



**ZUE Capital Group**

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**CONSOLIDATED HALF-YEARLY REPORT  
FOR 6 MONTHS ENDED 30 JUNE 2022**

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**Cracow, 17 August 2022**

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**Content of the consolidated half-yearly report:**

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

And the following separate documents:

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

Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the 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.
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 2022, item 1467).

Share capital details as at 30 June 2022.

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## I. Selected financial data of the Capital Group

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

	30-06-2022	30-06-2022	31-12-2021	31-12-2021
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	185,065	39,539	175,512	38,160
Current assets	371,162	79,298	398,655	86,675
Assets held for sale	0	0	3,340	726
<b>Total assets</b>	<b>556,227</b>	<b>118,837</b>	<b>577,507</b>	<b>125,561</b>
Equity	173,014	36,964	166,403	36,179
Non-current liabilities	47,666	10,184	57,034	12,400
Current liabilities	335,547	71,689	353,704	76,902
Lease liabilities associated with assets held for sale	0	0	366	80
<b>Total equity and liabilities</b>	<b>556,227</b>	<b>118,837</b>	<b>577,507</b>	<b>125,561</b>

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

	6 months ended 30 June 2022		6 months ended 30 June 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	373,224	80,389	362,415	79,701
Cost of sales	352,231	75,868	352,371	77,492
<b>Gross profit (loss) on sales</b>	<b>20,993</b>	<b>4,522</b>	<b>10,044</b>	<b>2,209</b>
Operating profit (loss)	8,931	1,924	1,871	411
Gross profit (loss)	11,804	2,542	1,544	340
<b>Net profit (loss) from continuing operations</b>	<b>9,607</b>	<b>2,069</b>	<b>732</b>	<b>161</b>
Total comprehensive income	10,026	2,160	793	174

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

	6 months ended 30 June 2022		6 months ended 30 June 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-38,491	-8,291	14,703	3,233
Cash flows from investing activities	-434	-93	-2,808	-618
Cash flows from financing activities	-12,661	-2,727	-10,575	-2,326
<b>Total net cash flows</b>	<b>-51,586</b>	<b>-11,111</b>	<b>1,320</b>	<b>289</b>
Cash at the beginning of the period	108,736	23,641	23,487	5,089
Cash at the end of the period	57,175	12,215	24,892	5,506

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	30-06-2022	31-12-2021	30-06-2021
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6806	4.5994	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	4.6427	n/a	4.5472
"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	4.6806	4.5994	4.5208

## II. Selected financial data of ZUE S.A.

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

	30-06-2022	30-06-2022	31-12-2021	31-12-2021
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	184,738	39,469	175,213	38,095
Current assets	346,599	74,050	373,415	81,188
Assets held for sale	0	0	3,544	771
<b>Total assets</b>	<b>531,337</b>	<b>113,519</b>	<b>552,172</b>	<b>120,054</b>
Equity	170,712	36,472	165,670	36,020
Non-current liabilities	46,680	9,973	55,325	12,029
Current liabilities	313,945	67,074	330,811	71,925
Lease liabilities associated with assets held for sale	0	0	366	80
<b>Total equity and liabilities</b>	<b>531,337</b>	<b>113,519</b>	<b>552,172</b>	<b>120,054</b>

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

	6 months ended 30 June 2022		6 months ended 30 June 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	334,020	71,945	332,237	73,064
Cost of sales	318,088	68,514	324,580	71,380
<b>Gross profit (loss) on sales</b>	<b>15,932</b>	<b>3,431</b>	<b>7,657</b>	<b>1,684</b>
Operating profit (loss)	6,537	1,408	1,830	402
Gross profit (loss)	9,809	2,113	1,772	390
<b>Net profit (loss) from continuing operations</b>	<b>8,038</b>	<b>1,731</b>	<b>1,107</b>	<b>243</b>
Total comprehensive income	8,457	1,822	1,168	257

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

	6 months ended 30 June 2022		6 months ended 30 June 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-38,791	-8,355	17,276	3,799
Cash flows from investing activities	-216	-47	-4,742	-1,043
Cash flows from financing activities	-12,302	-2,650	-10,055	-2,211
<b>Total net cash flows</b>	<b>-51,309</b>	<b>-11,052</b>	<b>2,479</b>	<b>545</b>
Cash at the beginning of the period	106,612	23,180	20,230	4,384
Cash at the end of the period	55,328	11,821	22,794	5,042

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	30-06-2022	31-12-2021	30-06-2021
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6806	4.5994	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	4.6427	n/a	4.5472
"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	4.6806	4.5994	4.5208



**ZUE Capital Group**

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**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR 6 MONTHS ENDED 30 JUNE 2022**

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**Cracow, 17 August 2022**



### III. Condensed consolidated financial statements of the Capital Group

#### Consolidated statement of comprehensive income

Continuing operations	Note no.	6 months ended 30-06-2022	6 months ended 30-06-2021
Sales revenue	4.2.1.	373,224	362,415
Cost of sales	4.2.2.	352,231	352,371
<b>Gross profit (loss) on sales</b>		<b>20,993</b>	<b>10,044</b>
General and administrative expenses	4.2.2.	12,472	11,680
Other operating income	4.2.3.	1,241	3,918
Other operating expenses	4.2.4.	831	411
<b>Operating profit (loss)</b>		<b>8,931</b>	<b>1,871</b>
Financial income	4.2.5.	3,755	284
Financial expenses	4.2.6.	882	611
<b>Pre-tax profit (loss)</b>		<b>11,804</b>	<b>1,544</b>
Corporate income tax	4.2.7.	2,197	812
<b>Net profit (loss) from continuing operations</b>		<b>9,607</b>	<b>732</b>
<b>Net profit (loss)</b>		<b>9,607</b>	<b>732</b>
<b>Other net comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>419</b>	<b>61</b>
Actuarial gains (losses) relating to specific benefit schemes		419	61
<b>Total other net comprehensive income</b>		<b>419</b>	<b>61</b>
<b>Total comprehensive income</b>		<b>10,026</b>	<b>793</b>
Number of shares		23,030,083	23,030,083
<b>Consolidated net profit attributable to:</b>			
Shareholders of the Parent Company		9,285	728
Non-controlling interests		322	4
Net profit (loss) per share (PLN) attributable to shareholders of the Parent Company (basic and diluted)		0.40	0.03
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Parent Company		9,704	789
Non-controlling interests		322	4
Total comprehensive income per share (PLN)		0.42	0.03

## Consolidated statement of financial position

ASSETS	Note no.	30-06-2022	31-12-2021
<b>Non-current assets</b>			
Property, plant and equipment		73,928	64,718
Investment property		6,272	6,145
Intangible assets		2,450	2,716
Right-of-use assets		32,586	41,510
Goodwill	4.6.1.	31,172	31,172
Retentions on construction contracts		18,427	7,431
Deferred tax assets	4.2.7.	20,084	21,778
Other financial assets		146	42
<b>Total non-current assets</b>		<b>185,065</b>	<b>175,512</b>
<b>Current assets</b>			
Inventories		74,806	37,822
Trade and other receivables	4.4.1.	113,220	137,057
Valuation of long-term construction contracts	4.3.1	107,035	107,149
Retentions on construction contracts		4,280	3,713
Advance payments		13,376	3,425
Current tax assets	4.2.7.	0	32
Other financial assets		0	105
Other assets		1,270	616
Cash and cash equivalents		57,175	108,736
<b>Current assets</b>		<b>371,162</b>	<b>398,655</b>
<b>Assets held for sale</b>		<b>0</b>	<b>3,340</b>
<b>Total current assets</b>		<b>371,162</b>	<b>401,995</b>
<b>Total assets</b>		<b>556,227</b>	<b>577,507</b>

EQUITY AND LIABILITIES	Note no.	30-06-2022	31-12-2021
<b>Equity</b>			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		75,576	69,287
<b>Total equity attributable to shareholders of the parent company</b>		<b>172,481</b>	<b>166,192</b>
Equity attributable to non-controlling interests		533	211
<b>Total equity</b>		<b>173,014</b>	<b>166,403</b>
<b>Non-current liabilities</b>			
Long-term lease liabilities	4.5.2.	12,592	14,248
Retentions on construction contracts		18,109	24,068
Liabilities under employee benefits		1,378	1,864
Deferred tax liabilities	4.2.7.	285	284
Long-term provisions	4.3.2.	15,302	16,570
<b>Total non-current liabilities</b>		<b>47,666</b>	<b>57,034</b>
<b>Current liabilities</b>			
Trade and other payables	4.4.2.	83,445	134,916
Accruals	4.3.4.	75,609	70,258
Valuation of long-term construction contracts	4.3.1.	33,083	49,539
Retentions on construction contracts		17,235	17,760
Advance payments		49,100	6,737
Short-term loans and bank credits	4.5.1.	3,327	7,964
Short-term lease liabilities	4.5.2.	5,723	6,289
Other financial liabilities		36	36
Liabilities under employee benefits		46,761	42,057
Current tax liabilities	4.2.7.	113	1,098
Short-term provisions	4.3.2.	21,115	17,050
<b>Total current liabilities</b>		<b>335,547</b>	<b>353,704</b>
<b>Lease liabilities associated with assets held for sale</b>		<b>0</b>	<b>366</b>
<b>Total liabilities</b>		<b>383,213</b>	<b>411,104</b>
<b>Total equity and liabilities</b>		<b>556,227</b>	<b>577,507</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 2022</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>
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	-3,415	-3,415	0	-3,415
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	9,285	9,285	322	9,607
Other net comprehensive income	0	0	0	419	419	0	419
Other	0	0	0	0	0	0	0
<b>Balance at 30 June 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>75,576</b>	<b>172,481</b>	<b>533</b>	<b>173,014</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 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	728	728	4	732
Other net comprehensive income	0	0	0	61	61	0	61
Other	0	0	0	0	0	0	0
<b>Balance at 30 June 2021</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>58,378</b>	<b>155,283</b>	<b>159</b>	<b>155,442</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 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>

## Consolidated statement of cash flows

	6 months ended 30-06-2022	6 months ended 30-06-2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit / (loss) before tax</b>	<b>11,804</b>	<b>1,544</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	6,707	6,143
Foreign exchange gains / (losses)	-25	-85
Interest and share in profit (dividends)	-65	392
Gain / (loss) on disposal of investments	-721	-130
<b>Operating profit (loss) before changes in working capital</b>	<b>17,700</b>	<b>7,864</b>
Change in receivables and retentions on construction contracts	12,268	13,821
Change in inventories	-36,984	-18,575
Change in provisions and liabilities under employee benefits	7,532	2,641
Change in payables and retentions on construction contracts	-58,074	-57,286
Change in valuation of construction contracts	-16,342	32,102
Change in accruals	5,351	32,406
Change in advance payments	32,412	2,427
Change in other assets	-655	-736
Other adjustments	0	109
Income tax paid / (tax refund)	-1,699	-70
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-38,491</b>	<b>14,703</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	1,064	432
Purchase of property, plant and equipment and intangible assets	-2,303	-3,277
Repayment of loans	0	35
Interest received	805	2
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-434</b>	<b>-2,808</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	0	3,400
Repayment of loans and bank credits	-4,642	-8,246
Decrease in lease liabilities	-3,797	-5,023
Lease interest paid	-605	-502
Other interest paid	-202	-204
Other financial income / (expenses) - dividends	-3,415	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-12,661</b>	<b>-10,575</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-51,586</b>	<b>1,320</b>
Net foreign exchange differences	25	85
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>108,736</b>	<b>23,487</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>57,175</b>	<b>24,892</b>
- of limited availability	23,062	1,045

## Notes to the condensed consolidated financial statements of the Capital Group

### 1. General information

#### 1.1. Consolidated companies

Consolidated companies as at 30 June 2022:

Company name	Registered office	Interests as at		Consolidation method
		30 June 2022	31 December 2021	
ZUE S.A.	Cracow	Parent Company	Parent Company	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	85%	85%	Full

ZUE is entitled to manage the financial and operating policy of BPK Poznań and Railway gft because as at 30 June 2022, it held a 100% and an 85% interest, respectively, in the companies.

As at 30 June 2022, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

On 26 July 2022 (after the end of the reporting period), the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 300,000 to PLN 1,000,000 through the creation of 7,000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 700,000 were proportionally acquired by the existing shareholders.

#### 1.2. Changes to the Group's structure in 2022 and their consequences

No major changes to the Group's structure occurred between the beginning of 2022 and the date of approval of these financial statements.

#### 1.3. Core business of the Capital Group

The core business of the Capital Group did not change. The Management Board Report for the first half of 2022 contains a detailed description of the Group's activities.

#### 1.4. Functional and reporting currency

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

## 2. Operational information

### 2.1. Major events after the end of the reporting period

On 15 July 2022, the Consortium comprising the Company and Drum Asphalt S.R.L with registered office in Oradea (Romania) submitted the most economically advantageous tender in connection with the tender procedure on the Romanian market for the project named: "Quick Wins – Works relating to the removal of speed limits to restore the technical parameters of track surface – SRCF BRAȘOV (completion) 21 sections – tender submitted in connection with the sections 3-19." The Company's share in the Consortium is approx. 50%. Contracting Authority: State-owned railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Brașov Regional Branch. **(Current report 36/2022)**

On 19 July 2022, ZUE and Wałbrzyska Specjalna Strefa Ekonomiczna „INVEST-PARK” sp. z o.o. entered into the contract for the project named: "Construction of a railroad siding with a reloading yard and power connection in the south-western part of Jawor (DSAGS3) WSSE „INVEST-PARK” subzone near the line 137 railway stop." The Company informed about the selection of the Company's offer as the most economically advantageous tender in the current report 33/2022. Contract net value: PLN 37.3m. Contract gross value: PLN 45.9m. Project completion date: 15 months. **(Current report 37/2022)**

On 27 July 2022, the Company published preliminary financial results for the first half of 2022. **(Current report 38/2022)**

On 29 July 2022, ZUE and PKP CARGO Terminale sp. z o.o. entered into the contract for the project named: "Completion of construction works in connection with the following project: "Construction of multimodal terminal in Zduńska Wola – Karsznice." The Company informed about the selection of the Company's offer as the most economically advantageous tender in the current report 31/2022. Contract net value: PLN 100m. Contract gross value: PLN 123m. Project completion date: 31 October 2023. **(Current report 39/2022)**

On 1 August 2022, the Consortium comprising the Company and Drum Asphalt S.R.L with registered office in Oradea (Romania) submitted the most economically advantageous tender in connection with the tender procedure on the Romanian market for the project named: "Quick Wins – Works relating to the removal of speed limits to restore the technical parameters of the railroad no. 412 - 5 Lot (19,408 km)." The Company's share in the Consortium is approx. 50%. Contracting Authority: State-owned railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. **(Current report 40/2022)**

On 17 August 2022, the Company learnt about the submission by the Consortium comprising the Company and Drum Asphalt S.R.L with registered office in Oradea (Romania) of the most economically advantageous tender in connection with the tender procedure on the Romanian market for the project named: "Quick Wins – Works relating to the removal of speed limits to restore the technical parameters of the railroad no. 412 - 4 Lot (13,963 km)." The Company's share in the Consortium is approx. 50%. Contracting Authority: State-owned railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. **(Current report 41/2022)**

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

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

The coronavirus epidemic or the related restrictions did not have any material influence on the Group's financial results achieved in the first half of 2022.

The war in Ukraine also did not have any material influence on the Group's financial results reported in the first half of 2022.

The Management Board of ZUE believe there are no indicators of impairment or any reasons for the recognition of additional provisions in connection with the pandemic. There are no major changes to the scope of operating



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

### **2.3. Impact of the coronavirus pandemic on the Group's operations**

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

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

The Group reacted on an ongoing basis to the pandemic situation in Poland following the Government's announcement of the new restrictions in 2020 and 2021 and considered 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 Group continued these activities in the first quarter of 2022 and later on until 16 May 2022 when the pandemic was officially rescinded.

Measures were 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 the first half of 2022**

The coronavirus epidemic in Poland and the related restrictions had an influence both on the performance of construction contracts and other areas of activity. Direct contacts with the representatives of investors and other entities involved in construction projects were kept to a minimum and due precaution measures were taken. Most of the contacts continued remotely. The work was organised to ensure the safety of people involved in the performance of construction contracts.

In addition to general restrictions witnessed in Poland during the pandemic, employees and other people involved in construction projects were absent due to isolation and quarantine caused by COVID-19. These factors, however, did not disturb the Group's construction processes or supply chains thanks to the measures taken by the ZUE and the fact that the absence from work was relatively small. In addition, the Issuer believes that the situation was common and experienced by the majority of entities operating on the market.

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 further course of the coronavirus pandemic on the Group's future position or results cannot be estimated at the date of preparation of this report.

Below please find the factors which may influence the markets in which the Issuer operates and ZUE's activities in the next quarters, especially during the winter months of 2022/2023.

#### Factors which may have a negative influence:

- | Limited supply of certain building materials and price increases caused by disruptions in the chains of supply;
- | Further increase in prices of certain imported building materials caused by the weakening of PLN to EUR and USD rates;
- | Temporary suspension of competitive tenders for new urban infrastructure contracts as a result of poorer financial condition of the cities caused by possible restrictions;

- | Possible problems associated with the liquidity of certain enterprises (e.g. subcontractors);
- | Possible extensions of deadlines for certain construction contracts caused by delays in the issue of certain administrative consents or approvals;
- | Impediments relating to the absence or temporary exclusion of the Group's employees, subcontractors and consortium members; and
- | Possible suspension of works under construction contracts.

Factors which may have a positive influence:

- | Government decisions to continue the national transport infrastructure modernisation projects;
- | Simplified circulation of documents and communication in connection with contracts.

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

The COVID-19 pandemic 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. These measures continued in 2022. 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.

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

The war in Ukraine did not have a material influence on the financial results at the date of approval of this report. However, the effects of the war such as limited supply and rising prices of building materials or restrictions on the employment market may have a negative influence on the contracts performed by the Group. The Company keeps monitoring the potential risks and cooperates with contracting authorities to minimize them. In addition, the Company makes advance payments for the supplied materials under fixed-price arrangements or uses short payment dates to obtain the best reasonably available prices.

The Company has cooperated with its suppliers for many years. The cooperation with transparent partners as well as internal control of transactions reduce the risk of getting involved in transactions exposed to sanctions imposed by the EU on Russia and Belarus.

The Company controls, on an ongoing basis, the safety of the Group's IT systems to prevent cyberattacks.

The Company constantly monitors the risks associated with foreign exchange rates and interest rate changes.

The number of absent employees or other people involved in construction projects due to their departure to Ukraine was rather small. The share of Ukrainian employees in the total employment was less than 4% and about 35% of them were subject to mobilization and had to leave. These facts combined with the activities undertaken by ZUE caused that building processes were not disrupted.

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

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

- | Increased prices of certain imported products and materials caused by the weakening of PLN rate (as well as other currencies of the region);
- | Disruptions in the chains of supply of certain imported products and materials;
- | Increased prices of fuels, natural gas and electricity;
- | Limited access to fuels and natural gas;
- | Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs; and
- | Migration of Ukrainian employees from Poland to Ukraine (to protect their families and properties or at the request of the authorities).

#### **2.5. Seasonal and cyclical nature of the Group's operations**

Construction and assembly operations are marked by the seasonality of production and sales. The main factors

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

Rail and urban infrastructure construction projects undertaken by the Group cannot be carried out in unfavourable weather conditions. Due to low temperature or snow in winter, many tasks are stopped or slowed down to meet technological regimes.

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

### **3. Corporate information**

#### **3.1. Issue and redemption of debt and equity securities**

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

#### **3.2. Dividend**

On 3 March 2022, the Company's Management Board passed the resolution on recommendations to the Company's Ordinary General Meeting on allocating the net profit for the financial year 2021 of PLN 12,141 thousand in the following manner:

- 1) The part of the net profit for the financial year 2021 of PLN 3,415 thousand would be paid as dividend (PLN 0.15 per share); and
- 2) The remaining balance of the net profit for the financial year 2021 of PLN 8,726 thousand would be allocated to reserve funds.

The Company's Supervisory Board gave a favourable opinion on the recommendations on 7 April 2022.

On 31 May 2022, the Ordinary General Meeting of ZUE S.A. passed the resolution on the distribution of the Company's profit for the financial year 2021 on the basis of which the dividend for 2021 of PLN 0.15 per share was paid to the Company's shareholders. The shareholders' right to the dividend was determined as at 9 June 2022. The date of the dividend payment was set as 22 June 2022. The dividend was paid according to the abovementioned resolution.

### **4. Financial information**

#### **4.1. Factors and events with significant influence on the Group's financial results for the first half of 2022**

The Group's revenue is generated mainly from construction activities carried out on the urban and railway markets (88% of the Group's revenue). Contracts are being awarded on the railway market in connection with major tenders announced by PKP PLK in the first quarter of 2022. The Company takes part in these tenders. The tendering processes will conclude with e-auctions and the outcome will depend to a significant extent on EU funds acquired by a contracting authority to execute these projects. ZUE won several new contracts on the urban (tram) market and takes part in new tender procedures. Tenders submitted on the infrastructure markets often exceed the amounts investors intend to spend on such projects. Consequently, tender procedures are frequently cancelled by investors as they have no funds available. This situation is caused by the growing prices of building materials, labour, energy or fuels.

The Company has entered into the contracts with the total value of approx. PLN 252m since the beginning of 2022.

## 4.2. Notes to the statement of comprehensive income

### 4.2.1. Revenue

	Period ended 30-06-2022	Period ended 30-06-2021
Revenue from construction contracts	327,828	326,215
Revenue from the rendering of services	3,718	3,331
Revenue from the sale of goods, raw and other materials	41,678	32,869
<b>Total</b>	<b>373,224</b>	<b>362,415</b>

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

The Group provided services in Poland in 2022. In addition, the Group earned the revenue of PLN 88 thousand from the sale of materials to Germany.

#### Concentration of revenue which exceeds 10% of total sales revenue

	Period ended 30-06-2022	Period ended 30-06-2021
Counterparty A	187,487	296,482
Counterparty B	45,185	

### 4.2.2. Operating expenses

	Period ended 30-06-2022	Period ended 30-06-2021
Change in products	-1,256	-3,522
Depreciation and amortization	6,707	6,143
Consumption of materials and energy, including:	70,508	61,609
- consumption of materials	65,102	58,408
- consumption of energy	5,406	3,201
Contracted services	182,357	203,954
Costs of employee benefits	66,363	61,606
Taxes and charges	888	854
Other expenses	7,010	6,060
Value of goods and materials sold	32,126	27,347
<b>Total</b>	<b>364,703</b>	<b>364,051</b>
	<b>Period ended 30-06-2022</b>	<b>Period ended 30-06-2021</b>
Cost of sales	352,231	352,371
General and administrative expenses	12,472	11,680
<b>Total</b>	<b>364,703</b>	<b>364,051</b>

#### **Depreciation and amortisation**

	Period ended 30-06-2022	Period ended 30-06-2021
Depreciation of property, plant and equipment	4,775	4,276
Depreciation of right-of-use assets	1,437	1,653

Amortisation of intangible assets	302	24
Depreciation of investments in real estate	193	190
<b>Total</b>	<b>6,707</b>	<b>6,143</b>

#### 4.2.3. Other operating income

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Gain on disposal of assets</b>	<b>721</b>	<b>155</b>
Gain on disposal of non-current assets	721	155
<b>Other operating income</b>	<b>520</b>	<b>3,763</b>
Damages and penalties	14	2,884
Release of allowances for receivables	59	573
Refund of the costs of court proceedings	201	16
Substitute performance	209	229
Release of write-downs of inventories	0	6
Other	37	55
<b>Total</b>	<b>1,241</b>	<b>3,918</b>

#### 4.2.4. Other operating expenses

	Period ended 30-06-2022	Period ended 30-06-2021
<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>831</b>	<b>411</b>
Donations	28	2
Allowances for receivables	9	85
Costs of litigations	533	32
Substitute performance	209	229
Other	52	63
<b>Total</b>	<b>831</b>	<b>411</b>

#### 4.2.5. Financial income

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Interest income</b>	<b>985</b>	<b>196</b>
Interest on bank deposits	977	66
Interest on receivables	8	130
<b>Other financial income</b>	<b>2,770</b>	<b>88</b>
Foreign exchange gains	0	23
Discount of long-term items	2,770	27

Other	0	38
<b>Total</b>	<b>3,755</b>	<b>284</b>

#### 4.2.6. Financial expenses

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Interest expenses</b>	<b>771</b>	<b>561</b>
Interest on bank credits	135	79
Interest on loans	72	129
Interest on leases	532	331
Interest on trade and other payables	32	22
<b>Other financial expenses</b>	<b>11</b>	<b>50</b>
Foreign exchange losses	84	32
Discount of long-term items	0	7
Other	27	11
<b>Total</b>	<b>882</b>	<b>611</b>

#### 4.2.7. Corporate income tax

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

	Period ended 30-06-2022	Period ended 30-06-2021
Current income tax	601	867
Deferred tax	1,596	-55
<b>Total tax expense (income)</b>	<b>2,197</b>	<b>812</b>

##### Current income tax

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Gross profit (loss)</b>	<b>11,804</b>	<b>1,544</b>
<b>Difference between gross profit (loss) and income tax base:</b>	<b>-10,862</b>	<b>1,955</b>
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	-10,637	44,594
- other differences (including loss brought forward)	-225	-42,639
<b>Income/Loss</b>	<b>942</b>	<b>3,499</b>
Income tax base	3,164	4,562
Income tax at the applicable rate of 19%	601	867
<b>Current income tax</b>	<b>601</b>	<b>867</b>

## Income tax according to effective interest rate

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Gross profit (loss)</b>	<b>11,804</b>	<b>1,544</b>
Income tax at the applicable rate of 19%	2,243	293
<b>Effect of tax recognition of:</b>	<b>-2,110</b>	<b>360</b>
- Use of tax losses brought forward	43	8,102
- Costs that are not tax-deductible under tax regulations	5,371	8,278
- Revenue not classified as revenue under tax regulations	4,045	-5,955
- Tax-deductible expenses not classified as balance sheet expenses	3,410	5,774
- Taxable revenue not classified as balance sheet revenue	17	3
Revaluation of deferred tax assets (current year loss)	468	214
Deferred tax	1,596	-55
<b>Income tax according to effective tax rate</b>	<b>2,197</b>	<b>812</b>
Effective tax rate	19%	53%

## Current tax assets and liabilities

	Balance at 30-06-2022	Balance at 31-12-2021
<b>Current tax assets</b>		
Tax refundable	0	32
<b>Current tax liabilities</b>		
Tax payable	113	1,098

## Deferred tax

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Deferred tax balance at the beginning of the period</b>	<b>21,494</b>	<b>14,428</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>50,760</b>	<b>51,584</b>
Provisions for expenses and accruals	28,629	28,050
Discount of receivables	516	137
Operating lease liabilities	2,946	2,593
Write-downs	892	942
Bonds and insurances accounted for over time	1,989	1,561
Tax work in progress	8,972	11,916
Valuation of long-term contracts	6,285	6,067
Other	531	318
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>35,776</b>	<b>41,090</b>
Valuation of long-term contracts	20,337	27,189
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,405	13,186
Discount of payables	2,034	715
<b>Unutilised tax losses and other tax credits carried forward:</b>	<b>4,815</b>	<b>3,998</b>
Tax losses	4,815	3,998
<b>Total temporary differences relating to deferred tax assets:</b>	<b>55,575</b>	<b>55,582</b>

<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>35,776</b>	<b>41,090</b>
<b>Deferred tax balance at the end of the period</b>	<b>19,799</b>	<b>14,492</b>
<b>Change in deferred tax, including:</b>	<b>-1,695</b>	<b>64</b>
- recognised in income	-1,596	55
- recognised in equity	-99	9

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

#### 4.2.8. Operating segments

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

- Construction;
- Design; and
- Sales.

The segments jointly meet the following rules:

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

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

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

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

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

#### Operating segments' results in H1 2022:

	<b>Construction</b>	<b>Sales</b>	<b>Design</b>	<b>Exclusions</b>	<b>Total</b>
<b>Sales revenue</b>	<b>334,020</b>	<b>43,667</b>	<b>4,219</b>	<b>-8,682</b>	<b>373,224</b>
including:					
Revenue from external customers	332,276	37,270	3,472	206	373,224
Inter-segment revenues	1,744	6,397	747	-8,888	0
including:					
Revenue from construction contracts	324,091	0	4,219	-482	327,828
Revenue from the provision of services	5,486	35	0	-1,803	3,718
Revenue from the sale of goods, raw and other materials	4,443	43,632	0	-6,397	41,678
<b>Gross profit</b>	<b>15,932</b>	<b>5,063</b>	<b>332</b>	<b>-334</b>	<b>20,993</b>
Financial income / expenses	3,272	-466	54	13	2,873
Interest received	939	0	0	-134	805
Interest paid	-671	-248	-22	134	-807



<b>Pre-tax profit</b>	<b>9,809</b>	<b>2,785</b>	<b>-549</b>	<b>-241</b>	<b>11,804</b>
Corporate income tax	1,771	471	1	-46	2,197
<b>Net profit</b>	<b>8,038</b>	<b>2,314</b>	<b>-550</b>	<b>-195</b>	<b>9,607</b>
Depreciation and amortisation	6,619	16	72	0	6,707
Property, plant and equipment	71,262	71	76	2,519	73,928
Non-current assets	184,738	443	716	-832	185,065
<b>Total assets</b>	<b>531,337</b>	<b>19,724</b>	<b>11,129</b>	<b>-5,963</b>	<b>556,227</b>
<b>Total liabilities</b>	<b>360,625</b>	<b>15,901</b>	<b>11,944</b>	<b>-5,257</b>	<b>383,218</b>

The Group operated in Poland in the first half of 2022. In addition, the Group earned the revenue of PLN 88 thousand from the sale of materials to Germany.

#### Operating segments' results in H1 2021:

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

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

### 4.3. Contracts, provisions, allowances and accruals

#### 4.3.1. Construction contracts

	Balance at 30-06-2022	Balance at 31-12-2021
<b>Assets (selected items)</b>	<b>209,312</b>	<b>152,077</b>
- Valuation of long-term construction contracts	107,035	107,149
- Advance payments made in connection with performed contracts	13,376	3,425
- Retentions on construction contracts retained by customers	22,707	11,144
- Inventories	66,194	30,359

<b>Liabilities (selected items)</b>	<b>226,771</b>	<b>200,329</b>
- Valuation of long-term construction contracts	33,083	49,539
- Provisions for contract costs	72,922	68,636
- Advance payments received in connection with performed contracts	49,027	6,737
- Retentions on construction contracts retained for suppliers	35,344	41,828
- Provisions for warranty claims	18,165	19,059
- Provisions for expected losses on contracts	18,230	14,530

#### 4.3.2. Provisions

##### Change in provisions

Provisions	01-01-2022	Created	Used	Released	Reclassified	30-06-2022	Item
<b>Long-term provisions:</b>	<b>18,434</b>	<b>1,261</b>	<b>17</b>	<b>2,270</b>	<b>-728</b>	<b>16,680</b>	
Provisions for employee benefits	1,864	59	0	545	0	1,378	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,570	1,202	17	1,725	-728	15,302	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>48,491</b>	<b>22,859</b>	<b>10,686</b>	<b>5,246</b>	<b>728</b>	<b>56,146</b>	
Provisions for employee benefits	31,441	16,232	10,323	2,319	0	35,031	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,489	358	354	358	728	2,863	Short-term provisions
Provision for loss on contracts	14,530	6,269	0	2,569	0	18,230	Short-term provisions
Other provisions	31	0	9	0	0	22	Short-term provisions
<b>Total provisions:</b>	<b>66,925</b>	<b>24,120</b>	<b>10,703</b>	<b>7,516</b>	<b>0</b>	<b>72,826</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	01-01-2021	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>	

#### 4.3.3. Write-downs and allowances

##### Change in write-downs and allowances

Write-downs and allowances	01-01-2022	Creation	Use	Release	30-06-2022
<b>Write-downs and allowances:</b>	<b>30,198</b>	<b>8,779</b>	<b>2,184</b>	<b>2,247</b>	<b>34,546</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	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	28,642	8,779	2,184	2,247	32,990
Allowances for trade receivables for expected credit losses	489	0	0	0	489
Write-downs of retentions	11	0	0	0	11
Write-downs of loans	285	0	0	0	285
<b>Total:</b>	<b>30,198</b>	<b>8,779</b>	<b>2,184</b>	<b>2,247</b>	<b>34,546</b>

Allowances for trade receivables of PLN 33m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 31.2m. 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 23.8m issued in past years.
- Receivables under court and enforcement cases of PLN 1.1m.
- Doubtful debt of PLN 0.7m 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 59 thousand and the creation of allowances of PLN 9 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

##### Comparative information:

Write-downs and allowances	01-01-2021	Creation	Use	Release	31-12-2021
<b>Write-downs and allowances:</b>	<b>26,515</b>	<b>8,663</b>	<b>4,850</b>	<b>130</b>	<b>30,198</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 for expected credit losses	189	300	0	0	489
Write-downs of retentions	11	3	0	3	11
Write-downs of loans	440	0	41	114	285
<b>Total:</b>	<b>26,515</b>	<b>8,663</b>	<b>4,850</b>	<b>130</b>	<b>30,198</b>

#### 4.3.4. Accruals

	Balance at 30-06-2022	Balance at 31-12-2021
Provisions for contract costs	72,922	68,636
Other accruals	2,687	1,622
<b>Total</b>	<b>75,609</b>	<b>70,258</b>

#### 4.4. Trade and other receivables and payables

##### 4.4.1. Trade and other receivables

	Balance at 30-06-2022	Balance at 31-12-2021
Trade receivables	139,278	161,414
Allowances for trade receivables in connection with the increase of credit risk	-32,990	-28,642
Allowances for trade receivables for expected credit losses	-489	-489
Receivables from the state budget other than corporate income tax	3,096	632
Other receivables	4,325	4,142
<b>Total trade and other receivables</b>	<b>113,220</b>	<b>137,057</b>

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

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

	Balance at 30-06-2022	Balance at 31-12-2021
Counterparty A	64,230	101,121

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

#### 4.4.2. Trade and other payables

	Balance at 30-06-2022	Balance at 31-12-2021
Trade payables	80,649	117,208
Liabilities to the state budget other than corporate income tax	2,524	17,466
Other payables	272	242
<b>Total trade and other payables</b>	<b>83,445</b>	<b>134,916</b>

#### 4.5. Loans, bank credits, leases and management of capital

##### 4.5.1. Loans and bank credits

	Balance at 30-06-2022	Balance at 31-12-2021
<b>Long-term</b>	<b>0</b>	<b>0</b>
Bank credits	0	0
Loans received	0	0
<b>Short-term</b>	<b>3,327</b>	<b>7,964</b>
Bank credits	3,050	3,250
Loans received	277	4,714
<b>Total</b>	<b>3,327</b>	<b>7,964</b>

#### Summary of loan and credit agreements as at 30 June 2022

No.	Bank	Description	Principal/limit according to the agreement as at 30-06-2022	Amount of available loans/credits as at 30-06-2022	Use as at 30-06-2022	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		280	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	24,720	280		
		non-revolving working capital credit	25,000	24,720	0		
3	BNP Paribas Bank Polska S.A. (ii)	Premium multipurpose line of credit	65,000		4,100	1M WIBOR + margin	

		agreement					
	including:	sublimit for bonds	65,000	60,900	4,100		July 2030
		Overdraft	4,000	4,000	0		July 2022
4	Alior Bank SA	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		Overdraft	2,000	2,000	0		
5	mBank S.A.	Working capital credit	3,050	0	3,050	1M WIBOR + margin	May 2023
6	Magdalena Nowak	Loan agreement	277	0	277	3M WIBOR + margin	Unspecified
<b>Total amount of available loans and credits</b>				<b>40,720</b>			
<b>Total debt under loans and credits</b>					<b>3,327</b>		
<b>Total use for bonds</b>					<b>4,380</b>		

- (i) ZUE is able to use the limit for both working capital credit and bank bonds. The current use concerns the bonds.  
(ii) Overdraft credit limit was not used by the Company by 30 July 2022. The expiry date for the bonds issued by that date was set as 30 July 2030 (Current report 25/2020 of 30 July 2020).

Types of security and liabilities under credit agreements:

**1. Overdraft:**

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

**2. Master Agreement:**

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

**3. Premium multi-purpose line of credit agreement:**

- Blank promissory note with declaration;
- Assignment of claims under contract;
- 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.

**4. Multicurrency credit limit agreement:**

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

**5. Working capital credit:**

- ZUE's guarantees;
- Registered pledge on inventories;
- Blank promissory note;
- Statement on submission to enforcement;
- Assignment of rights under insurance policy;
- Financial pledge on cash kept on customer's bank accounts maintained by the Bank.

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

- Agencja Rozwoju Przemysłu – **Loan agreement (item 3 of comparative information)** – the loan granted on 19 November 2019 was repaid by the Company in full on 29 June 2022;

- mBank – **Working capital credit (item 5)** – an annex was signed by the Company on 26 May 2022 whereby the maturity date was extended by one year;
- mBank – **Master Agreement (item 2)** – an annex was signed by the Company on 31 May 2022 whereby the maturity date was extended by one year;
- Alior Bank – **Credit Agreement (item 4)** – Multicurrency Credit Limit Agreement up to PLN 30m was signed by the Company on 29 June 2022 (Limit). The Company may apply for bonds up to the total Limit amount. In addition, an overdraft up to PLN 2m will be provided as part of the Limit. The Limit is revolving and will be available until 27 June 2023. The Limit can be extended.

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

- mBank – **Overdraft (item 1)** – an annex was signed by the Company on 7 July 2022 whereby the repayment date was extended by one year.

**Comparative information:**

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2021	Amount of available loans/credits as at 31-12-2021	Use as at 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		
		sublimit for 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	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 bonds.

#### 4.5.2. Leases

##### Lease liabilities

	Balance at 30-06-2022	Balance at 31-12-2021
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Long-term lease liabilities	12,592	14,248
Short-term lease liabilities	5,723	6,289
Lease liabilities associated with assets held for sale	0	366
<b>Total</b>	<b>18,315</b>	<b>20,903</b>

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

In the reporting period, the Group signed the leases with the total amount of PLN 1,303 thousand and purchased the leased assets with the total net value of PLN 9,425 thousand. Following the transactions, the assets were reclassified from right-of-use assets to property, plant and equipment.

#### 4.6. Other notes to the financial statements

##### 4.6.1. Goodwill

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

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

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

The acquisition of BPK Poznań was accounted for on the basis of the information contained in the separate financial statements of BPK Poznań as at 31 March 2012 and was recognised for the first time in the Financial Statements of the Capital Group in 2012.

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

At cost	30-06-2022	31-12-2021
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>

##### Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Group carried out the tests for the impairment of assets. The impairment tests carried out 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. As at 30 June 2022, the Group reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Group intends to carry out the test at the end of the year.

##### 4.6.2. Purchase and sale of property, plant and equipment and intangible assets

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 2,303 thousand.

As at 30 June 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 511 thousand.

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

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

- General repair of profiling machine – PLN 787 thousand;
- Purchase of cars – PLN 686 thousand;
- Purchase of OCL network hoisting device – PLN 400 thousand;



- Complete overhauls of vehicles (mainly wagons) – PLN 369 thousand.

In the first half of 2022, the Group sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 328 thousand. In the first half of 2021, the Group sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 261 thousand.

#### 4.6.3. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments classified as particular classes and categories of assets and liabilities as at 30 June 2022.

##### Balance at 30 June 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	25,423	0	0	0	40,805
Trade receivables	139,278	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	285	0	0	0	0
Cash and cash equivalents	0	57,175	0	0	0
Loans and bank credits	0	0	0	0	3,327
Lease liabilities	0	0	0	0	18,315
Trade payables	0	0	0	0	80,649
<b>Total</b>	<b>164,986</b>	<b>57,175</b>	<b>0</b>	<b>0</b>	<b>143,132</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 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.

#### 4.6.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
RTI	1	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	0	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
Revenue		Purchases		

	Period ended		Period ended	
	30-06-2022	30-06-2021	30-06-2022	30-06-2021
RTI	2	2	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	2	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>

  

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	30-06-2022	31-12-2021	30-06-2022	30-06-2021
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>

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.

After the end of the reporting period, ZUE acquired 400 newly created shares in RTI with the total nominal value of PLN 20 thousand on the basis of the notarial deed of 13 July 2022. The shares were paid up in cash.

#### Remuneration of key management personnel

	Period ended 30-06-2022	Period ended 30-06-2021
Management Board	3,101	3,338
Proxy	495	225
Supervisory Board	132	133
<b>Total</b>	<b>3,728</b>	<b>3,696</b>

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

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

Court cases are discussed in detail in the Management Board Report on the activities of ZUE Capital Group for the first half of 2022.

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

#### 4.6.6. Tax settlements

Tax settlements and other areas of activity may be inspected by the administrative authorities authorised to impose harsh fines and penalties. The applicable laws are unclear and inconsistent because there are no references to established regulations in Poland. Common differences of opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises give rise to uncertainty and conflicts. Accordingly, the tax risk in Poland is much higher than that in the countries with more mature tax 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 as at 30 June 2022 or 31 December 2021.

The inspection of the corporate income tax for 2018 commenced at the Company on 7 February 2022. No information about any reservations made by the inspecting authority is available at the date of approval of this report.

#### 4.6.7. Contingent assets and contingent liabilities

##### Contingent assets

	30-06-2022	31-12-2021
Bonds	85,224	89,133
Promissory notes	5,363	747
<b>Total</b>	<b>90,587</b>	<b>89,880</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

	30-06-2022	31-12-2021
Bonds	545,314	514,540
Guarantees	15,526	14,291
Promissory notes	282,856	301,346
Mortgages	126,529	81,529
Pledges	153,967	159,872
<b>Total</b>	<b>1,124,192</b>	<b>1,071,578</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 customers are secured by promissory notes.

Mortgages are additional security for the credit agreement with mBank S.A., insurance agreement with PZU S.A. and the agreement with PEKAO S.A.

Registered pledges were established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A., mBank S.A. and CaixaBank. The pledged assets include wagons, pile driver, maintenance train and engine.

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

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

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 June 2022 or 31 December 2021.

#### 4.6.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the six months ended 30 June 2022 or the six

months ended 30 June 2021.

#### 4.7. Other notes to the financial statements

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

###### Statement of compliance

The condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 30 June 2022 as endorsed by the European Union.

The consolidated financial statements for the six months ended 30 June 2022 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2022:

- **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).

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

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

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

- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1: "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted).

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

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

- **Amendments to 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 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).

#### 4.7.2. Important accounting principles

##### 4.7.2.1. Going concern

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

In the six months ended 30 June 2022, the Group recognised the sales revenue of PLN 373.2m and the gross profit on sales of PLN 21m. As at 30 June 2022, the Group presented the total current assets of PLN 371.2m, including trade and other receivables of PLN 113.2m and the cash of approx. PLN 57.2m. At the end of the reporting period, the Group had the backlog worth approximately PLN 1,523m 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 or no strategic decisions have been made, and these financial statements have been prepared assuming that the Group will continue in operational existence in the foreseeable future.

##### 4.7.2.2. Preparation basis

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

##### 4.7.2.3. Comparability of financial information

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

In this report, "Assets held for sale" were reclassified to "Property, plant and equipment" after the real estate in Poznań had not been sold. Despite the extension of time, the transaction has not been executed due to the circumstances beyond the Group's control.

Previously, the Group presented "Lease liabilities associated with assets held for sale" separately in the statement of financial position. In these financial statements, the liabilities were presented in "Lease liabilities."

##### 4.7.2.4. Applied accounting principles

These half-yearly consolidated financial statements for the six months ended 30 June 2022 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Group as at 31 December 2021. The financial statements for the financial year ended 31 December 2021 contain a detailed description of the accounting principles adopted by the Group.

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

#### 4.7.3. Sources of estimation uncertainty

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

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

The estimates relate, *inter alia*, to.:

Impairment of goodwill (note no. 4.6.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 4.3.3.)

Provisions (note no. 4.3.2.)

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

Deferred income tax (note no. 4.2.7.)

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

Uncertainty over tax settlements (note no. 4.6.6.)

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

In the reporting period, discounts rates were verified and adjusted to the current market situation.



**ZUE S.A.**

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**CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR 6 MONTHS ENDED 30 JUNE 2022**

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**Cracow, 17 August 2022**

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

##### Separate statement of comprehensive income

Continuing operations	Note no.	6 months ended	6 months ended
		30-06-2022	30-06-2021
Sales revenue	2.1.1.	334,020	332,237
Cost of sales	2.1.2.	318,088	324,580
<b>Gross profit (loss) on sales</b>		<b>15,932</b>	<b>7,657</b>
General and administrative expenses	2.1.2.	9,797	9,360
Other operating income	2.1.3.	1,210	3,896
Other operating expenses	2.1.4.	808	363
<b>Operating profit (loss)</b>		<b>6,537</b>	<b>1,830</b>
Financial income	2.1.5.	3,936	420
Financial expenses	2.1.6.	664	478
<b>Pre-tax profit (loss)</b>		<b>9,809</b>	<b>1,772</b>
Corporate income tax	2.1.7.	1,771	665
<b>Net profit (loss) from continuing operations</b>		<b>8,038</b>	<b>1,107</b>
<b>Net profit (loss)</b>		<b>8,038</b>	<b>1,107</b>
<b>Other net comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>419</b>	<b>61</b>
Actuarial gains (losses) relating to specific benefit schemes		419	61
<b>Total other net comprehensive income</b>		<b>419</b>	<b>61</b>
<b>Total comprehensive income</b>		<b>8,457</b>	<b>1,168</b>
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.35	0.05
Total comprehensive income per share (PLN)		0.37	0.05



## Separate statement of financial position

	Note no.	Balance at 30-06-2022	Restated Balance at 31-12-2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		71,262	64,623
Investment property		9,816	6,145
Intangible assets		2,434	2,697
Right-of-use assets		31,685	41,356
Goodwill	2.5.1.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts		18,412	7,393
Deferred tax assets	2.1.7.	19,736	21,606
<b>Total non-current assets</b>		<b>184,738</b>	<b>175,213</b>
<b>Current assets</b>			
Inventories		66,194	30,359
Trade and other receivables	2.3.1.	103,193	126,699
Valuation of long-term construction contracts	2.2.1.	99,214	98,329
Retentions on construction contracts		4,182	3,387
Advance payments		13,847	3,994
Current tax assets	2.1.7.	0	0
Advanced loans		3,550	3,572
Other assets		1,091	463
Cash and cash equivalents		55,328	106,612
<b>Current assets</b>		<b>346,599</b>	<b>373,415</b>
<b>Assets held for sale</b>		<b>0</b>	<b>3,544</b>
<b>Total current assets</b>		<b>346,599</b>	<b>376,959</b>
<b>Total assets</b>		<b>531,337</b>	<b>552,172</b>

## EQUITY AND LIABILITIES

### Equity

Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		73,807	68,765
<b>Total equity</b>		<b>170,712</b>	<b>165,670</b>

### Non-current liabilities

Long-term lease liabilities	2.4.2.	12,592	14,178
Retentions on construction contracts		17,848	23,231
Liabilities under employee benefits		1,330	1,789
Long-term provisions	2.2.2.	14,910	16,127
<b>Total non-current liabilities</b>		<b>46,680</b>	<b>55,325</b>

### Current liabilities

Trade and other payables	2.3.2.	73,026	122,266
Accruals	2.2.4.	72,011	66,463
Valuation of long-term construction contracts	2.2.1.	32,955	49,426
Retentions on construction contracts		15,480	16,628
Advance payments		49,028	6,737
Short-term loans and bank credits	2.4.1.	0	4,443
Short-term lease liabilities	2.4.2.	5,631	6,244
Other financial liabilities		36	36
Liabilities under employee benefits		44,547	40,220
Current tax liabilities	2.1.7.	0	1,098
Short-term provisions	2.2.2.	21,231	17,250
<b>Total current liabilities</b>		<b>313,945</b>	<b>330,811</b>
<b>Lease liabilities associated with assets held for sale</b>		<b>0</b>	<b>366</b>
<b>Total liabilities</b>		<b>360,625</b>	<b>386,502</b>
<b>Total equity and liabilities</b>		<b>531,337</b>	<b>552,172</b>

## Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
<b>Balance at</b>	<b>1 January 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>68,765</b>	<b>165,670</b>
Payment of dividend		0	0	0	-3,415	-3,415
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	8,038	8,038
Other net comprehensive income		0	0	0	419	419
<b>Balance at</b>	<b>30 June 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>73,807</b>	<b>170,712</b>
<b>Balance at</b>	<b>1 January 2021</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>56,691</b>	<b>153,596</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	1,107	1,107
Other net comprehensive income		0	0	0	61	61
<b>Balance at</b>	<b>30 June 2021</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>57,859</b>	<b>154,764</b>
<b>Balance at</b>	<b>1 January 2021</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>56,691</b>	<b>153,596</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	12,141	12,141
Other net comprehensive income		0	0	0	-67	-67
<b>Balance at</b>	<b>31 December 2021</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>68,765</b>	<b>165,670</b>

## Separate statement of cash flows

	6 months ended 30-06-2022	6 months ended 30-06-2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit / (loss) before tax</b>	<b>9,809</b>	<b>1,772</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	6,619	6,054
Foreign exchange gains / (losses)	-25	-85
Interest and share in profit (dividends)	-341	294
Gain / (loss) on disposal of investments	-720	-130
<b>Operating profit (loss) before changes in working capital</b>	<b>15,342</b>	<b>7,905</b>
Change in receivables and retentions on construction contracts	11,694	15,009
Change in inventories	-35,836	-17,230
Change in provisions and liabilities under employee benefits	7,150	2,357
Change in payables and retentions on construction contracts	-56,046	-57,968
Change in valuation of construction contracts	-17,356	32,746
Change in accruals	5,548	32,679
Change in advance payments	32,438	2,427
Change in other assets	-627	-693
Other adjustments	0	109
Income tax paid / (tax refund)	-1,098	-65
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-38,791</b>	<b>17,276</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	1,063	432
Purchase of property, plant and equipment and intangible assets	-2,240	-3,261
Advanced loans	0	-2,000
Repayment of advanced loans	22	78
Interest received	939	9
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-216</b>	<b>-4,742</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	0	3,400
Repayment of loans and bank credits	-4,443	-7,845
Decrease in lease liabilities	-3,773	-4,981
Lease interest paid	-603	-500
Other interest paid	-68	-129
Other financial income / (expenses) – dividends	-3,415	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-12,302</b>	<b>-10,055</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-51,309</b>	<b>2,479</b>
Net foreign exchange gains / (losses)	25	85
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>106,612</b>	<b>20,230</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>55,328</b>	<b>22,794</b>
- of limited availability	23,001	1,034

## Notes to the condensed separate financial statements of ZUE

### 1. General information

#### 1.1. Core business of ZUE

ZUE's core business did not change.

#### 1.2. Financial and reporting currency

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

### 2. Financial information

#### 2.1. Notes to the statement of comprehensive income

##### 2.1.1. Revenue

	Period ended 30-06-2022	Period ended 30-06-2021
Revenue from construction contracts	324,091	322,504
Revenue from the rendering of services	5,486	3,572
Revenue from the sale of goods, raw and other materials	4,443	6,161
<b>Total</b>	<b>334,020</b>	<b>332,237</b>

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

The Company operated in the territory of Poland in the reporting period. The biggest portion of the Company's revenue was derived from long-term construction contracts. The entire revenue is presented by the Company in one reporting segment: construction activity.

#### Concentration of revenue which exceeds 10% of total sales revenue

	Period ended	
	30-06-2022	30-06-2021
Counterparty A	183,872	295,887
Counterparty B	45,185	

##### 2.1.2. Operating expenses

	Period ended 30-06-2022	Period ended 30-06-2021
Change in products	-1,830	-3,593
Depreciation and amortization	6,619	6,054
Consumption of materials and energy, including:	70,417	61,532
- consumption of materials	65,055	58,360
- consumption of energy	5,362	3,172
Contracted services	179,074	202,323

Costs of employee benefits	62,761	57,539
Taxes and charges	830	797
Other expenses	6,868	5,938
Value of goods and materials sold	3,146	3,350
<b>Total</b>	<b>327,885</b>	<b>333,940</b>

	Period ended 30-06-2022	Period ended 30-06-2021
Cost of sales	318,088	324,580
General and administrative expenses	9,797	9,360
<b>Total</b>	<b>327,885</b>	<b>33,940</b>

#### Depreciation and amortisation

	Period ended 30-06-2022	Period ended 30-06-2021
Depreciation of property, plant and equipment	4,711	4,225
Depreciation of right-of-use assets	1,416	1,618
Amortisation of intangible assets	299	21
Depreciation of investments in real estate	193	190
<b>Total</b>	<b>6,619</b>	<b>6,054</b>

#### 2.1.3. Other operating income

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Gain on disposal of assets</b>	<b>720</b>	<b>155</b>
Gain on disposal of non-current assets	720	155
<b>Other operating income</b>	<b>490</b>	<b>3,741</b>
Damages and penalties	14	2,882
Release of allowances for receivables	49	573
Refund of the costs of court proceedings	201	16
Substitute performance	209	229
Release of write-downs of inventories	0	6
Other	17	35
<b>Total</b>	<b>1,210</b>	<b>3,896</b>

#### 2.1.4. Other operating expenses

	Period ended 30-06-2022	Period ended 30-06-2021
<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>808</b>	<b>363</b>
Donations	28	2
Allowances for receivables	5	83
Costs of litigations	533	28
Substitute performance	209	229

Other	33	21
<b>Total</b>	<b>808</b>	<b>363</b>

#### 2.1.5. Financial income

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Interest income</b>	<b>1,111</b>	<b>202</b>
Interest on bank deposits	977	66
Interest on loans	134	18
Interest on receivables	0	118
<b>Other financial income</b>	<b>2,825</b>	<b>218</b>
Foreign exchange gains	0	23
Discount of long-term items	2,672	27
Guarantees	153	134
Other	0	34
<b>Total</b>	<b>3,936</b>	<b>420</b>

#### 2.1.6. Financial expenses

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Interest expenses</b>	<b>624</b>	<b>478</b>
Interest on bank credits	0	4
Interest on loans	68	126
Interest on leases	530	329
Interest on trade and other payables	26	19
<b>Other financial expenses</b>	<b>40</b>	<b>0</b>
Foreign exchange losses	40	0
<b>Total</b>	<b>664</b>	<b>478</b>

#### 2.1.7. Corporate income tax

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

	Period ended 30-06-2022	Period ended 30-06-2021
Current income tax	0	867
Deferred tax	1,771	-202
<b>Total tax expense (income)</b>	<b>1,771</b>	<b>665</b>

##### Current income tax

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Gross profit (loss)</b>	<b>9,809</b>	<b>1,772</b>
<b>Difference between gross profit (loss) and income tax base:</b>	<b>-11,555</b>	<b>2,790</b>

- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue

-11,555 45,230

- other differences (including loss brought forward)

0 -42,440

**Income/Loss**

**-1,746 4,562**

Income tax base

0 4,562

Income tax at the applicable rate of 19%

0 867

**Current income tax**

**0 867**

**Income tax according to effective interest rate**

**Gross profit (loss)**

**Period ended 30-06-2022 Period ended 30-06-2021**

**9,809 1,772**

Income tax at the applicable rate of 19%

1,864 337

**Effect of tax recognition of:**

**-2,196 530**

- Use of tax losses brought forward

0 8,064

- Costs that are not tax-deductible under tax regulations

5,103 8,140

- Revenue not classified as revenue under tax regulations

4,207 -6,090

- Tax-deductible expenses not classified as balance sheet expenses

3,109 5,639

- Taxable revenue not classified as balance sheet revenue

17 3

Revaluation of deferred tax assets (current year loss)

332 0

Deferred tax

1,771 -202

**Income tax according to effective tax rate**

**1,771 665**

Effective tax rate

18% 38%

**Current tax assets and liabilities**

**Current tax assets**

**Balance at 30-06-2022 Balance at 31-12-2021**

Tax refundable

0 0

**Current tax liabilities**

Tax payable

0 1,098



## Deferred tax

	Period ended 30-06-2022	Period ended 30-06-2021
<b>Deferred tax balance at the beginning of the period</b>	<b>21,606</b>	<b>14,296</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>49,142</b>	<b>49,940</b>
Provisions for expenses and accruals	27,567	27,013
Discount of receivables	497	130
Operating lease liabilities	2,928	2,563
Write-downs	576	620
Bonds and insurances accounted for over time	1,989	1,561
Tax work in progress	8,778	11,661
Valuation of long-term contracts	6,261	6,048
Other	546	344
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>34,143</b>	<b>39,255</b>
Valuation of long-term contracts	18,851	25,488
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,326	13,078
Discount of payables	1,966	689
<b>Unutilised tax losses and other tax credits carried forward:</b>	<b>4,737</b>	<b>3,822</b>
Tax losses	4,737	3,822
<b>Total temporary differences relating to deferred tax assets:</b>	<b>53,879</b>	<b>53,762</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>34,143</b>	<b>39,255</b>
<b>Deferred tax balance at the end of the period</b>	<b>19,736</b>	<b>14,507</b>
<b>Change in deferred tax, including:</b>	<b>-1,870</b>	<b>211</b>
- recognised in income	-1,771	202
- recognised in equity	-99	9

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

### 2.1.8. Operating segments

ZUE's reporting is based on operating segments. The Company analyses the areas of activity based on the aggregation rules under IFRS 8.12 and identifies one aggregate reporting segment, namely construction activity. The Company is organised and managed within the abovementioned segment. The Company applies a uniform accounting policy to all operating areas within the segment of engineering construction and assembly services.

## 2.2. Constructions, provisions, allowances and accruals

### 2.2.1. Construction contracts

	Balance at 30-06-2022	Balance at 31-12-2021
<b>Assets (selected items)</b>	<b>201,849</b>	<b>143,462</b>
- Valuation of long-term construction contracts	99,214	98,329
- Advance payments made in connection with performed contracts	13,847	3,994
- Retentions on construction contracts retained by customers	22,594	10,780
- Inventories	66,194	30,359
<b>Liabilities (selected items)</b>	<b>221,014</b>	<b>194,402</b>
- Valuation of long-term construction contracts	32,955	49,426
- Provisions for contract costs	69,562	65,003
- Advance payments received in connection with performed contracts	49,028	6,737
- Retentions on construction contracts retained for suppliers	33,328	39,859
- Provisions for warranty claims	17,682	18,568
- Provisions for expected losses on contracts	18,459	14,809

### 2.2.2. Provisions

#### Change in provisions

Provisions	01-01- 2022	Created	Used	Released	Reclassified	30-06- 2022	Item
<b>Long-term provisions:</b>	<b>17,916</b>	<b>1,261</b>	<b>17</b>	<b>2,235</b>	<b>-685</b>	<b>16,240</b>	
Provisions for employee benefits	1,789	59	0	518	0	1,330	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,127	1,202	17	1,717	-685	14,910	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>47,640</b>	<b>21,782</b>	<b>10,110</b>	<b>5,269</b>	<b>685</b>	<b>54,728</b>	
Provisions for employee benefits	30,390	15,157	9,756	2,294	0	33,497	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,441	358	354	358	685	2,772	Short-term provisions
Provision for loss on contracts	14,809	6,267	0	2,617	0	18,459	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>65,556</b>	<b>23,043</b>	<b>10,127</b>	<b>7,504</b>	<b>0</b>	<b>70,968</b>	

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

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

#### Comparative information:

Provisions	01-01-2021	Created	Used	Released	Reclassified	31-12-2021	Item
<b>Long-term provisions:</b>	<b>16,028</b>	<b>3,158</b>	<b>19</b>	<b>44</b>	<b>-1,207</b>	<b>17,916</b>	
Provisions for employee benefits	1,358	475	0	44	0	1,789	Liabilities under employee benefits (long-term)
Provisions for warranty claims	14,670	2,683	19	0	-1,207	16,127	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>31,567</b>	<b>39,044</b>	<b>18,191</b>	<b>5,987</b>	<b>1,207</b>	<b>47,640</b>	
Provisions for employee benefits	21,696	27,647	17,958	995	0	30,390	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,696	100	233	329	1,207	2,441	Short-term provisions
Provision for loss on contracts	8,175	11,297	0	4,663	0	14,809	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>47,595</b>	<b>42,202</b>	<b>18,210</b>	<b>6,031</b>	<b>0</b>	<b>65,556</b>	

#### 2.2.3. Write-downs and allowances

##### Change in write-downs and allowances

Write-downs and allowances	01-01-2022	Creation	Use	Release	30-06-2022
<b>Write-downs and allowances:</b>	<b>29,053</b>	<b>8,516</b>	<b>2,182</b>	<b>2,229</b>	<b>33,158</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	0	0	0	0	0
Allowances for trade receivables in connection with the increase of credit risk	27,557	8,516	2,182	2,229	31,662
Allowances for trade receivables for expected credit losses	430	0	0	0	430
Write-downs of retentions	11	0	0	0	11
Write-downs of loans	285	0	0	0	285
<b>Total:</b>	<b>29,053</b>	<b>8,516</b>	<b>2,182</b>	<b>2,229</b>	<b>33,158</b>

Allowances for trade receivables of PLN 31.7m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 29.9m. 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 22.7m issued in past years.
- Receivables under court and enforcement cases of PLN 1.1m.
- Doubtful debt of PLN 0.7m 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 49 thousand and the creation of allowances of PLN 5 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by ZUE for the penalties and damages that are not the Company's revenue at the date of issue.

### Comparative information:

Write-downs and allowances	01-01-2021	Creation	Use	Release	31-12-2021
<b>Write-downs and allowances:</b>	<b>25,375</b>	<b>8,646</b>	<b>4,838</b>	<b>130</b>	<b>29,053</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	190	0	190	0	0
Allowances for trade receivables in connection with the increase of credit risk	23,834	8,343	4,607	13	27,557
Allowances for trade receivables for expected credit losses	130	300	0	0	430
Write-downs of retentions	11	3	0	3	11
Write-downs of loans	440	0	41	114	285
<b>Total:</b>	<b>25,375</b>	<b>8,646</b>	<b>4,838</b>	<b>130</b>	<b>29,053</b>

## 2.2.4. Accruals

	Balance at 30-06-2022	Balance at 31-12-2021
Provisions for contract costs	69,562	65,003
Other accruals	2,449	1,460
<b>Total</b>	<b>72,011</b>	<b>66,463</b>

## 2.3. Trade and other receivables and payables

### 2.3.1. Trade and other receivables

	Balance at 30-06-2022	Balance at 31-12-2021
Trade receivables	127,916	150,544
Allowances for trade receivables in connection with the increase of credit risk	-31,662	-27,557
Allowances for trade receivables for expected credit losses	-430	-430
Receivables from the state budget other than corporate income tax	3,060	0

Other receivables	4,309	4,142
<b>Total trade and other receivables</b>	<b>103,193</b>	<b>126,699</b>

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

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

	Balance at	
	30-06-2022	31-12-2021
Counterparty A	63,732	99,440

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

#### 2.3.2. Trade and other payables

	Balance at 30-06-2022	Balance at 31-12-2021
Trade payables	71,180	105,396
Liabilities to the state budget other than corporate income tax	1,585	16,638
Other payables	261	232
<b>Total trade and other payables</b>	<b>73,026</b>	<b>122,266</b>

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

##### 2.4.1. Loans and bank credits

	Balance at 30-06-2022	Balance at 31-12-2021
<b>Long-term</b>	<b>0</b>	<b>0</b>
Bank credits	0	0
Loans received	0	0
<b>Short-term</b>	<b>0</b>	<b>4,443</b>
Bank credits	0	0
Loans received	0	4,443
<b>Total</b>	<b>0</b>	<b>4,443</b>

## Summary of loan and credit agreements as at 30 June 2022

No.	Bank	Description	Principal/limit according to the agreement as at 30-06-2022	Amount of available loans/credits as at 30-06-2022	Use as at 30-06-2022	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		280	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	24,720	280		
		non-revolving working capital credit	25,000	24,720	0		
3	BNP Paribas Bank Polska S.A. (ii)	Premium multipurpose line of credit agreement	65,000		4,100	1M WIBOR + margin	
	including:	sublimit for bonds	65,000	60,900	4,100		July 2030
		Overdraft	4,000	4,000	0		July 2022
4	Alior Bank SA	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		Overdraft	2,000	2,000	0		
<b>Total amount of available loans and credits</b>				<b>40,720</b>			
<b>Total debt under loans and credits</b>					<b>0</b>		
<b>Total use for bonds</b>					<b>4,380</b>		

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

(ii) Overdraft credit limit was not used by the Company during the credit tenor; i.e. by 30 July 2022. The expiry date for the bonds issued by that date was set as 30 July 2030 (Current report 25/2020 of 30 July 2020).

Types of security and liabilities under credit agreements:

### 1. Overdraft:

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

### 2. Master Agreement:

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

### 3. Premium multi-purpose line of credit agreement:

- Blank promissory note with declaration;
- Assignment of claims under contract;
- 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.

### 4. Multicurrency credit limit agreement:

- Promissory note with declaration;
- Assignment of claims under contracts;

- c) Statement on submission to enforcement;
- d) Power of attorney to the bank account.

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

- Agencja Rozwoju Przemysłu – **Loan agreement (item 3 of comparative information)** – the loan granted on 19 November 2019 was repaid by the Company in full on 29 June 2022;
- mBank – **Master Agreement (item 2)** - an annex was signed by the Company on 31 May 2022 whereby the maturity date was extended by one year;
- Alior Bank – **Credit Agreement (item 4)** – Multicurrency Credit Limit Agreement up to PLN 30m was signed by the Company on 29 June 2022 (Limit). The Company may apply for bonds up to the total Limit amount. In addition, an overdraft up to PLN 2m will be provided as part of the Limit. The Limit is revolving and will be available until 27 June 2023. The Limit can be extended.

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

- mBank – **Overdraft (item 1)** – an annex was signed by the Company on 7 July 2022 whereby the repayment date was extended by one year.

#### Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2021	Amount of available loans/credits as at 31-12-2021	Use as at 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		
<b>Total amount of available loans and credits</b>				<b>38,900</b>			
<b>Total debt under loans and credits</b>					<b>4,443</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 bonds.

#### 2.4.2. Leases

##### Lease liabilities

	Balance at 30-06-2022	Balance at 31-12-2021
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Long-term lease liabilities	12,592	14,178
Short-term lease liabilities	5,631	6,244
Lease liabilities associated with assets held for sale	0	366
<b>Total</b>	<b>18,223</b>	<b>20,788</b>

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

In the reporting period, the Company signed the leases with the total amount of PLN 1,303 thousand and purchased the leased assets with the total net value of PLN 9,425 thousand. Following the transactions, the assets were reclassified from right-of-use assets to property, plant and equipment.

## 2.5. Other notes to the financial statements

### 2.5.1. Goodwill

At cost	30-06-2022	31-12-2021
Goodwill of PRK	31,172	31,172
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

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

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

### Goodwill impairment test

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

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

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 2,240 thousand.

As at 30 June 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 511 thousand.

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

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

- General repair of profiling machine – PLN 787 thousand;
- Purchase of cars – PLN 686 thousand;
- Purchase of OCL network hoisting device – PLN 400 thousand;
- Complete overhauls of vehicles (mainly wagons) – PLN 369 thousand.



In the first half of 2022, the Company sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 328 thousand. In the first half of 2021, the Company sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 261 thousand.

### 2.5.3. Financial instruments

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

#### Balance at 30 June 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	25,222	0	0	0	38,552
Trade receivables	127,916	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	3,835	0	0	0	0
Cash and cash equivalents	0	55,328	0	0	0
Loans and bank credits	0	0	0	0	0
Lease liabilities	0	0	0	0	18,223
Trade payables	0	0	0	0	71,180
<b>Total</b>	<b>156,973</b>	<b>55,328</b>	<b>0</b>	<b>0</b>	<b>127,991</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 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)	11,712	0	0	0	42,955
Trade receivables	150,544	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	3,857	0	0	0	0
Cash and cash equivalents	0	106,612	0	0	0
Loans and bank credits	0	0	0	0	4,443
Lease liabilities	0	0	0	0	20,422
Lease liabilities associated with assets held for sale	0	0	0	0	366
Trade payables	0	0	0	0	105,396
<b>Total</b>	<b>166,113</b>	<b>106,612</b>	<b>0</b>	<b>0</b>	<b>173,618</b>

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

### 2.5.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	30-06-2022	31-12-2021	30-06-2022	31-12-2021
Railway gft	227	174	6	2,922
BPK Poznań	665	683	627	901
RTI	1	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	0	0	0

<b>Total</b>	<b>895</b>	<b>857</b>	<b>633</b>	<b>3,823</b>
	<b>Revenue</b>		<b>Purchases</b>	
	<b>Period ended</b>		<b>Period ended</b>	
	<b>30-06-2022</b>	<b>30-06-2021</b>	<b>30-06-2022</b>	<b>30-06-2021</b>
Railway gft	1,695	208	6,397	3,770
BPK Poznań	254	262	747	1,519
RTI	2	2	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	2	0	0
<b>Total</b>	<b>1,953</b>	<b>474</b>	<b>7,144</b>	<b>5,289</b>
	<b>Advanced loans</b>		<b>Financial income (interest on loans)</b>	
	<b>Balance at</b>		<b>Period ended</b>	
	<b>30-06-2022</b>	<b>31-12-2021</b>	<b>30-06-2022</b>	<b>30-06-2021</b>
Railway gft	3,000	3,000	113	11
BPK Poznań	550	572	20	8
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>3,550</b>	<b>3,572</b>	<b>133</b>	<b>19</b>

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

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

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

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

- Purchase of materials used to build and repair tracks;
- Design services; and
- Re invoicing of costs.

On 19 June 2022, ZUE and BPK Poznań signed an annex to the loan agreement of 11 February 2020 whereby the repayment date was extended until 20 December 2022.

After the end of the reporting period, ZUE acquired 400 newly created shares in RTI with the total nominal value of PLN 20 thousand on the basis of the notarial deed of 13 July 2022. The shares were paid up in cash.

On 26 July 2022 (after the end of the reporting period), the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 300,000 to PLN 1,000,000 through the creation of 7,000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 700,000 were proportionally acquired by the existing shareholders.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 30 June 2022 is PLN 15,526 thousand.

## Remuneration of key management personnel

	Period ended 30-06-2022	Period ended 30-06-2021
Management Board	3,101	3,338
Proxy	495	225
Supervisory Board	132	133
<b>Total</b>	<b>3,728</b>	<b>3,696</b>

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

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

Court cases are discussed in detail in the Management Board Report on the activities of ZUE Capital Group for the first half of 2022.

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

### 2.5.6. Tax settlements

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

No significant or countable tax risks were recognised by the Company as at 30 June 2022 or 31 December 2021.

The inspection of the corporate income tax for 2018 commenced at the Company on 7 February 2022. No information about any reservations made by the inspecting authority is available at the date of approval of this report.

### 2.5.7. Contingent assets and contingent liabilities

#### Contingent assets

	30-06-2022	31-12-2021
Bonds	84,281	87,878
Promissory notes	10,790	6,917
Pledges	0	300
<b>Total</b>	<b>95,071</b>	<b>95,095</b>

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

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

#### Contingent liabilities

	30-06-2022	31-12-2021
Bonds	535,817	505,851
Guarantees	15,526	14,291
Promissory notes	270,079	287,551

Mortgages	126,529	81,529
Pledges	139,267	145,172
<b>Total</b>	<b>1,087,218</b>	<b>1,034,394</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 Company's counterparties to secure their claims against the Company, mainly in connection with construction contracts and sales agreements. The insurance companies and the banks have recourse against the Company.

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

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

Mortgages are additional security for the credit agreement with mBank S.A., insurance agreement with PZU S.A. and the agreement with PEKAO S.A.

Registered pledges were established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A., mBank S.A. and CaixaBank. The pledged assets include wagons, pile driver, maintenance train and engine.

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

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

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 June 2022 or 31 December 2021.

#### 2.5.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the six months ended 30 June 2022 or the six months ended 30 June 2021.

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

Construction and assembly operations are marked by the seasonality of production and sales. The topic has been discussed in detail in the note III 2.5: Seasonal and cyclical nature of the Group's operations.

#### 2.5.11. Issue and redemption of debt and equity securities

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

#### 2.5.12. Dividend

On 3 March 2022, the Company's Management Board passed the resolution on recommendations to the Company's Ordinary General Meeting on allocating the net profit for the financial year 2021 of PLN 12,141 thousand in the following manner:

- 1) The part of the net profit for the financial year 2021 of PLN 3,415 thousand would be paid as dividend (PLN 0.15 per share); and
- 2) The remaining balance of the net profit for the financial year 2021 of PLN 8,726 thousand would be allocated to reserve funds.

The Company's Supervisory Board gave a favourable opinion on the recommendations on 7 April 2022.

On 31 May 2022, the Ordinary General Meeting of ZUE S.A. passed the resolution on the distribution of the Company's profit for the financial year 2021 on the basis of which the dividend for 2021 of PLN 0.15 per share was paid to the Company's shareholders. The shareholders' right to the dividend was determined as at 9 June

2022. The date of the dividend payment was set as 22 June 2022. The dividend was paid according to the abovementioned resolution.

## 2.6. Other notes to the financial statements

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

#### Statement of compliance

The condensed separate financial statements have been drawn up in accordance with IAS 34 as at 30 June 2022 as endorsed by the European Union.

The separate financial statements for the six months ended 30 June 2022 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2022:

- **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).

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

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

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

- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1: "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted).

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

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

- **Amendments to 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 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).

## 2.6.2. Important accounting principles

### 2.6.2.1. Going concern

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

In the six months ended 30 June 2022, the Company recognised the sales revenue of PLN 334m and the gross profit on sales of PLN 15.9m. As at 30 June 2022, the Company presented the total current assets of PLN 346.6m, including trade and other receivables of PLN 103.2m and the cash of approx. PLN 55.3m. At the end of the reporting period, the Company had the backlog worth approximately PLN 1,496m and was in the process of winning new contracts

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

### 2.6.2.2. Preparation basis

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

### 2.6.2.3. Comparability of financial information

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

In this report, "Assets held for sale" were reclassified to "Investment property" after the real estate in Poznań had not been sold. Despite the extension of time, the transaction has not been executed due to the circumstances beyond the Company's control.

Previously, the Company presented "Lease liabilities associated with assets held for sale" separately in the statement of financial position. In these financial statements, the liabilities were presented in "Lease liabilities."

### 2.6.2.4. Applied accounting principles

These half-yearly separate financial statements for the six months ended 30 June 2022 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Company as at 31 December 2021. The financial statements for the financial year ended 31 December 2021 contain a detailed description of the accounting principles adopted by the Company.

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

## 2.6.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of

which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates relate, *inter alia*, to.:

Impairment of goodwill (note no. 2.5.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 2.2.3.)

Provisions (note no. 2.2.2.)

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

Deferred income tax (note no. 2.1.7.)

Contingent assets and contingent liabilities (note no. 2.5.7.)

Uncertainty over tax settlements (note no. 2.5.6.)

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

In the reporting period, discounts rates were verified and adjusted to the current market situation.

### 3. Approval of the condensed consolidated and separate financial statements

These condensed consolidated and separate financial statements for the six months ended 6 months ended 30 June 2022 were approved for publication by the Management Board of ZUE on 17 August 2022.

#### Statement by the Management Board of ZUE

#### Preparation of the half-yearly condensed consolidated and separate financial statements

On the basis of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent, the Management Board of ZUE state that according to their best knowledge, these half-yearly condensed consolidated and separate financial statements and the comparative information have been prepared in accordance with applicable accounting principles binding on the Group and the Company and give a true and fair view of the economic and financial position and profit or loss of the Group and the Company.

### 4. Signatures

#### The financial statements have been prepared by:

Marzena Filarek – Chief Accountant

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#### Signatures of the management personnel:

Wiesław Nowak – Management Board President

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Anna Mroczek – Management Board Vice-President

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Jerzy Czeremuga – Management Board Vice-President

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Maciej Nowak – Management Board Vice-President

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Marcin Wiśniewski – Management Board Vice-President

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Cracow, 17 August 2022