranty rights or claims taking account of the occurrence probability.

If a created provision is not utilised (after expiry date), the provision is released by reducing a cost of sales.

Depending on the date by which they are maintained, provisions are presented in the consolidated statement of financial position as long- or short-term provisions.

##### **Provisions for loss on contracts**

Provision for a loss on contracts is created if budgeted costs exceed the total revenue under the contract. The anticipated loss is immediately recognised as an expense.

A loss provision is created to bring profit or loss to the amount of a budgeted loss. Provisions for expected losses are charged to the cost of contract. If it is not used, the provision is released (after contract completion) by reducing the cost of sales. They are presented in the consolidated statement of financial position as short-term provisions.

#### **8.3.5. Construction contracts accounted for using percentage-of-completion method**

Revenues from a construction service that has not been completed are recognised by the Group under the percentage-of-completion method. Contract budgets are prepared for each construction contract. Budgets are updated twice a year on the basis of month-end closes for April and October. The stage of completion of a contract is determined on the basis of contract budgets by calculating the proportion that contract costs incurred for the work performed to date bear to the estimated total costs of the contract. When contracts are signed but their budgets not approved, the contracts are measured using the zero-profit method.

Changed cost and revenue estimates are used to determine the amount of costs and revenues recognised in the profit or loss in the reporting period in which they occur and in subsequent periods.

#### **8.3.6. Deferred tax assets**

The Company's Management Board decide about the recognition of deferred tax assets based on the financial projections.

#### **8.3.7. Contingent assets and contingent liabilities**

Contingent assets are not recognised in financial statements since this may lead to the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial report of the period in which the change occurs.

Contingent liabilities are not recognised by the Group in the consolidated statement of financial position. The Group discloses information about a contingent liability in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

### 8.3.8. Uncertainty over tax settlements

Regulations on VAT, corporate income tax and social security charges are frequently amended. Accordingly, there are no appropriate points of reference, there are few established precedents which could be used and interpretations are inconsistent. The applicable regulations are ambiguous and cause differences in opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be inspected by the authorities authorised to impose harsh fines and penalties and all additional liabilities resulting from the inspection must be paid with interest. Accordingly, the tax risk in Poland is greater than that in countries with more mature tax systems.

Consequently, the amounts presented and disclosed in financial statements may change in the future as a result of the final decision of a fiscal control authority.

The amendments were introduced to the Tax Ordinance as of 15 July 2016 to include the provisions of the General Anti-Abuse Rules (GAAR). The GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid paying taxes in Poland. Under the GAAR, tax avoidance is defined as an activity carried out first of all to achieve a tax advantage which is contrary in the circumstances to the subject matter and objective of a tax act. According to the GAAR, the activity does not result in achieving a tax advantage if the course of action was artificial. Any (i) unjustified split of operations; (ii) involvement of intermediaries without any economic or business justification; (iii) elements that compensate or cancel each other; and (iv) other similar activities may be treated as an argument in favour of the existence of artificial activities governed by the GAAR. The new regulations will require a lot more judgement in assessing the tax implications of individual transactions.

The GAAR clause should be applied to the transactions carried out after it came into force and to the transactions carried out before it came into force in respect of which advantages were or still are being after the effective date. The implementation of the abovementioned regulations will enable the Polish fiscal control authorities to question the legal arrangements and schemes carried out by taxpayers, such as group restructuring and reorganization.

The Group recognizes and measures current and deferred income tax assets and liabilities by applying the requirements of IAS 12 *Income Taxes* based on the taxable profit (tax loss), tax base, tax losses carried forward and unused tax reliefs and tax rates taking into account the assessment of uncertainty over tax settlements.

## 9. Events after the end of the reporting period

On 31 January 2022, the Company published the preliminary financial results for 2021. **(Current report 5/2022)**

On 3 February 2022, the Company and Bank Polska Kasa Opieki S.A. with registered office in Warsaw signed an annex to the multi-purpose revolving credit limit agreement whereby the limit was raised from PLN 50m to PLN 75m. **(Current report 6/2022)**

On 16 February 2022, the Company informed that following the receipt of the two signed contracts for additional works entered into with PKP Polskie Linie Kolejowe S. A. (PKP PLK) (referred to in the current report 5/2018), the total net value of the contracts entered into between PKP PLK and ZUE since 3 December 2021 amounted to approx. PLN 60.4m. **(Current report 7/2022)**

#### **10. Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Management Board on 1 March 2022.

**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, 1 March 2022