
FINANCIAL STATEMENTS OF ZUE S.A.

For the Year Ended 31 December 2023

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

Cracow, 26 March 2024

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Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the Capital Group.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE until 10 August 2023.
Railway gft	Railway gft Polska Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000532311, share capital of PLN 3,000,000 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 627,500 paid up in full. Subsidiary of ZUE.
Energopol	Przedsiębiorstwo Budownictwa Inżynieryjnego ENERGOPOL Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000042724, share capital of PLN 2,200,000 paid up in full. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period: ZUE, Railway gft, RTI and Energopol.
PLN	Polish złoty.
EUR	Euro.
RON	Romanian leu.
Act	Polish Companies Act (Journal of Laws of 2024, item 18).

Share capital details as at 31 December 2023.

Selected financial information of ZUE S.A.

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

	31-12-2023	31-12-2023	31-12-2022	31-12-2022
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	186,390	42,868	191,440	40,820
Current assets	722,662	166,206	434,374	92,619
Total assets	909,052	209,074	625,814	133,439
Equity	192,986	44,385	172,708	36,826
Non-current liabilities	107,968	24,832	53,356	11,377
Current liabilities	608,098	139,857	399,750	85,236
Total equity and liabilities	909,052	209,074	625,814	133,439

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

	2023	2023	2022	2022
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	1,379,095	304,544	831,921	177,447
Cost of sales	1,330,890	293,899	802,842	171,244
Gross profit (loss) on sales	48,205	10,645	29,079	6,203
Operating profit (loss)	28,701	6,338	8,348	1,781
Gross profit (loss)	30,161	6,660	13,897	2,964
Net profit (loss) from continuing operations	22,028	4,864	10,241	2,184
Total comprehensive income	21,872	4,830	10,453	2,230

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

	2023	2023	2022	2022
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	131,576	29,056	-44,252	-9,439
Cash flows from investing activities	1,921	424	-11,306	-2,412
Cash flows from financing activities	18,130	4,004	9,195	1,961
Total net cash flows	151,627	33,484	-46,363	-9,890
Cash at the beginning of the period	60,256	12,848	106,612	23,180
Cash at the end of the period	212,159	48,795	60,256	12,848

Rules adopted to translate selected financial information into EUR:

Items	Exchange rate	31-12-2023	31-12-2022	31-12-2021
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.3480	4.6899	n/a
Items of the statement of profit or loss and the 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	4.5284	4.6883	n/a
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.3480	4.6899	4.5994

Statement of comprehensive income

Continuing operations	Note	2023	2022
Sales revenue	2.1.	1,379,095	831,921
Cost of sales	2.2.	1,330,890	802,842
Gross profit (loss) on sales		48,205	29,079
General and administrative expenses	2.2.	24,489	20,991
Other operating income	2.3.	6,227	8,260
Other operating expenses	2.4.	1,242	8,000
Operating profit (loss)		28,701	8,348
Finance income	2.5.	15,524	8,958
Finance costs	2.6.	14,064	3,409
Pre-tax profit (loss)		30,161	13,897
Income tax	2.7.	8,133	3,656
Net profit (loss) from continuing operations		22,028	10,241
Net profit (loss)		22,028	10,241
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		-156	212
Actuarial gains (losses) relating to defined benefit plans	2.8.	-156	212
Total other net comprehensive income		-156	212
Total comprehensive income		21,872	10,453
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)	5.2.	0.96	0.44
Total comprehensive income (loss) per share (PLN)		0.95	0.45

Statement of financial position

ASSETS	Note	31-12-2023	31-12-2022
Non-current assets			
Property, plant and equipment	7.1.	66,100	67,945
Investment property	7.2.	9,132	9,615
Intangible assets	7.3.	2,466	2,479
Right-of-use assets	7.4.	38,622	32,360
Goodwill	7.6.	31,172	31,172
Investments in subordinates	7.7.	6,140	4,440
Retentions on construction contracts	3.2.	6,949	21,714
Deferred tax assets	2.7.	21,692	18,784
Advanced loans	7.10.	4,117	2,931
Total non-current assets		186,390	191,440
Current assets			
Inventories	7.11.	60,562	61,408
Trade and other receivables	4.1.	166,890	159,699
Valuation of long-term construction contracts	3.1.	243,339	119,207
Retentions on construction contracts	3.2.	20,012	15,563
Advances	3.5.	10,650	12,341
Current tax assets	2.7.	0	0
Advanced loans	7.10.	8,140	4,736
Other assets	7.9.	910	1,164
Cash and cash equivalents	6.5.	212,159	60,256
Total current assets		722,662	434,374
Total assets		909,052	625,814

EQUITY AND LIABILITIES	Note	31-12-2023	31-12-2022
Equity			
Share capital	5.1.	5,758	5,758
Share premium account	5.3.	93,837	93,837
Treasury shares	5.4.	-2,690	-2,690
Retained earnings	5.5.	96,081	75,803
Total equity		192,986	172,708
Non-current liabilities			
Long-term loans and bank credits	6.1.	47,015	8,696
Long-term lease liabilities	6.2.	21,687	12,563
Retentions on construction contracts	3.2.	17,499	15,376
Liabilities under employee benefits	7.13.	1,867	1,628
Long-term provisions	3.3.	19,900	15,093
Total non-current liabilities		107,968	53,356
Current liabilities			
Trade and other payables	4.2.	202,567	130,625
Accruals	3.6.	196,613	85,586
Valuation of long-term construction contracts	3.1.	47,062	47,453
Retentions on construction contracts	3.2.	33,024	19,916
Advances	3.5.	43,330	30,191
Short-term loans and bank credits	6.1.	7,500	16,304
Short-term lease liabilities	6.2.	6,468	4,995
Other financial liabilities	7.12.	36	36
Liabilities under employee benefits	7.13.	51,619	47,343
Current tax liabilities	2.7.	4,290	12
Short-term provisions	3.3.	15,589	17,289
Total current liabilities		608,098	399,750
Total liabilities		716,066	453,106
Total equity and liabilities		909,052	625,814

Statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2023	5,758	93,837	-2,690	75,803	172,708
Dividend	0	0	0	-1,594	-1,594
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Repurchase of shares	0	0	0	0	0
Profit (loss)	0	0	0	22,028	22,028
Other net comprehensive income	0	0	0	-156	-156
Total changes in equity	0	0	0	20,278	20,278
Balance at 31 December 2023	5,758	93,837	-2,690	96,081	192,986

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

Statement of cash flows

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	30,161	13,897
Adjustments for:		
Depreciation and amortisation	13,753	13,504
Foreign exchange gains / (losses)	-276	-9
Interest and share in profit (dividends)	-611	989
Gain / (loss) on disposal of investments	-5,002	-904
Operating profit (loss) before changes in working capital	38,025	27,477
Change in receivables and retentions on construction contracts	3,125	-59,497
Change in inventories	846	-31,049
Change in provisions and liabilities under employee benefits	7,430	6,229
Change in payables and retentions on construction contracts	87,291	3,899
Change in valuation of construction contracts	-124,523	-22,851
Change in accruals	111,026	19,123
Change in advances	14,829	15,107
Change in other assets	254	-701
Other adjustments	0	-20
Income tax paid / (tax refund)	-6,727	-1,969
NET CASH FROM OPERATING ACTIVITIES	131,576	-44,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	11,997	1,304
Purchase of property, plant and equipment and intangible assets	-6,989	-4,742
Sale of financial assets in related parties	559	0
Purchase of financial assets in related parties	0	-3,624
Advanced loans	-5,140	-6,671
Repayment of advanced loans	61	853
Dividends received	399	140
Interest received	1,034	1,434
NET CASH FROM INVESTING ACTIVITIES	1,921	-11,306
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	44,515	25,000
Repayments of loans and bank credits	-15,000	-4,443
Repayment of lease liabilities	-7,199	-6,687
Lease interest paid	-1,368	-1,008
Other interest paid	-1,224	-252
Other finance income / (expenses) – dividends	-1,594	-3,415
NET CASH FLOWS FROM FINANCING ACTIVITIES	18,130	9,195
TOTAL NET CASH FLOWS	151,627	-46,363
Net foreign exchange differences	276	7
TOTAL NET CASH FLOWS NET OF FOREIGN EXCHANGE DIFFERENCES	151,903	-46,356
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	60,256	106,612
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	212,159	60,256
- of limited availability	60,197	17,507

Notes to the financial statements as at 31 December 2023

1. General information

1.1. Information about the Company

ZUE was established on 1 June 1991. The Company has operated under the name ZUE Spółka Akcyjna since 20 May 2002. Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow–Śródmieście in Cracow XI Commercial Division of the National Court Register under entry no. KRS 0000135388.

On 28 October 2022, ZUE's branch in Romania was entered into the Register of Entrepreneurs maintained by the Court in Cluj Napoca. The branch was established to enable the coordination of the Company's operations on the Romanian market.

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

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

Management Board:

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

Supervisory Board:

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

Audit Committee:

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

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

1.2. Activities of ZUE

The core business of ZUE is the execution, as a general contractor or consortium leader or member or subcontractor, of multisector projects including:

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

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

1.3. Functional and reporting currency

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

2. Notes to the statement of comprehensive income

2.1. Revenue

	2023	2022
Revenue from construction contracts	1,325,152	805,288
Revenue from the provision of services	21,409	11,632
Revenue from the sale of goods, raw and other materials	32,534	15,001
Total	1,379,095	831,921

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.

In the reporting period, the Company operated in Poland and abroad. Revenue from construction contracts includes the amount of PLN 100,371 thousand concerning the contracts performed in Romania and the amount of PLN 2,619 thousand concerning the contracts performed in Latvia. The Company's revenue was also earned from the provision of services to Latvia (PLN 266 thousand) and to Slovakia (PLN 94 thousand).

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

	2023	2022
Counterparty A	542,427	408,803
Counterparty B		111,732
Counterparty C		96,981
Counterparty D	183,908	

PKP Polskie Linie Kolejowe S.A. was ZUE's biggest customer in 2023. Its share in sales accounted for about 39% of the Company's total sales revenue in 2023.

2.2. Operating expenses

	2023	2022
Change in products	226	303
Depreciation and amortization	13,753	13,504
Consumption of materials and energy, including:	327,569	178,456
- consumption of materials	315,248	165,247
- consumption of energy	12,321	13,209
Contracted services	824,265	474,807
Employee benefits expense	136,496	126,343
Taxes and charges	2,436	1,882
Other expenses	19,472	16,213
Value of goods and materials sold	31,162	12,325
Total	1,355,379	823,833

	2023	2022
Cost of sales	1,330,890	802,842
General and administrative expenses	24,489	20,991
Total	1,355,379	823,833

The increase in general and administrative expenses in 2023 results, *inter alia*, from higher consultancy fees charged in connection with the change of the law and disclosure requirements for public companies, the purchase of hardware and software as well as higher costs of the business activity. However, the ratio of general and administrative expenses to revenue is as intended by the Management Board of ZUE; i.e. it does not exceed 2.5%.

Depreciation and amortisation

	2023	2022
Depreciation of property, plant and equipment	9,327	9,687
Depreciation of right-of-use assets	3,302	2,763
Amortisation of intangible assets	604	603
Depreciation of investments in real property	520	451
Total	13,753	13,504

2.3. Other operating income

	2023	2022
Gain on disposal of assets	5,002	904
Gain on disposal of non-current assets	5,002	904
Other operating income	1,225	7,356
Damages and penalties	616	186
Release of allowances on receivables	8	229
Refund of the costs of court proceedings	77	216
Substitute performance	348	6,672
Subsidies	9	0
Other	167	53
Total	6,227	8,260

2.4. Other operating expenses

	2023	2022
Loss on disposal of assets	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses	1,242	8,000
Donations	51	38
Making of allowances on receivables	117	7
Costs of litigations	721	1,241
Substitute performance	348	6,672
Other	5	42
Total	1,242	8,000

2.5. Finance income

	2023	2022
Interest income	1,504	1,882
Interest on bank deposits	1,051	1,436
Interest on loans	446	444
Interest on receivables	7	2
Other finance income	14,020	7,076
Dividends	2,099	735
Discount of long-term items	2,685	5,949
Financial guarantees	413	344
Release of write-downs of shares	8,762	0
Other	61	48

Total	15,524	8,958
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2023 saw the release of the write-downs of shares of PLN 8,762 thousand following the sale of BPK Poznań, a subsidiary. The transaction's effect on the result for the period is PLN 559 thousand.

2.6. Finance costs

	2023	2022
Interest expense	2,625	1,433
Interest on bank credits	34	34
Interest on loans	1,190	218
Interest on lease liabilities	1,366	1,162
Interest on trade and other payables	35	19
Other finance costs	11,439	1,976
Loss on disposal of investment	8,203	0
Foreign exchange loss	2,627	192
Write-down of loans	0	1,764
Costs associated with share in profit of legal persons	559	0
Other	50	20
Total	14,064	3,409

The item Loss on disposal of investment of PLN 8,203 thousand concerns the sale of BPK Poznań, a subsidiary, without write-downs made in previous periods.

2.7. Income tax

Income tax recognised in the statement of comprehensive income

	2023	2022
Current income tax	11,005	884
Deferred tax	-2,872	2,772
Total tax expense (income)	8,133	3,656

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

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

Current income tax

	2023	2022
Gross profit (loss)	30,161	13,897
Difference between gross profit (loss) and income tax base:	27,758	-9,247
- differences between gross profit and taxable income resulting from expenses that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional revenue and expenses	27,758	12,245
- other differences (including loss brought forward)	0	-21,492
Income/Loss	57,919	4,650
Income tax base	57,919	4,650
Income tax at the applicable rate of 19%	11,005	884
Current income tax	11,005	884

Income tax according to effective interest rate

	2023	2022
Gross profit (loss)	30,161	13,897
Income tax at the applicable rate of 19%	5,731	2,640
Effect of tax recognition of:	5,288	-1,756
- Use of tax losses brought forward	0	4,083
- Expenses that are not tax-deductible under tax regulations	31,444	10,624
- Revenue not classified as revenue under tax regulations	29,192	6,178
- Tax-deductible expenses not classified as balance sheet expenses	-7,068	2,303
- Taxable revenue not classified as balance sheet revenue	-4,032	184
Revaluation of deferred tax assets (current year loss)	0	0
Deferred tax	-2,872	2,772
Income tax according to effective tax rate	8,147	3,656
effective tax rate	27%	26%

Current tax assets and liabilities

	31-12-2023	31-12-2022
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	4,290	12

Deferred tax balance

	2023	2022
Deferred tax balance at the beginning of the period	18,784	21,606
Temporary differences relating to deferred tax assets:	81,676	57,360
Provisions for expenses and accruals	50,524	30,213
Receivables discounting	649	605
Operating lease liabilities	3,577	3,047
Write-downs	540	542
Bonds and insurances accounted for over time	3,086	2,486
Tax work in progress	15,209	11,171
Valuation of long-term contracts	8,942	9,016
Other	-851	280
Temporary differences relating to deferred tax liabilities:	59,984	38,576
Valuation of long-term contracts	43,425	22,649
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,309	13,231
Payables discounting	3,250	2,696
Unused tax losses and other tax credits carried forward:	0	0
Tax losses	0	0
Total temporary differences relating to deferred tax assets:	81,676	57,360
Total temporary differences relating to deferred tax liabilities:	59,984	38,576
Deferred tax balance at the end of the period	21,692	18,784
Change in deferred tax, including:	2,909	-2,822
- recognised in income	2,872	-2,772
- recognised in equity	37	-50

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

2.8. Items of other comprehensive income

Items of other comprehensive income:

	2023	2022
Actuarial gains (losses) relating to defined benefit plans	-193	262
Deferred tax	37	-50
Amount recognised in other comprehensive income	-156	212

2.9. 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.

3. Contracts, retentions, provisions, advances and accrued liabilities

3.1. Construction contracts

	31-12-2023	31-12-2022
Assets (selected items)	341,512	230,233
- Valuation of long-term construction contracts	243,339	119,207
- Advances made in connection with performed contracts	10,650	12,341
- Retentions on construction contracts retained by customers	26,961	37,277
- Inventories	60,562	61,408
Liabilities (selected items)	371,668	228,273
- Valuation of long-term construction contracts	47,062	47,453
- Provisions for contract costs	195,264	82,955
- Advances received in connection with performed contracts	43,330	30,191
- Retentions on construction contracts retained for suppliers	50,523	35,292
- Provisions for warranty claims	21,036	17,404
- Provisions for expected losses on contracts	14,453	14,978

3.2. Retentions on construction contracts

	31-12-2023	31-12-2022
Retained by customers – to be repaid after 12 months	6,949	21,714
Retained by customers – to be repaid within 12 months	20,012	15,563
Total retentions on construction contracts retained by customers	26,961	37,277
Retained for suppliers – to be repaid after 12 months	17,499	15,376
Retained for suppliers – to be repaid within 12 months	33,024	19,916
Total retentions on construction contracts retained for suppliers	50,523	35,292

The construction contracts and work-for-hire contracts entered into by ZUE provide for an obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or insurance companies. If the term of a bond provided by a bank is longer than 37 months, the banks establish additional security in the form of cash deposit.

Discount of long-term retentions

	31-12-2023	31-12-2022
Discount of long-term retentions on construction contracts retained by customers	3,415	3,184
Discount of long-term retentions on construction contracts retained for suppliers	8,433	6,587

	2023	2022
Discount finance income	1,615	1,229
Deferred tax	307	234
Net effect on the statement of comprehensive income	1,308	995

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

	31-12-2023	31-12-2022
Past due retentions on construction contracts:		
– up to 1 month	0	0
– 1 - 3 months	0	0
– 3 - 6 months	0	0
– 6 months - 1 year	0	0
– over 1 year	0	11
Total past due retentions on construction contracts (gross)	0	11
Write-downs	0	-11
Total past due retentions on construction contracts (net)	0	0

Discount rate

The effective interest rate in 2023 used for the discounting of retentions was 7.7% (7.7% in 2022).

3.3. Provisions

Provisions	01-01-2023	Created	Used	Released	Reclassified	31-12-2023	Item
Long-term provisions:	16,721	6,156	950	66	-94	21,767	
Provisions for employee benefits	1,628	305	0	66	0	1,867	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,093	5,851	950	0	-94	19,900	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	53,439	40,710	22,460	16,136	94	55,647	
Provisions for employee benefits	36,150	26,973	21,698	1,367	0	40,058	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,311	311	762	818	94	1,136	Short-term provisions
Provision for loss on contracts	14,978	13,426	0	13,951	0	14,453	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	70,160	46,866	23,410	16,202	0	77,414	

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

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

Comparative information:

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

3.4. Write-downs and allowances

Change in write-downs and allowances

Write-downs and allowances	01-01-2023	Creation	Use	Release	31-12-2023
Write-downs and allowances:	43,555	19,681	2,591	23,104	37,541
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 on trade receivables in connection with the increase of credit risk	31,467	19,681	2,580	14,281	34,287
Allowances on trade receivables for expected credit losses	250	0	0	0	250
Write-downs of retentions	11	0	11	0	0
Write-downs of advances	43	0	0	0	43
Write-downs of shares	9,013	0	0	8,762	251
Write-downs of loans	2,001	0	0	61	1,940
Total:	43,555	19,681	2,591	23,104	37,541

Allowances for trade receivables of PLN 34.3m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 32.5m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue. The biggest items are the notes issued in the past years of PLN 22.5m;
- Receivables under court and enforcement cases of PLN 1.1m from prior years;
- Doubtful debt of PLN 0.7m from prior years.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 8 thousand and the creation of allowances of PLN 117 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Company for the penalties and damages that are not the Company's revenue at the date of issue.

Comparative information:

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

3.5. Advances

	31-12-2023	31-12-2022
Advances made in connection with performed contracts	10,650	12,341
Other advances	43	43
Write-downs of advances	-43	-43
Total	10,650	12,341

	31-12-2023	31-12-2022
Advances received in connection with performed contracts	43,330	30,191
Total	43,330	30,191

3.6. Accrued liabilities

	31-12-2023	31-12-2022
Provisions for contract costs	195,264	82,955
Other accrued liabilities	1,349	2,631
Total	196,613	85,586

4. Trade and other receivables and payables

4.1. Trade and other receivables

	31-12-2023	31-12-2022
Trade receivables	197,258	187,283
Allowances for trade receivables in connection with the increase of credit risk	-34,287	-31,467
Allowances for trade receivables for expected credit losses	-250	-250
Other receivables	4,169	4,133
Total trade and other receivables	166,890	159,699

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

Ageing analysis of trade receivables

	31-12-2023	31-12-2022
Not past due receivables	161,499	154,571
Receivables that are past due but not impaired	1,472	1,245
1-30 days	464	241
31-60 days	155	49
61-90 days	12	69
91-180 days	13	0
181-360 days	48	106
360 + days	780	780
Past due receivables for which allowances were made	34,287	31,467
1-30 days	281	68
31-60 days	0	38
61-90 days	54	92
91-180 days	9,699	9
181-360 days	9	6,820
360 + days	24,244	24,440
Total trade receivables (gross)	197,258	187,283
Allowances for trade receivables	-34,287	-31,467
Total trade receivables (net)	162,971	155,816

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

	31-12-2023	31-12-2022
Counterparty A	58,511	77,301
Counterparty B		21,601
Counterparty C	22,799	

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

4.2. Trade and other payables

	31-12-2023	31-12-2022
Trade payables	187,897	118,606
Liabilities to the government budget other than corporate income tax	14,346	11,729
Other payables	324	290
Total trade and other payables	202,567	130,625

Ageing analysis of trade payables

	31-12-2023	31-12-2022
Not past due payables	187,664	94,123
Past due payables	233	24,483
1-30 days	112	24,337
31-60 days	6	0
61-90 days	0	0
91-180 days	0	0
181-360 days	0	0

360 + days	115	146
Total trade payables	187,897	118,606

5. Equity

5.1. Share capital

The amount of the registered share capital disclosed in the financial statements as at 31 December 2023 is PLN 5,757,520.75.

Share capital as at 26 March 2024

(PLN)

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

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

At 31 December 2023, the share capital structure was the same as the share capital structure at 26 March 2024.

5.2. Profit (loss) per share

(PLN)

	2023	2022
Basic profit (loss) per share	0.96	0.44
Diluted profit (loss) per share	0.96	0.44

Basic profit (loss) per share

Profit (loss) and weighted average number of ordinary shares used to determine basic profit per share:

(PLN)

	2023	2022
Profit (loss) per share for the financial year	0.96	0.44
Total profit (loss) used to determine basic profit per share	22,028,232.93	10,240,554.08
Weighted average number of ordinary shares used to determine profit (loss) per share	23,030,083	23,030,083

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

Diluted profit (loss) per share

There are no diluting instruments.

5.3. Share premium account

	2023	2022
Balance at the beginning of the year	93,837	93,837
Share issue	0	0
Issue costs	0	0
Balance at the end of the year	93,837	93,837

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

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

In 2013, the Company launched a new issue of class C shares. The *agio* generated by the Company on 6 December 2013 was PLN 9m. The costs of class C shares issue in 2013 amounted to PLN 0.5m. The Company did not launch any new issue of shares in the years 2014-2023.

5.4. Treasury shares

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

The buy-back was effected on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back own shares.

The transaction is discussed in detail in the note 25 of the consolidated financial statements for the financial year ended 31 December 2015.

5.5. Retained earnings

	2023	2022
Balance at the beginning of the year	75,803	68,765
Net profit distribution	8,647	8,726
Reserve funds	8,647	8,726
Capital reserve	0	0
Coverage of loss brought forward	0	0
Profit (loss) of the current year	22,028	10,241
Other net comprehensive income	-156	212
Payment of dividend for the prior year	-1,594	-3,415
Balance at the end of the year	96,081	75,803

	31-12-2023	31-12-2022
Reserve funds (without share premium account)	54,870	46,223
Capital reserve	0	0
Capital reserve associated with comprehensive income	-394	-238
Undistributed profit (loss) brought forward	0	0
Profit (loss) brought forward relating to the settlement of revaluation capital	2,581	2,273
Profit (loss) of the current year	22,028	10,241
Effects of implementation of IFRS at ZUE	451	451
Revaluation capital	16,545	16,853
Retained earnings	96,081	75,803

A capital reserve is created by the Company according to the Company's Articles of Association. The Company's profit to be distributed in subsequent periods or used to cover other expenses may be allocated to the capital reserve.

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

The Company's profit for the financial year 2022 amounted to PLN 10,241 thousand out of which PLN 8,647 thousand was transferred to reserve funds and PLN 1,594 thousand was paid as dividend.

6. Debt and management of capital and liquidity

ZUE cooperates with a number of banks to ensure the proper financing of day-to-day operations and to obtain bank guarantees required to carry out intended projects.

In the reporting period, the Company used own resources, leases, revolving credit, loan, trade credit and prepaid deliveries to finance day-to-day operations. Credit limits are also available to the Company.

As at 31 December 2023, the Company could use overdraft and working capital credit limits in the total amount of PLN 23,756 thousand. The bond limits provided by banks and insurance companies amounted to PLN 412,697 thousand and EUR 20,000 thousand.

6.1. Loans and bank credits

	31-12-2023	31-12-2022
Long-term	47,015	8,696
Bank credits	39,515	0
Loans received	7,500	8,696
Short-term	7,500	16,304
Bank credits	0	0
Loans received	7,500	16,304
Total	54,515	25,000

Summary of loan and credit agreements

As at 31 December 2023

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2023	Amount of available loans/credits as at 31-12-2023	Use as at 31-12-2023	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2024
2	mBank S.A. (i)	Master agreement	25,000		13,229	1M WIBOR + margin	June 2024
	including:	sublimit for bonds	25,000	11,771	13,229		
		non-revolving working capital credit	25,000	11,771	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		13	1M WIBOR + margin	
	including:	sublimit for bonds	30,000	29,987	13		June 2024
		overdraft	1,500	1,500	0		June 2025
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	15,000	0	15,000	1M WIBOR + margin	August 2025
5	Alior Bank S.A.	Revolving credit account agreement	40,000	485	39,515	1M WIBOR + margin	June 2025
	Total amount of available loans and credits			23,756			
	Total debt under loans and credits				54,515		
	Total use for bonds				13,242		

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

Types of security and liabilities under credit agreements:

1. Overdraft:

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

2. Master agreement:

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

3. Multicurrency credit limit agreement:

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

4. Loan agreement:

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

5. Revolving credit account agreement:

- Power of attorney to the bank account;
- Promissory note with declaration;
- Guarantee under the Crisis Guarantee Fund;
- Statement on submission to enforcement.

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

- mBank – Overdraft (item 1) – an annex was signed by the Company on 29 June 2023 whereby the repayment date was extended by one year;
- mBank – Master Agreement (item 2) – an annex was signed by the Company on 31 May 2023 whereby the repayment date was extended by one year;
- Alior Bank – Multicurrency Credit Limit Agreement (item 3) – on 26 June 2023, the Company signed an annex whereby the repayment date was extended by one year for the bond limit and by two years for the overdraft. In addition, the amount of the overdraft was set as PLN 1.5m. The bond limit is revolving;
- Alior Bank - Revolving credit account agreement (item 5) – on 28 June 2023, the Company signed the credit account agreement. The Company may use the credit limit to finance day-to-day operations, including the financing of the construction contracts carried out in Romania. The tenor was set until 27 June 2025;
- Agencja Rozwoju Przemysłu – Loan Agreement (item 4) – an annex to the loan agreement was signed by the Company on 19 July 2023 whereby the loan was changed to Revolving Loan Limit;
- Agencja Rozwoju Przemysłu – Loan Agreement (item 4) – an annex to the loan agreement was signed by the Company on 17 October 2023 to reduce security under registered pledge.

No amendments were made after the end of the reporting period.

Comparative information:

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

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

6.2. Leases

Lease liabilities

	31-12-2023	31-12-2022
Long-term lease liabilities	21,687	12,563
Short-term lease liabilities	6,468	4,995
Total	28,155	17,558

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

In the reporting period, the Company's lease liabilities increased by PLN 17,880 thousand (including the new leases of the total amount of PLN 17,864 thousand). In addition, the Company purchased the leased assets with the total net value of PLN 8,236 thousand. Following the purchase, the assets were reclassified from right-of-use assets to property, plant and equipment.

	Minimum lease payments		Present value of minimum lease payments	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Not later than one year	8,408	5,822	6,468	4,995
Later than one year and not later than five years	18,684	7,613	14,726	5,562
Later than five years	25,464	25,504	6,961	7,001
Less: future finance charges	-24,401	-21,381	0	0
Present value of minimum lease payments	28,155	17,558	28,155	17,558

General terms of lease

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

Short-term and low value leases

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

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

The costs associated with short-term and low value leases amounted to PLN 7,082 thousand in 2023 and to PLN 5,670 thousand in 2022.

Lease details are presented by the Company in the following notes:

No.	Note	2023	2022
2.2.	Depreciation and amortisation	3,302	2,763
2.6.	Finance costs – interest on lease liabilities	1,366	1,162

No.	Note	31-12-2023	31-12-2022
6.2.	Leases – lease liabilities	28,155	17,558
7.4.	Right-of-use assets	38,622	32,360

6.3. Management of capital

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

	31-12-2023	31-12-2022
Long- and short-term loans and bank credits	54,515	25,000
Long- and short-term lease liabilities	28,155	17,558
Long- and short-term other financial liabilities	36	36
Total financial liabilities	82,706	42,594
Cash and cash equivalents	212,159	60,256
Net debt	-129,453	-17,662
Equity	192,986	172,708
Net debt to equity ratio	-67.08%	-10.23%

Negative net debt is due to the fact that total financial liabilities at the end of 2023 was below the amount of cash at the Company.

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

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

Changes in liabilities resulting from financing activities

Item	01-01-2023	Cash flows (change)	Change on gain/loss of control	Non-cash flows			31-12-2023
				Change on foreign exchange differences	Change on conclusion of new leases	Reclassification/ other changes	
Long-term loans and credits	8,696	38,319	0	0	0	0	47,015
Long-term lease liabilities	12,563	0	0	0	12,437	-3,313	21,687
Short-term loans and credits	16,304	-8,804	0	0	0	0	7,500
Short-term lease liabilities	4,995	-7,199	0	0	5,359	3,313	6,468
Short-term other financial liabilities	36	0	0	0	0	0	36
Total	42,594	22,316	0	0	17,796	0	82,706

6.4. Financial risk management

The main financial instruments used by the Company include:

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

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

Foreign exchange risk

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

Foreign exchange risk – sensitivity to changes

To analyse the sensitivity to exchange rate changes, the reasonably possible change in foreign exchange rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -5% / +5% for EUR/PLN exchange rate as at 31 December 2023.

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

Sensitivity to changes as at 31 December 2023

	Currency	Nominal value at the end of the reporting period	Depreciation of PLN	Appreciation of other currencies
			+5%	-5%
Cash	EUR	2,451	123	-123
Cash	USD	154	8	-8
Cash	RON	5,987	299	-299
Trade and other payables	EUR	4,640	-232	232
Trade and other payables	RON	5,212	-261	261
Trade and other receivables	EUR	201	10	-10

Trade and other receivables	RON	39,536	1,977	-1,977
Gross effect on profit or loss of the period and net assets			1,924	-1,924
Deferred tax			-366	366
Total			1,558	-1,558

The Company had no hedging currency futures as at 31 December 2023 or 31 December 2022.

Interest rate risk

The Company is exposed to interest rate risk mainly because it uses such instruments as leases, multi-purpose lines of credit and a loan to finance day-to-day operations. These financial instruments are based on variable interest rates and expose the Company to the risk of cash flow fluctuations. The risk is hedged by regular assessments aimed at adjusting interest rates to current situation and readiness to incur the risk.

Interest rate risk – sensitivity to changes

To analyse the sensitivity to interest rate changes, the reasonably possible change in interest rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -1 / +1 pp at 31 December 2023. A parallel shift of interest rate curve was assumed for the purpose of calculating the sensitivity to change in interest rates.

The following table sets out the effect on the profit or loss of the period and net assets as at 31 December 2023.

	Amount at the end of the reporting period	31-12-2023 +100 bp	31-12-2023 -100 bp
Long-term retentions on construction contracts (discount):			
– recognised in assets (present value)	6,949	-331	353
– recognised in liabilities (present value)	17,499	819	-872
Cash at banks	212,159	2,122	-2,122
Advanced loans	12,257	123	-123
Bank credits and loans	54,515	-545	545
Lease liabilities	28,155	-282	282
Gross effect on profit or loss of the period and net assets		1,906	-1,937
Deferred tax		-362	368
Total		1,544	-1,569

Price risk

The Company is exposed to price risk relating to the increase in prices of the most popular products and raw materials such as concrete, aggregates, steel elements (including tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact wire) and, due to a big number of machines, liquid fuels (including diesel oil and petrol). However, the risk is reduced by signing master agreements for the supply of strategic materials. Changes in the costs of labour may entail changes in the fees charged to the Company by subcontractors. However, contracts with subcontractors may be concluded at later dates as the works progress.

Credit risk

The Company cooperates, as part of both financial and equity transactions, with highly credible financial institutions and aims to reduce the concentration of credit risk. The Company's financial assets exposed to higher credit risk include trade receivables (excluding receivables from contracting authorities (investors) in connection with the projects carried out in accordance with the Public Procurement Act). A contract-related credit risk is assessed and verified by the Company both at the stage of tender submission and at the stage of project execution.

Before a contract is signed, each counterparty is assessed in terms of their ability to fulfil their financial obligations. If the assessment is negative, signing of the contract is conditional at least on the provision of proper security on property or financial security.

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

Liquidity risk

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

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

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

6.5. Cash and cash equivalents

	31-12-2023	31-12-2022
Cash on hand and at banks	212,159	60,256
Bank deposits up to three months	0	0
TOTAL	212,159	60,256

The cash does not include the cash on escrow accounts attributable to consortium members. The Company believes that the cash cannot be defined as an asset and is not presented in the balance sheet. As at 31 December 2023, the cash on escrow accounts maintained by ZUE was PLN 22,076 thousand, including PLN 15,041 thousand attributable to ZUE. As at 31 December 2022, the cash on escrow accounts maintained by ZUE was PLN 13,974 thousand, including PLN 3,198 thousand attributable to ZUE.

7. Other notes to the financial statements

7.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2023	0	23,314	52,108	75,618	2,351	153,391	303	61	153,755
Additions	0	397	2,170	3,524	110	6,201	2,882	126	9,209
Reclassification – right-of-use*	0	0	730	10,309	0	11,039	0	0	11,039
Transfer to non-current assets	0	0	0	0	0	0	2,855	114	2,969
Sale/Liquidation	0	0	3,097	18,876	32	22,005	0	0	22,005
Balance at 31 December 2023	0	23,711	51,911	70,575	2,429	148,626	330	73	149,029

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2023	0	10,076	30,058	43,698	1,978	85,810	0	0	85,810
Elimination on disposal of assets	0	0	2,707	12,273	31	15,011	0	0	15,011
Reclassification – right-of-use* - depreciation expense	0	0	266	2,537	0	2,803	0	0	2,803
Depreciation expense	0	496	3,134	5,593	104	9,327	0	0	9,327
Balance at 31 December 2023	0	10,572	30,751	39,555	2,051	82,929	0	0	82,929

Net carrying amount	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2023	0	13,238	22,050	31,920	373	67,581	303	61	67,945
Balance at 31 December 2023	0	13,139	21,160	31,020	378	65,697	330	73	66,100

* Purchase at the end of lease and leaseback.

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

As at 31 December 2023, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 7 thousand. As at 31 December 2023, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 18,451 thousand.

Assets pledged as security

The types of security for the bank agreements concerning property, plant and equipment are discussed in the note 6.1.

Comparative information:

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2022	0	23,233	47,261	67,146	2,340	139,980	565	65	140,610
Additions	0	81	2,156	1,966	41	4,244	1,958	62	6,264
Reclassification – right-of-use*	0	0	3,326	9,093	0	12,419	0	0	12,419
Transfer to non-current assets	0	0	0	0	0	0	2,220	66	2,286
Sale/Liquidation	0	0	635	2,587	30	3,252	0	0	3,252
Balance at 31 December 2022	0	23,314	52,108	75,618	2,351	153,391	303	61	153,755

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2022	0	9,581	26,152	38,388	1,866	75,987	0	0	75,987
Elimination on disposal of assets	0	0	568	2,260	30	2,858	0	0	2,858
Reclassification – right-of-use* - depreciation expense	0	0	1,303	1,691	0	2,994	0	0	2,994
Depreciation expense	0	495	3,171	5,879	142	9,687	0	0	9,687
Balance at 31 December 2022	0	10,076	30,058	43,698	1,978	85,810	0	0	85,810

Net carrying amount	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2022	0	13,652	21,109	28,758	474	63,993	565	65	64,623
Balance at 31 December 2022	0	13,238	22,050	31,920	373	67,581	303	61	67,945

* Purchase at the end of lease and leaseback.

7.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2023	128	6,698	8,323	0	0	0	15,149	313	0	15,462
Additions	0	0	0	0	0	0	0	37	0	37
Balance at 31 December 2023	128	6,698	8,323	0	0	0	15,149	350	0	15,499

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2023	0	2,551	3,296	0	0	0	5,847	0	0	5,847
Depreciation expense	0	231	289	0	0	0	520	0	0	520
Balance at 31 December 2023	0	2,782	3,585	0	0	0	6,367	0	0	6,367

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2023	128	4,147	5,027	0	0	0	9,302	313	0	9,615
Balance at 31 December 2023	128	3,916	4,738	0	0	0	8,782	350	0	9,132

The investment property as at 31 December 2023 and 31 December 2022 included the real property in Kościelisko and Poznań. The investment property comprises buildings with land and leasehold land. The Company's investment property is held either as freehold or leasehold interests.

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

The investment property was measured at purchase price less impairment losses. The income from the lease of the investment property in Poznań in 2023 was PLN 280 thousand (PLN 280 thousand in 2022). Operating expenses relating to the investment property in Kościelisko and Poznań amounted to PLN 661 thousand in 2023 and to PLN 605 thousand in 2022.

Fair value of the investment property as at 31 December 2023: real property in Kościelisko – PLN 5,594 thousand and real property in Poznań – PLN 5,375 thousand.

Assets pledged as security

The types of security for the bank agreements concerning investment property are discussed in the note 6.1.

Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2022	126	5,713	5,038	0	0	0	10,877	49	0	10,926
Additions	2	111	0	0	0	0	113	264	0	377
Reclassification from assets held for sale	0	874	3,285	0	0	0	4,159	0	0	4,159
Balance at 31 December 2022	128	6,698	8,323	0	0	0	15,149	313	0	15,462

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2022	0	2,290	2,491	0	0	0	4,781	0	0	4,781
Depreciation expense	0	223	228	0	0	0	451	0	0	451
Reclassification from assets held for sale	0	38	577	0	0	0	615	0	0	615
Balance at 31 December 2022	0	2,551	3,296	0	0	0	5,847	0	0	5,847

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2022	126	3,423	2,547	0	0	0	6,096	49	0	6,145
Balance at 31 December 2022	128	4,147	5,027	0	0	0	9,302	313	0	9,615

7.3. Intangible assets

Structure of intangible assets

	31-12-2023	31-12-2022
Acquired concessions, patents, licenses and similar assets, including:	2,466	2,479
- software	2,466	2,479

Movement in intangible assets

Intangible assets – software	31-12-2023	31-12-2022
Gross value		
Balance at the beginning of the period	6,846	6,461
Additions	591	385
Sale/Liquidation	35	0
Balance at the end of the period	7,402	6,846
Amortisation and impairment		
Balance at the beginning of the period	4,367	3,764
Amortisation expense	604	603
Sale/Liquidation	35	0
Balance at the end of the period	4,936	4,367
Net carrying amount		
Balance at the beginning of the period	2,479	2,697
Balance at the end of the period	2,466	2,479

No impairment losses were recognised by the Company in 2023 or 2022. As at 31 December 2023, the gross carrying amount of fully amortised intangible assets still in use was PLN 3,474 thousand.

7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2023	0	14,931	0	2,217	22,637	0	39,785
Conclusion of new contracts	0	0	0	2,362	15,503	0	17,865
Changes arising from amendments to contracts	0	0	0	0	16	0	16
Reclassification – right of use*	0	0	0	-730	-10,309	0	-11,039
Changes arising from the shortening of a contract	0	0	0	0	411	0	411
Balance at 31 December 2023	0	14,931	0	3,849	27,436	0	46,216

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2023	0	1,816	0	440	5,169	0	7,425
Depreciation expense	0	195	0	410	2,697	0	3,302
Reclassification – right of use* - depreciation expense	0	0	0	-266	-2,537	0	-2,803
Elimination on the shortening of a contract	0	0	0	0	-330	0	-330
Balance at 31 December 2023	0	2,011	0	584	4,999	0	7,594

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2023	0	13,115	0	1,777	17,468	0	32,360
Balance at 31 December 2023	0	12,920	0	3,265	22,437	0	38,622

* Purchase at the end of lease and leaseback

Assets pledged as security

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

Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2022	0	14,931	0	5,543	28,843	0	49,317
Conclusion of new contracts	0	0	0	0	3,082	0	3,082
Changes arising from amendments to contracts	0	0	0	0	141	0	141
Reclassification – right of use *	0	0	0	-3,326	-9,093	0	-12,419
Changes arising from the shortening of a contract	0	0	0	0	336	0	336
Balance at 31 December 2022	0	14,931	0	2,217	22,637	0	39,785

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2022	0	1,621	0	1,388	4,952	0	7,961
Depreciation expense	0	195	0	355	2,213	0	2,763
Reclassification – right of use* - depreciation expense	0	0	0	-1,303	-1,691	0	-2,994
Elimination on the shortening of a contract	0	0	0	0	-305	0	-305
Balance at 31 December 2022	0	1,816	0	440	5,169	0	7,425

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2022	0	13,310	0	4,155	23,891	0	41,356
Balance at 31 December 2022	0	13,115	0	1,777	17,468	0	32,360

* Purchase at the end of lease and leaseback

7.5. Assets held for sale

There are no assets held for sale as at 31 December 2023 or 31 December 2022 and, accordingly, there are no lease liabilities associated with assets held for sale.

7.6. Goodwill

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

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

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

Annual impairment test

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

The recoverable amount was determined with the discounted future cash flows method. The rate of average weighted cost of capital including the projected structure and the cost of financing, and the market risks was 12.6%.

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 as at 31 December 2023.

The impairment tests carried out as at 31 December 2023 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets.

Sensitivity to changes in assumptions

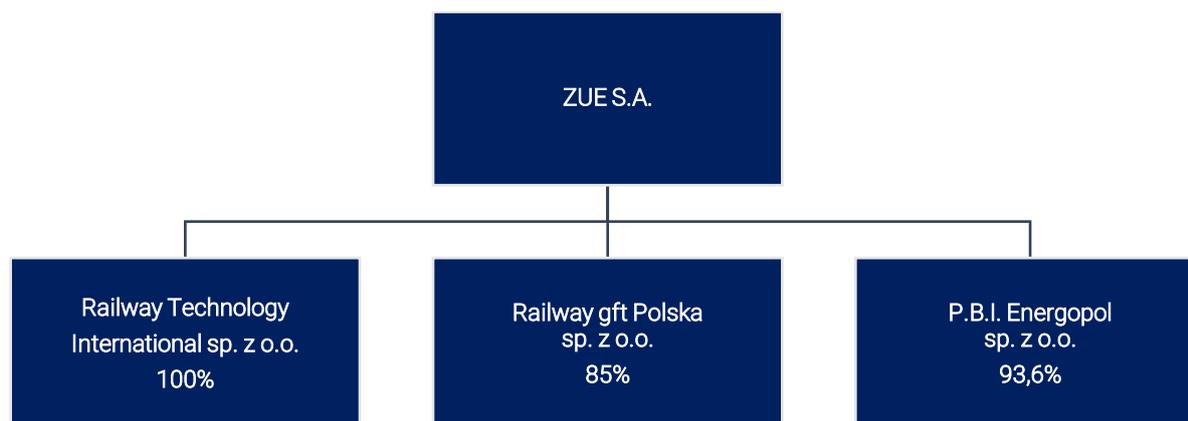
If the useful value of an asset generating cash is estimated, the management personnel is convinced that no reasonably possible change to any key assumption will cause the carrying amount of the said asset to substantially exceed its recoverable value.

7.7. Investments in subordinates

Information about the Company's subsidiaries

At the end of the reporting period, ZUE had investments in subsidiaries. The Capital Group emerged on 6 January 2010 (date of acquisition of 85% of shares in the share capital of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. from the State Treasury).

Structure of the Capital Group as at 31 December 2023 and at the date of preparation of these financial statements:



Issuer's subsidiaries at the end of the reporting period:

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

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

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

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

Company name	Core business	Registered office and principal place of business	Shares %		Value at historical cost	
			31-12-2023	31-12-2022	31-12-2023	31-12-2022
Railway GFT Polska Sp. z o.o.	Sales activities	Cracow	85%	85%	2,516	816
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Preparation of comprehensive design documentation	Poznań	None	100%	0	8,762
Railway Technology International Sp. z o.o.	Holding activities	Cracow,	100%	100%	579	579
Przedsiębiorstwo Budownictwa Inżynieryjnego ENERGOPOL Sp. z o. o.	Construction activities	Cracow,	93.6%	93.6%	3,296	3,296
Total investments in subordinates					6,391	13,453
Write-down of BPK Poznań shares (cumulative)					0	8,762
Write-down of RTI shares (cumulative)					251	251
Total investments in subordinates net of write-downs					6,140	4,440

ZUE has the power to manage the financial and operating policy of Railway gft, RTI and Energopol because it held the majority interest in the companies as at 31 December 2023.

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

The Company prepared the consolidated financial statements for the year ended 31 December 2023. The consolidated financial statements were approved of on 26 March 2024. ZUE is the Parent Company of the Group.

7.8. Other financial assets

No other financial assets were held by the Company as at 31 December 2023 or 31 December 2022.

7.9. Other assets

	31-12-2023	31-12-2022
Deferrals	814	1,038
Other receivables	96	126
Total	910	1,164

The amount of short-term deferrals mainly includes the items of property insurance.

7.10. Advanced loans

	31-12-2023	31-12-2022
Loans to related parties	8,140	3,550
Loans to other entities	6,057	6,118
Loss allowances	-1,940	-2,001
Total	12,257	7,667

In the reporting period, the Company granted special-purpose loans of PLN 5,140 thousand to a subsidiary.

7.11. Inventories

	31-12-2023	31-12-2022
Goods, raw and other materials	60,325	60,945
Work-in-progress	237	463
Total	60,562	61,408

The purchase of strategic materials such as aggregate, sleepers, rails or railway switches is secured by the conclusion of long-term master agreements. The abovementioned materials are purchased to reduce the risk of price increase in times of limited supply caused by the accumulation of railway works.

No write-downs of inventories were made in the reporting period.

7.12. Other financial liabilities

	31-12-2023	31-12-2022
Liabilities under dividends	36	36
Total	36	36

7.13. Liabilities under employee benefits

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

	31-12-2023	31-12-2022
Pension and retirement gratuities and death allowances, including:	2,199	1,942
– present amount of obligation at the end of the reporting period	2,199	1,942
– actuarial gains / (losses) unrecognised at the end of the reporting period	0	0

– past service cost unrecognised at the end of the reporting period	0	0
Liabilities to employees	0	0
Employee benefits	51,287	47,029
– provision for unused leaves	8,076	7,671
– provision for bonuses	31,650	28,165
– salaries and wages	5,947	5,481
– social security and other benefits	5,614	5,712
Total liabilities under retirement and other benefits	53,486	48,971
including:		
– long-term	1,867	1,628
– short-term	51,619	47,343

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

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

825 employees were employed by ZUE as at 31 December 2023. The management of human resources is discussed in detail in section 23 of the Management Board Report on the Activities of the Parent Company and ZUE Capital Group for 2023.

Significant actuarial assumptions for the determination of obligations under pension and retirement gratuities and death allowances

	31-12-2023	31-12-2022
Discount rate	5.35%	6.87%
Expected salary increase	4.50%	4.50%

Pension and retirement gratuities and death allowances

	2023	2022
Present amount of obligation at the beginning of the period	1,942	2,038
Interest expense	116	84
Current service cost	188	190
Past service cost	0	0
Benefits paid	-240	-108
Actuarial (gains) / losses	193	-262
Present amount of obligation at the end of the period	2,199	1,942

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

	2023	2022
Current service cost	188	190
Interest expense	116	84
Actuarial (gains) / losses to be recognised in the period	193	-262
Past service cost	0	0
Costs recognised in the statement of comprehensive income	497	12
Amount recognised in profit or loss	304	274
Amount recognised in other comprehensive income (without deferred tax)	193	-262

	2023	2022
Actuarial gains (losses) relating to defined benefit plans	-193	262

Deferred tax	37	-50
Amount recognised in other comprehensive income	-156	212

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

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

Provision sensitivity analysis

The table below presents the analysis of sensitivity of provisions for employee benefits as at 31 December 2023 to the key parameters of actuarial model. The first line presents initial provisions. The remaining lines show how the change in the actuarial model parameter influences the amount of provisions.

PARAMETER / BENEFIT	Retirement gratuity	Pension gratuity	Death allowance	Total
initial provision amounts	1,558	111	530	2,199
rotation rate -1.0%	1,616	116	561	2,293
rotation rate +1.0%	1,506	106	501	2,113
probability of drawing pension -0.5	1,565	93	532	2,190
probability of drawing pension +0.5	1,550	129	527	2,206
technical discount rate -1.00%	1,629	115	554	2,298
technical discount rate +1.00%	1,492	108	507	2,107
<i>rise in bases</i>				
remuneration at the Company -1.0%	1,429	104	485	2,018
remuneration at the Company +1.0%	1,708	118	581	2,407

7.14. Financial instruments

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

Balance at 31 December 2023

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	30,376	0	0	0	58,956
Trade receivables	197,258	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	14,197	0	0	0	0
Cash and cash equivalents	0	212,159	0	0	0
Loans and bank credits	0	0	0	0	54,515
Lease liabilities	0	0	0	0	28,155
Trade payables	0	0	0	0	187,897
Total	241,831	212,159	0	0	329,559

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

Balance at 31 December 2022

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

Trade payables	0	0	0	0	118,606
Total	237,423	60,256	0	0	203,079

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

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

Age structure	31-12-2023	31-12-2022
– less than 1 year	234,810	159,714
– 1 - 3 years	63,990	18,902
– 3 - 5 years	7,000	3,990
– 5 + years	23,759	20,473
Total	329,559	203,079

Derivative instruments

No derivative instrument transactions were entered into by the Company in 2023 or 2022.

7.15. Transactions with related parties

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

	Receivables		Payables	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Railway gft	103	89	1,066	253
BPK Poznań	0	737	0	828
RTI	0	0	0	0
Energopol	4	4	661	1,775
Wiesław Nowak	0	0	0	0
Family Office	1	0	0	0
Total	108	830	1,727	2,856

	Revenue		Purchases	
	2023	2022	2023	2022
Railway gft	695	2,751	14,408	9,908
BPK Poznań	311	586	752	1,262
RTI	3	3	0	0
Energopol	789	419	2,807	4,154
Wiesław Nowak	2	2	0	0
Family Office	1	0	0	0
Total	1,801	3,761	17,967	15,324

	Advanced loans		Finance income (interest)	
	31-12-2023	31-12-2022	2023	2022
Railway gft	3,000	3,000	255	256
BPK Poznań	0	550	21	50
RTI	0	0	0	3
Energopol	5,140	0	158	0
Wiesław Nowak	0	0	0	0
Family Office	0	0	0	0
Total	8,140	3,550	434	309

Related party transactions were entered into in the reporting period by ZUE and subsidiaries 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,
- Re invoicing;
- Servicing and repair of vehicles;
- Lease of stacking yard; and
- Car rental.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the reporting period, ZUE and Fundacja Rodzinna Rodziny Wiesława i Barbary Nowak w organizacji (Family Office) entered into the sales transaction regarding the lease of rooms under the lease signed on 16 November 2023.

On 30 January 2024, after the end of the reporting period, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the repayment date was extended until 31 December 2024.

On 30 January 2024, after the end of the reporting period, ZUE and Railway gft signed an annex to the loan agreement of 11 June 2021 whereby the repayment date was extended until 31 December 2024.

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 31 December 2023 is PLN 29,837 thousand.

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

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

Court cases are discussed in detail in the note 7.16 of the consolidated financial statements for 2023.

7.17. Tax settlements

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

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

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

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

7.18. Remuneration of key management personnel

The remuneration of the Management Board members and other members of key management personnel in 2023 is set out below:

	Term	Gross remuneration	Term	Gross remuneration
Management Board				
Wiesław Nowak	01.2023-12.2023	1,988	01.2022-12.2022	1,575
Anna Mroczek	01.2023-12.2023	871	01.2022-12.2022	795
Jerzy Czeremuga	01.2023-12.2023	670	01.2022-12.2022	640
Maciej Nowak	01.2023-12.2023	768	01.2022-12.2022	750
Marcin Wiśniewski	01.2023-12.2023	799	01.2022-12.2022	799
Proxy				
Magdalena Nowak	01.2023-12.2023	760	01.2022-12.2022	720
Supervisory Board				
Mariusz Szubra	01.2023-12.2023	0	01.2022-05.2022	26
Barbara Nowak	01.2023-12.2023	50	01.2022-12.2022	50
Bogusław Lipiński	01.2023-12.2023	0	01.2022-05.2022	21
Piotr Korzeniowski	01.2023-12.2023	67	01.2022-12.2022	60
Michał Lis	01.2023-12.2023	0	01.2022-01.2022	2
Agnieszka Klimas	01.2023-12.2023	50	01.2022-12.2022	48
Maciej Szubra	01.2023-12.2023	50	06.2022-12.2022	29
Irena Piekarska-Konieczna	01.2023-12.2023	50	06.2022-12.2022	29
Total		6,123		5,544

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

The remuneration of the Supervisory Board members includes solely the remuneration payable for their service on the Supervisory Board.

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

7.19. Dividend

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

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

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

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

7.20. Liabilities incurred to purchase property, plant and equipment

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

7.21. Contingent assets and contingent liabilities and security on property

Contingent assets

	31-12-2023	31-12-2022
Bonds	114,857	92,018
Statement of submission to enforcement (Art. 777 § 1 item 5 of the Code of Civil Procedure)	4,805	0
Promissory notes	25,965	18,035
Total	145,627	110,053

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

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

Contingent liabilities and security on property

	31-12-2023	31-12-2022
Bonds	471,170	503,636
Guarantees	29,837	13,285
Promissory notes	273,797	235,467
Mortgages	171,529	171,529
Pledges	140,103	143,856
Total	1,086,436	1,067,773

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

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

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

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

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

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

7.22. Discontinued operations

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

7.23. Revisions to estimates

The following revisions to estimates were made in the reporting period:

1/ Construction contracts accounted for using percentage-of-completion method – the revision was influenced by the review of the construction contract budgets; and
2/ Useful economic lives of non-current assets – the revision was influenced by the annual review of useful economic lives.

The estimates relate, *inter alia*, to:

Impairment of goodwill (note 7.6.)

Useful economic lives of non-current assets (note 8.2.10., note 8.2.12. and note 8.2.16.)

Loss allowances on receivables (note 3.4.)

Provisions (note 3.3.)

Valuation of long-term construction contracts (note 3.1.)

Deferred income tax (note 2.7.)

Contingent assets and contingent liabilities and security on property (note 7.21.)

Uncertainty over tax settlements (note 7.17.)

7.24. Impact of the coronavirus pandemic on the operations of ZUE

Measures taken by ZUE (during the pandemic)

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

Impact of the coronavirus pandemic on the Company's activity and financial standing in 2023

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

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

The factors which may influence the markets in which the Issuer operates and ZUE's activities should the state of emergency be declared again in Poland are set out below.

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.

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

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

7.25. Influence of the situation in Ukraine on the activities of ZUE

The war in Ukraine did not have a material influence on the financial results at the date of approval of this report. However, the effects of the war such as limited supply and rising prices of building materials or restrictions on the employment market may have a negative influence on the contracts performed by the Group. The Company keeps monitoring the potential risks and cooperates with contracting authorities to minimize them.

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

The Company controls, on an ongoing basis, the safety of the Company's IT systems to prevent cyberattacks as well as the risks associated with foreign exchange rates and interest rate changes.

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 Company's activities.

Factors which may occur and influence the markets in which the Issuer operates and the Company's activities:

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

8. Other notes to the financial statements

8.1. Use of the International Financial Reporting Standards

8.1.1. Statement of compliance

The financial statements of the Company for the year ended 31 December 2023 and the comparative information for the financial year ended 31 December 2022 have been drawn up in accordance with the requirements of the International Financial Reporting Standards as endorsed by the European Union (EU).

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

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

- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);

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

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

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

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

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

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

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

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

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

8.1.5. Changes to applied accounting principles

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

8.2. Important accounting principles

8.2.1. Going concern

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

In the 12 months ended 31 December 2023, the Company recognised the sales revenue of PLN 1,379.1m and the gross profit of PLN 48.2m. As at 31 December 2023, the Company presented the total current assets of PLN 722.7m, including trade and other receivables of PLN 166.9m and the cash of approximately PLN 212.2m. At the end of the reporting period, ZUE had the backlog worth approximately PLN 1,679m. The Company is in the process of winning new contracts.

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

8.2.2. Comparability of financial information

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

8.2.3. Preparation basis

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

The accounting principles (policies) used in the preparation of these financial statements are consistent with the accounting principles (policies) used in the preparation of the financial statements of the Company for the financial year ended 31 December 2022.

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

8.2.4. Segment reporting

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.

Accordingly, the Management Board monitor the segment operating and financial results at the Company.

8.2.5. Recognition of revenue from long-term construction contracts

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

Revenue from construction contracts

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

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

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

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

Input method

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

Zero-profit method

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

Recognition of expected losses

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

Practical use of progress toward completion measurement methods

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

Contract measurement stages:

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

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

8.2.6. Foreign currencies

Transactions in currencies other than functional currency are recognised at the rate prevailing on the day preceding the transaction. At the end of each reporting period, financial assets and liabilities denominated in foreign currencies are translated at the rate quoted at that date by the National Bank of Poland. Assets and liabilities measured at fair value and denominated in foreign currencies are measured at the rate prevailing at the date when the fair value was determined. Non-monetary items are measured at historical cost.

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

8.2.7. Borrowing costs

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

All other borrowing costs are recognised, subject to item 8.2.5, in profit or loss in the period in which they are incurred. Borrowing costs relating to construction contracts are debited directly to the cost of the Company's operating activities.

These capitalisation rules are not applied to assets measured at fair value.

8.2.8. Costs of employee benefits

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

Costs of wages and salaries include the wages and salaries under employment contracts entered into with individual employees. Costs of wages and salaries also include bonuses and incentive rewards paid on the basis of the Corporate Collective Labour Agreement.

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

The Company pays retirement gratuities according to the Employment Code and makes a provision for these benefits. The payments are recognised in profit or loss in a way enabling the spread of these costs over the entire

term of employees' employment with the Company. The amount of the provision is determined by an independent actuary using the projected unit method.

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

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

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

Other employee benefits are paid under the law and the Corporate Collective Labour Agreement. The Company also covers the costs of trainings in occupational health and safety and private medical care for its employees.

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

8.2.9. Income tax (including deferred tax)

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

Current tax

The tax currently payable is calculated based on taxable profit (tax base) for the year. Taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and the items of income or expense that are never taxable. The Company's liability for current tax is calculated using tax rates applicable in the year.

Deferred tax

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

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

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

The Company presents deferred tax assets and liabilities according to their netted balance (IAS 12).

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

Current and deferred tax for the year

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

8.2.10. Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

Non-current assets and non-current assets under construction are tested for impairment if there are indications of impairment at least at the end of each reporting period. Rules governing the determining of impairment are set out in note 8.2.13. Effects of the impairment of non-current assets and non-current assets under construction are recognised in other operating expenses.

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

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

8.2.11. Investment property

Investment properties are the properties (including properties under construction) held by the Company as their owner or lessee under finance lease to earn rentals and/or for capital appreciation.

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

Investment properties, which meet the criteria of being classified as held for sale or disclosed in a pool held for sale, are measured according to the rules set forth in note 8.2.14.

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

8.2.12. Intangible assets

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

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

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

Item	Useful lives
Licences for software	2 - 10 years
Leasehold	25 - 99 years

Intangible assets are tested for impairment if there are indications of impairment and any impairment is determined at the end of each reporting period. Rules governing the determining of impairment are set out in note 8.2.13. Effects of the impairment of intangible assets and their amortisation are carried to other operating expenses.

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

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

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

8.2.13. Impairment of property, plant and equipment and intangible assets, excluding goodwill

At the end of each reporting period, the Company reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are substantially independent from cash flows generated by other assets, the Company analyses the group of cash-generating assets to which the asset belongs. If it is possible to identify a reliable and uniform allocation basis, non-current assets held by the Company are allocated to specific cash-generating units or to the smallest groups of cash-generating units for which reliable and uniform allocation bases can be identified.

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

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

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

8.2.14. Non-current assets held for sale

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

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

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

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

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

8.2.15. Investments in subordinates

Investments in subordinates are measured at historical cost net of impairment, if any.

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

8.2.16. Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.2.17. Inventories

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

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

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

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

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

8.2.18. Trade and other receivables

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

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

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

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

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

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

8.2.19. Cash and cash equivalents

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

8.2.20. Trade and other payables

Short-term trade and other payables are recognised at amortised cost or, where the discount effect is negligible, at an amount due.

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

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

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

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

8.2.21. Accruals

Accruals include provisions for the costs of contracts.

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

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

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

8.2.22. Advance payments

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

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

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

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

8.2.23. Financial assets

Classification and measurement

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

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

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

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

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

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

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

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

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

- Cash and cash equivalents.

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

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

Impairment

IFRS 9 introduces new impairment requirements – the expected credit loss model. Unlike the model applied under IAS 39 according to which credit losses are recognised once there has been an incurred loss event, the expected credit loss model is based on the calculation of expected losses. The expected credit losses are weighted by the probability that the obligation will not be performed.

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

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

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

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

In the case of trade receivables covered by IFRS 15 (i.e. the measurement of long-term construction contracts), a loss allowance is measured by the Company at an amount of expected credit losses for the entire expected lifetime of the financial asset.

Hedge accounting

No hedge accounting is applied by the Company.

8.2.24. Financial liabilities and equity instruments issued by the Company

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

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

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

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term;

- it is part of a portfolio of identified financial instruments that are managed together by the Company according to a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

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

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

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

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

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

8.2.25. Provisions

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

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

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

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

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

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

8.3. Sources of estimation uncertainty

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

The estimates relate, *inter alia*, to:

1. Impairment of goodwill
2. Useful economic lives of non-current assets
3. Loss allowances for receivables

4. Provisions
5. Measurement of long-term construction contracts
6. Deferred income tax
7. Contingent assets and contingent liabilities and security on property
8. Uncertainty over tax settlements

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

8.3.1. Impairment of goodwill

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

8.3.2. Useful economic lives of non-current assets

Items 8.2.10 and 8.2.12 discuss the expected periods of useful economic lives of property, plant and equipment and intangible assets verified by the Company at the end of each annual reporting period.

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

8.3.3. Loss allowances for receivables

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

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

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

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

8.3.4. Provisions

Provisions for litigations

Lawyers and the Company's Management Board make detailed analyses of the number and substance of litigations and the associated potential risks. Based on these analyses, they decide about the necessity to account for the effects of such proceedings in the Company's records and the amount of the provision for litigations and the associated risks.

Provisions for employee benefits

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

Provisions for warranty claims

A provision for warranty claims is created for the construction contracts in respect of which warranty has been given by the Company depending on the amount of revenues. In the reporting period, the ratio of provisions to revenue under the contracts was 0.5% - 0.75%. The amount of provisions may decrease or increase on the basis of inspections of construction works carried out in subsequent years of warranty.

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

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

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

Provisions for loss on contracts

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

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

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

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

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

8.3.6. Deferred tax assets

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

8.3.7. Contingent assets and contingent liabilities and security on property

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

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

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

8.3.8. Uncertainty over tax settlements

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

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

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

The amendments were introduced to the Tax Ordinance as of 15 July 2016 to include the provisions of the General Anti-Abuse Rules (GAAR). The GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid paying taxes in Poland. Under the GAAR, tax avoidance is defined as an activity carried out first of all to achieve

a tax advantage which is contrary in the circumstances to the subject matter and objective of a tax act. According to the GAAR, the activity does not result in achieving a tax advantage if the course of action was artificial. Any (i) unjustified split of operations; (ii) involvement of intermediaries without any economic or business justification; (iii) elements that compensate or cancel each other; and (iv) other similar activities may be treated as an argument in favour of the existence of artificial activities governed by the GAAR. The new regulations will require a lot more judgement in assessing the tax implications of individual transactions.

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

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

9. Events after the end of the reporting period

On 20 February 2024, the contract was entered into between the consortium of ZUE (Leader), FABE Polska sp. z o. o. (Partner) and Tramwaje Warszawskie sp. z o.o. for the following project: "Construction of the fast tramway from the Kasprzaka Street to Wilanów on the Dworzec Zachodni – the Grójecka hub section." The Company informed about the selection of the Company's bid as the most economically advantageous tender in the current report 22/2023. Contract net value: PLN 294.8m (ZUE – 50%). Contract gross value: PLN 362.6m. Expected project completion date: 26 months. **(Current report 2/2024)**

On 4 March 2024, the Company published the preliminary financial results for 2023. **(Current report 3/2024)**

10. Approval of the financial statements

The financial statements were approved by the Management Board on 26 March 2024.

