



ZUE Capital Group

CONSOLIDATED FINANCIAL STATEMENTS

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 Inżynierskiego 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 the Capital Group

Main items of the consolidated 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	193,382	44,476	199,433	42,524
Current assets	741,979	170,648	475,261	101,337
Total assets	935,361	215,124	674,694	143,861
Equity	200,075	46,015	180,768	38,544
Non-current liabilities	113,119	26,016	59,370	12,659
Current liabilities	622,167	143,093	434,556	92,658
Total equity and liabilities	935,361	215,124	674,694	143,861

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

	2023	2023	2022	2022
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	1,484,134	327,739	921,420	196,536
Cost of sales	1,428,224	315,393	878,634	187,410
Gross profit (loss) on sales	55,910	12,346	42,786	9,126
Operating profit (loss)	30,418	6,717	18,135	3,868
Gross profit (loss)	28,928	6,388	22,107	4,715
Net profit (loss) from continuing operations	21,127	4,665	17,288	3,687
Total comprehensive income	20,971	4,631	17,500	3,733

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

	2023	2023	2022	2022
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	137,461	30,355	-42,599	-9,086
Cash flows from investing activities	5,160	1,139	-11,496	-2,452
Cash flows from financing activities	17,407	3,844	8,603	1,835
Total net cash flows	160,028	35,338	-45,492	-9,703
Cash at the beginning of the period	63,251	13,487	108,736	23,641
Cash at the end of the period	223,555	51,416	63,251	13,487

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

Consolidated statement of comprehensive income

Continuing operations	Note	2023	2022
Sales revenue	2.1.	1,484,134	921,420
Cost of sales	2.2.	1,428,224	878,634
Gross profit (loss) on sales		55,910	42,786
General and administrative expenses	2.2.	30,358	26,163
Other operating income	2.3.	6,236	8,481
Other operating expenses	2.4.	1,370	8,123
Gain from bargain purchase		0	1,154
Operating profit (loss)		30,418	18,135
Finance income	2.5.	4,574	7,886
Finance costs	2.6.	6,064	3,914
Pre-tax profit (loss)		28,928	22,107
Income tax	2.7.	7,801	4,819
Net profit (loss) from continuing operations		21,127	17,288
Net profit (loss)		21,127	17,288
Number of shares		23,030,083	23,030,083
Consolidated net profit attributable to:			
Shareholders of the Parent Company		21,032	16,392
Non-controlling interests		95	896
Net profit (loss) per share (PLN) attributable to shareholders of the Parent Company (basic and diluted)	5.2.	0.91	0.71

Other net comprehensive income	Note	2023	2022
Net profit (loss)		21,127	17,288
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		20,971	17,500
Total comprehensive income attributable to:			
Shareholders of the Parent Company		20,876	16,604
Non-controlling interests		95	896

Consolidated statement of financial position

ASSETS	Note	31-12-2023	31-12-2022
Non-current assets			
Property, plant and equipment	7.1.	70,774	72,128
Investment property	7.2.	15,911	16,095
Intangible assets	7.3.	2,466	2,491
Right-of-use assets	7.4.	39,689	33,234
Goodwill	7.6.	31,172	31,172
Investments in subordinates	7.7.	328	328
Retentions on construction contracts	3.2.	7,129	21,882
Deferred tax assets	2.7.	21,704	19,110
Advanced loans	7.10.	4,117	2,931
Other financial assets	7.8.	92	62
Total non-current assets		193,382	199,433
Current assets			
Inventories	7.11.	70,361	81,667
Trade and other receivables	4.1.	172,387	170,637
Valuation of long-term construction contracts	3.1.	243,801	128,191
Retentions on construction contracts	3.2.	20,013	16,668
Advances	3.5.	10,650	12,043
Current tax assets	2.7.	190	0
Advanced loans	7.10.	0	1,186
Other assets	7.9.	1,022	1,618
Cash and cash equivalents	6.5.	223,555	63,251
Total current assets		741,979	475,261
Total assets		935,361	674,694

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.	101,758	82,476
Total equity attributable to shareholders of the parent company		198,663	179,381
Equity attributable to non-controlling interests		1,412	1,387
Total equity		200,075	180,768
Non-current liabilities			
Long-term loans and bank credits	6.1.	47,015	8,696
Long-term lease liabilities	6.2.	24,997	15,212
Retentions on construction contracts	3.2.	17,777	16,337
Liabilities under employee benefits	7.13.	2,056	1,801
Deferred tax liabilities	2.7	667	1,322
Long-term provisions	3.3.	20,607	16,002
Total non-current liabilities		113,119	59,370
Current liabilities			
Trade and other payables	4.2.	208,557	150,676
Accruals	3.6.	198,714	91,065
Valuation of long-term construction contracts	3.1.	48,154	47,775
Retentions on construction contracts	3.2.	33,103	21,226
Advances	3.5.	43,330	31,217
Short-term loans and bank credits	6.1.	10,550	19,639
Short-term lease liabilities	6.2.	6,743	5,070
Other financial liabilities	7.12.	36	36
Liabilities under employee benefits	7.13.	53,092	50,355
Current tax liabilities	2.7.	4,290	131
Short-term provisions	3.3.	15,598	17,366
Total current liabilities		622,167	434,556
Total liabilities		735,286	493,926
Total equity and liabilities		935,361	674,694

Consolidated statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2023	5,758	93,837	-2,690	82,476	179,381	1,387	180,768
Change of interest in subsidiaries	0	0	0	0	0	0	0
Dividend	0	0	0	-1,594	-1,594	-70	-1,664
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Repurchase of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	21,032	21,032	95	21,127
Other net comprehensive income	0	0	0	-156	-156	0	-156
Total changes in equity	0	0	0	19,282	19,282	25	19,307
Balance at 31 December 2023	5,758	93,837	-2,690	101,758	198,663	1,412	200,075

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2022	5,758	93,837	-2,690	69,287	166,192	211	166,403
Change of interest in subsidiaries	0	0	0	0	0	304	304
Dividend	0	0	0	-3,415	-3,415	-24	-3,439
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Repurchase of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	16,392	16,392	896	17,288
Other net comprehensive income	0	0	0	212	212	0	212
Total changes in equity	0	0	0	13,189	13,189	1,176	14,365
Balance at 31 December 2022	5,758	93,837	-2,690	82,476	179,381	1,387	180,768

Consolidated statement of cash flows

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	28,928	22,107
Adjustments for:		
Depreciation and amortisation	14,782	13,765
Foreign exchange gains / (losses)	-276	-9
Interest and share in profit (dividends)	2,109	2,357
Gain / (loss) on disposal of investments	-5,031	-2,059
Operating profit (loss) before changes in working capital	40,512	36,161
Change in receivables and retentions on construction contracts	7,104	-58,670
Change in inventories	11,306	-43,650
Change in provisions and liabilities under employee benefits	7,556	6,735
Change in payables and retentions on construction contracts	75,766	9,091
Change in valuation of construction contracts	-123,770	-23,523
Change in accruals	111,501	19,345
Change in advances	13,821	15,868
Change in other assets	400	-572
Other adjustments	0	-20
Income tax paid / (tax refund)	-6,735	-3,364
NET CASH FROM OPERATING ACTIVITIES	137,461	-42,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	12,548	1,305
Purchase of property, plant and equipment and intangible assets	-8,230	-4,821
Sale of financial assets in related parties	559	0
Purchase of financial assets in related parties	0	-3,624
Advanced loans	0	-6,306
Repayment of advanced loans	61	466
Interest received	609	1,128
Cash from acquisition of subsidiary	-387	356
NET CASH FROM INVESTING ACTIVITIES	5,160	-11,496
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	44,515	25,000
Repayments of loans and bank credits	-15,000	-4,642
Repayment of lease liabilities	-7,460	-6,727
Lease interest paid	-1,390	-1,014
Other interest paid	-1,594	-575
Other finance income / costs – dividends paid	-1,664	-3,439
NET CASH FLOWS FROM FINANCING ACTIVITIES	17,407	8,603
TOTAL NET CASH FLOWS	160,028	-45,492
Net foreign exchange differences	276	7
NET CASH FLOWS NET OF FOREIGN EXCHANGE DIFFERENCES	160,304	-45,485
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	63,251	108,736
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	223,555	63,251
- of limited availability	61,704	18,207

Notes to the consolidated financial statements as at 31 December 2023

1. General information

Name of the reporting unit or other identification data: ZUE Capital Group

Changes in the reporting unit's name or other identification data since the end of the previous reporting period:
None

Registered office: The Kazimierza Czapińskiego Street no. 3, 30-048 Cracow, Poland

Legal form: Public Limited Company

Country of registration: Poland

Address: The Kazimierza Czapińskiego Street no. 3, 30-048 Cracow, Poland

Principal place of business: The Group operated in Poland in 2023. In addition, the Group earned income from the sale of construction services and materials in the EU.

Core business: The Group delivers construction projects relating to urban, railway and road infrastructure and sells materials and accessories required to build tracks.

Name of the parent company: ZUE Spółka Akcyjna

Top parent company of the Group: ZUE Spółka Akcyjna

1.1. Governing bodies of the Parent Company

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:

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. Shareholders of the Parent Company

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

Shareholder	Number of votes/shares at 26 March 2024	% of the share capital/total number of votes	Number of shares/votes according to the previous interim report ⁽¹⁾	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
Generali OFE	1,461,659 ⁽²⁾	6.35%	1,461,659	6.35%
PKO Bankowy OFE	1,812,038 ⁽³⁾	7.87%	1,812,038	7.87%
Other	5,356,066 ⁽⁴⁾	23.26%	5,356,066	23.26%
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (consolidated report of the Group for the three quarters of 2023): 15 November 2023.

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

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

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

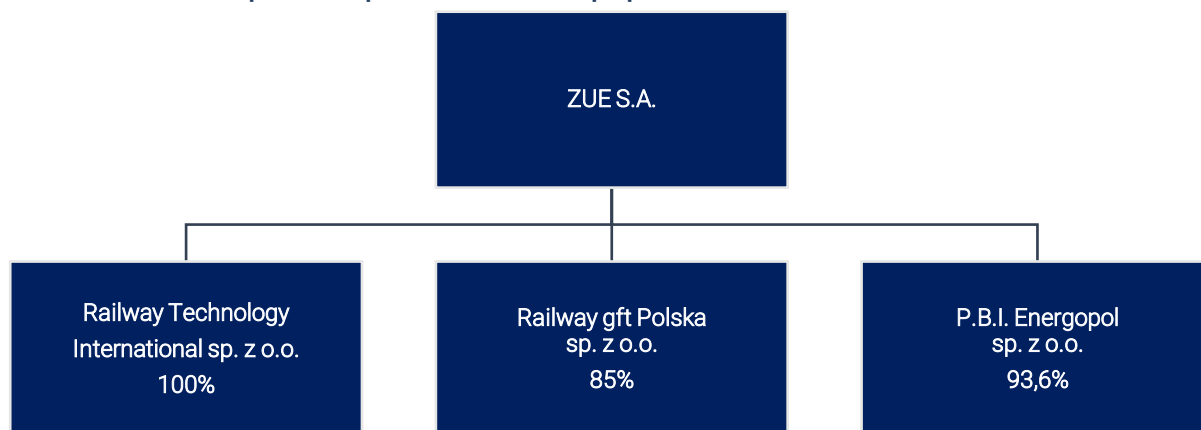
1.3. Composition of the Capital Group

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

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

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

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



Subsidiary – 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 – 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 – 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.

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

1.4. Consolidated companies

Consolidated companies as at 31 December 2023:

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

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

As at 31 December 2023, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

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

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. Therefore, these financial statements contain the data of BPK Poznań until the date of the transaction.

1.5. Changes in the Group's structure in 2023 and their effects

No major changes to the Group's structure occurred between the beginning of 2023 and the date of approval of these consolidated financial statements, except for the following changes.

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 following table sets out the effect of the sale of BPK Poznań, a subsidiary, on the consolidated financial statements of the Group.

ASSETS	
Total non-current assets	1,606

Total current assets	-8,681
Total assets	-7,075
EQUITY AND LIABILITIES	
Total equity	2,168
Total liabilities	-9,243
Total equity and liabilities	-7,075

Fair value of consideration	690
Net assets	294
Gain (loss) on disposal of subsidiaries	396
Consideration received in the form of cash and cash equivalents	559
Balance of cash and cash equivalents of the sold company	387

The share of design company carried out by BPK Poznań in the consolidated financial statements of the Group is presented in the note 2.9.

1.6. Activities of the Capital Group

The Group operates in the two aggregate operating segments:

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

Construction activities include:

- ✓ **Urban infrastructure**, including:
 - ❖ Construction and upgrade of tram tracks, tram and trolleybus traction networks, traction substations, street lighting, cable lines, street traffic signalling, road systems, buildings and telecommunications technology;
 - ❖ Maintenance of tram and street lighting infrastructure.
- ✓ **Rail infrastructure**, including:
 - ❖ Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, power lines, stations and civil structures.
- ✓ **Works carried out by Energopol**:
 - ❖ Execution of road works, bridge and road structures, reinforced concrete structures, hydrotechnical and water and sewage works.

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

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

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

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

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

1.7. Functional and reporting currency

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

2. Notes to the statement of comprehensive income

2.1. Revenue

	2023	2022
Revenue from construction contracts	1,357,030	819,545
Revenue from the provision of services	20,142	9,129
Revenue from the sale of goods, raw and other materials	106,962	92,746
Total	1,484,134	921,420

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

In the reporting period, the Group 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 Group's revenue was also earned from the provision of services to Latvia (PLN 266 thousand) and to Slovakia (PLN 94 thousand), and the sale of materials to Germany, Czech Republic, Latvia and Austria (PLN 394 thousand).

Concentration of revenue which exceeds 10% of total sales revenue

	2023	2022
Counterparty A	544,465	412,598
Counterparty B		111,732
Counterparty C		103,455
Counterparty D	185,453	

PKP Polskie Linie Kolejowe S.A. was the Group's biggest customer in 2023. Its share in sales accounted for about 37% of the Group's total sales revenue in 2023.

2.2. Operating expenses

	2023	2022
Change in products	26	814
Depreciation and amortization	14,782	13,765
Consumption of materials and energy, including:	331,297	178,975
- consumption of materials	318,053	165,582
- consumption of energy	13,244	13,393
Contracted services	843,607	483,872
Employee benefits expense	148,273	134,240
Taxes and charges	2,750	1,980

Other expenses	19,671	16,536
Value of goods and materials sold	98,176	74,615
Total	1,458,582	904,797

	2023	2022
Cost of sales	1,428,224	878,634
General and administrative expenses	30,358	26,163
Total	1,458,582	904,797

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	10,172	9,937
Depreciation of right-of-use assets	3,358	2,811
Amortisation of intangible assets	608	610
Depreciation of investments in real property	644	407
Total	14,782	13,765

2.3. Other operating income

	2023	2022
Gain on disposal of assets	5,031	905
Gain on disposal of non-current assets	5,031	905
Other operating income	1,205	7,576
Damages and penalties	617	200
Release of allowances on receivables	8	239
Refund of the costs of court proceedings	114	217
Substitute performance	348	6,672
Subsidies	9	0
Other	109	248
Total	6,236	8,481

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	1,370	8,123
Donations	51	38
Damages and penalties	0	8
Making of allowances on receivables	123	19
Costs of litigations	748	1,243
Substitute performance	348	6,672

Other	100	143
Total	1,370	8,123

2.5. Finance income

	2023	2022
Interest income	1,079	1,602
Interest on bank deposits	1,051	1,436
Interest on loans	12	138
Interest on receivables	16	28
Other finance income	3,495	6,284
Gain on disposal of investments	396	0
Foreign exchange gain	310	71
Discount of long-term items	2,715	6,163
Financial guarantees	4	0
Other	70	50
Total	4,574	7,886

2.6. Finance costs

	2023	2022
Interest expense	3,319	1,821
Interest on bank credits	401	340
Interest on loans	1,198	231
Interest on lease liabilities	1,652	1,190
Interest on trade and other payables	68	60
Other finance costs	2,745	2,093
Foreign exchange loss	2,627	192
Discount of long-term items	53	0
Write-down of loans	0	1,764
Other	65	137
Total	6,064	3,914

2.7. Income tax

Income tax recognised in the statements of comprehensive income

	2023	2022
Current income tax	11,013	2,279
Deferred tax	-3,212	2,540
Total tax expense (income)	7,801	4,819

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and items of income or expense that are never taxable. The Group's tax liability is calculated using 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)	28,928	22,107
Difference between gross profit (loss) and income tax base:	29,033	-10,117
- 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	31,798	14,041
- other differences (including loss brought forward)	-2,765	-24,158
Income/Loss	57,961	11,990
Income tax base	57,961	11,990
Income tax at the applicable rate of 19%	11,013	2,279
Current income tax	11,013	2,279

Income tax according to effective interest rate

	2023	2022
Gross profit (loss)	28,928	22,107
Income tax at the applicable rate of 19%	5,496	4,200
Effect of tax recognition of:	5,530	-1,913
- Use of tax losses brought forward	525	4,510
- Expenses that are not tax-deductible under tax regulations	32,660	11,491
- Revenue not classified as revenue under tax regulations	28,976	6,435
- Tax-deductible expenses not classified as balance sheet expenses	-5,891	2,842
- Taxable revenue not classified as balance sheet revenue	-3,520	383
Revaluation of deferred tax assets (current year loss)	0	-8
Deferred tax	-3,212	2,540
Income tax according to effective tax rate	7,814	4,819
effective tax rate	27%	22%

Current tax assets and liabilities

	31-12-2023	31-12-2022
Current tax assets		
Tax refundable	190	0
Current tax liabilities		
Tax payable	4,290	131

Deferred tax balance

	2023	2022
Deferred tax balance at the beginning of the period	17,788	21,494
Increase/decrease on purchase/sale of company shares	-188	1,116
Temporary differences relating to deferred tax assets:	84,734	60,361
Provisions for expenses and accruals	52,206	31,906
Receivables discounting	687	641
Operating lease liabilities	4,270	3,565
Write-downs	593	860
Bonds and insurances accounted for over time	3,145	2,486
Tax work in progress	15,447	11,518
Valuation of long-term contracts	9,169	9,078
Other	-783	307
Temporary differences relating to deferred tax liabilities:	63,931	42,701
Valuation of long-term contracts	45,019	24,357

Difference between the carrying and tax amount of property, plant and equipment and intangible assets	15,513	15,496
Payables discounting	3,399	2,848
Unused tax losses and other tax credits carried forward:	46	128
Tax losses	46	128
Total temporary differences relating to deferred tax assets:	84,780	60,489
Total temporary differences relating to deferred tax liabilities:	63,931	42,701
Deferred tax balance at the end of the period	21,037	17,788
Change in deferred tax, including:	3,249	-2,590
- recognised in income	3,212	-2,540
- 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

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

- Construction;
- Sales; and
- Design (until 10 August 2023).

The segments comply jointly with the following rules:

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

The construction activities include the works carried out by ZUE and Energopol. The construction activities conducted by ZUE include the construction and comprehensive modernisation of city transport systems, the construction and comprehensive modernisation of railway lines and services relating to power engineering and power electronics and civil structures. The construction activities conducted by Energopol include the execution of road works, bridge and road structures, reinforced concrete structures, hydrotechnical and water and sewage works.

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

BPK Poznań, a subsidiary dealing with the design of transport infrastructure systems, was sold on 10 August 2023. Therefore, the design data is presented in the consolidated financial statements until the date of the transaction.

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

Operating segments results in 2023:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	1,408,996	88,865	5,024	-18,751	1,484,134
including:					
Revenue from external customers	1,405,065	74,436	4,272	361	1,484,134
Inter-segment revenues	3,931	14,429	752	-19,112	0
including:					
Revenue from construction contracts	1,354,341	0	5,024	-2,335	1,357,030
Revenue from the provision of services	22,103	59	0	-2,020	20,142
Revenue from the sale of goods, raw and other materials	32,552	88,806	0	-14,396	106,962
Gross profit	49,938	4,525	1,135	312	55,910
Finance income / costs	1,026	-774	-119	-1,623	-1,490
Interest received	1,034	0	0	-425	609
Interest paid	-2,772	-622	-15	425	-2,984
Pre-tax profit	29,613	534	144	-1,363	28,928
Income tax	7,633	70	33	65	7,801
Net profit	21,980	464	111	-1,428	21,127
Depreciation and amortisation	14,630	84	43	25	14,782
Property, plant and equipment	70,521	253	0	0	70,774
Non-current assets	198,911	451	0	-5,980	193,382
Total assets	931,625	19,676	0	-15,940	935,361
Total liabilities	732,412	12,820	0	-9,946	735,286

In the reporting period, the Group provided its services in Poland and abroad. Revenue from construction contracts includes PLN 100,371 thousand relating to the contracts performed in Romania and PLN 2,619 thousand relating to the contract performed in Latvia. In addition, the Group earned revenue from the provision of services to Latvia (PLN 266 thousand) and to Slovakia (PLN 94 thousand) and from the sale of materials to Germany, Czech Republic, Latvia and Austria (PLN 394 thousand).

Operating segments results in 2022:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	837,715	87,688	9,731	-13,714	921,420
including:					
Revenue from external customers	831,060	77,780	8,469	4,111	921,420
Inter-segment revenues	6,655	9,908	1,262	-17,825	0
including:					
Revenue from construction contracts	811,070	0	9,731	-1,256	819,545
Revenue from the provision of services	11,637	41	0	-2,549	9,129
Revenue from the sale of goods, raw and other materials	15,008	87,647	0	-9,909	92,746
Gross profit	31,115	10,934	1,263	-526	42,786
Finance income / costs	5,558	-901	42	-727	3,972
Interest received	1,434	0	0	-306	1,128
Interest paid	-1,277	-563	-55	306	-1,589
Pre-tax profit	15,468	6,830	-240	49	22,107
Income tax	3,706	1,313	-129	-71	4,819
Net profit	11,762	5,517	-111	120	17,288

Depreciation and amortisation	13,573	50	121	21	13,765
Property, plant and equipment	69,585	60	44	2,439	72,128
Non-current assets	203,210	294	261	-4,332	199,433
Total assets	642,058	32,934	11,879	-12,177	674,694
Total liabilities	463,075	26,072	12,255	-7,476	493,926

The Group operated in the territory of Poland in 2022. In addition, the Group earned the revenue in the total amount of PLN 711 thousand from the sale of materials to Germany.

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

3.1. Construction contracts

	31-12-2023	31-12-2022
Assets (selected items)	342,403	240,264
- Valuation of long-term construction contracts	243,801	128,191
- Advances made in connection with performed contracts	10,650	11,893
- Retentions on construction contracts retained by customers	27,142	38,550
- Inventories	60,810	61,630
Liabilities (selected items)	374,542	235,803
- Valuation of long-term construction contracts	48,154	47,775
- Provisions for contract costs	195,973	86,920
- Advances received in connection with performed contracts	43,330	30,191
- Retentions on construction contracts retained for suppliers	50,880	37,563
- Provisions for warranty claims	21,751	18,572
- Provisions for expected losses on contracts	14,454	14,782

3.2. Retentions on construction contracts

	31-12-2023	31-12-2022
Retained by customers – to be repaid after 12 months	7,129	21,882
Retained by customers – to be repaid after 12 months	20,013	16,668
Total retentions on construction contracts retained by customers	27,142	38,550
Retained for suppliers – to be repaid after 12 months	17,777	16,337
Retained for suppliers – to be repaid within 12 months	33,103	21,226
Total retentions on construction contracts retained for suppliers	50,880	37,563

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

Discount of long-term retentions

	31-12-2023	31-12-2022
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Discount of long-term retentions on construction contracts retained by customers	3,523	3,363
Discount of long-term retentions on construction contracts retained for suppliers	8,585	7,030

	2023	2022
Discount finance income	1,634	1,451
Discount finance cost	0	34
Deferred tax	310	269
Net effect on the statement of comprehensive income	1,324	1,148

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:	17,803	6,348	1,002	389	-97	22,663	
Provisions for employee benefits	1,801	364	0	109	0	2,056	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,002	5,984	1,002	280	-97	20,607	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	55,416	41,518	23,357	17,224	97	56,450	
Provisions for employee benefits	38,050	27,781	22,595	2,384	0	40,852	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,570	311	762	1,072	97	1,144	Short-term provisions
Provision for loss on contracts	14,782	13,426	0	13,754	0	14,454	Short-term provisions
Other provisions	14	0	0	14	0	0	Short-term provisions
Total provisions:	73,219	47,866	24,359	17,613	0	79,113	

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

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

Comparative information:

Provisions	01-01-2022	Created	Used	Released	Reclassified	31-12-2022	Item
Long-term provisions:	18,434	3,885	122	3,517	-877	17,803	

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

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:	36,180	19,685	2,649	15,662	37,554
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances on trade receivables in connection with the increase of credit risk	32,790	19,685	2,638	15,538	34,299
Allowances on trade receivables for expected credit losses	309	0	0	59	250
Write-downs of retentions	11	0	11	0	0
Write-downs of advances	47	0	0	4	43
Write-downs of shares	251	0	0	0	251
Write-downs of loans	2,001	0	0	61	1,940
Total:	36,180	19,685	2,649	15,662	37,554

Allowances for trade receivables of PLN 34.3m include:

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

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 8 thousand and the creation of allowances of PLN 123 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

Comparative information:

Write-downs and allowances	01-01-2022	Creation	Use	Release	31-12-2022
Write-downs and allowances:	30,476	22,981	2,269	15,008	36,180
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	28,642	21,197	2,269	14,780	32,790
Allowances for trade receivables for expected credit losses	489	0	0	180	309
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	47	0	0	0	47
Write-downs of shares	231	20	0	0	251
Write-downs of loans	285	1,764	0	48	2,001
Total:	30,476	22,981	2,269	15,008	36,180

3.5. Advances

	31-12-2023	31-12-2022
Advances made in connection with performed contracts	10,650	11,893
Other advances	43	197
Write-downs of advances	-43	-47
Total	10,650	12,043

	31-12-2023	31-12-2022
Advances received in connection with performed contracts	43,330	30,191
Other advances	0	1,026
Total	43,330	31,217

3.6. Accrued liabilities

	31-12-2023	31-12-2022
Provisions for contract costs	195,973	86,920
Other accrued liabilities	2,741	4,145
Total	198,714	91,065

4. Trade and other receivables and payables

4.1. Trade and other receivables

	31-12-2023	31-12-2022
Trade receivables	202,704	199,577
Allowances for trade receivables in connection with the increase of credit risk	-34,299	-32,790
Allowances for trade receivables for expected credit losses	-250	-309
Receivables from the government budget other than corporate income tax	0	2
Other receivables	4,232	4,157
Total trade and other receivables	172,387	170,637

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	166,455	164,383
Receivables that are past due but not impaired	1,950	2,409
1-30 days	792	992
31-60 days	157	423
61-90 days	12	69
91-180 days	13	0
181-360 days	196	106
360 + days	780	819
Past due receivables for which allowances were made	34,299	32,785
1-30 days	281	68
31-60 days	0	47
61-90 days	54	92
91-180 days	9,703	9
181-360 days	9	7,070
360 + days	24,252	25,499
Total trade receivables (gross)	202,704	199,577
Allowances for trade receivables	-34,299	-32,790
Total trade receivables (net)	168,405	166,787

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

	31-12-2023	31-12-2022
Counterparty A	58,511	77,318
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 Group has carried out the construction contracts for the Counterparty A for many years. The Counterparty A is co-owned by the State Treasury as a result of which their creditability is even higher. Accordingly, the Management Board of ZUE believe there is no need to create additional provisions.

4.2. Trade and other payables

	31-12-2023	31-12-2022
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Trade payables	193,132	135,902
Liabilities to the government budget other than corporate income tax	15,083	14,476
Other payables	342	298
Total trade and other payables	208,557	150,676

Ageing analysis of trade payables

	31-12-2023	31-12-2022
Not past due payables	192,939	110,294
Past due payables	193	25,608
1-30 days	72	25,025
31-60 days	6	109
61-90 days	0	0
91-180 days	0	135
181-360 days	0	193
360 + days	115	146
Total trade payables	193,132	135,902

5. Equity

5.1. Share capital

The amount of the registered share capital disclosed in the consolidated 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	0.91	0.71
Diluted profit (loss) per share	0.91	0.71

Basic profit per share

Profit 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	0.91	0.71
Total profit (loss) used to determine basic profit per share	21,031,794.43	16,391,696.50
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	82,476	69,287
Net profit distribution	14,798	8,350
Reserve funds	14,798	8,350
Capital reserve	0	0
Coverage of loss brought forward	0	0
Profit (loss) of the current year	21,032	16,392
Other net comprehensive income	-156	212
Payment of dividend for the prior year	-1,594	-3,415
Balance at the end of the year	101,758	82,476

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

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

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

6. Debt and management of capital and liquidity

6.1. Loans and bank credits

	31-12-2023	31-12-2022
Long-term	47,015	8,696
Bank credits	39,515	0
Loans received	7,500	8,696
Short-term	10,550	19,639
Bank credits	3,050	3,050
Loans received	7,500	16,589
Total	57,565	28,335

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
6	mBank S.A.	Working capital	3,050	0	3,050	1M WIBOR + margin	June 2024
	Total amount of available loans and credits			23,756			
	Total debt under loans and credits				57,565		
	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:

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

3. Multicurrency credit limit agreement:

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

4. Loan agreement:

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

5. Revolving credit account agreement:

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

6. Working capital:

- a) Guarantee by ZUE;
- b) Blank promissory note with declaration;
- c) Statement on submission to enforcement;
- d) Financial pledge on cash kept on customer's bank accounts maintained by the Bank.

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

- mBank – Overdraft (item 1) – an annex was signed by the Company on 29 June 2023 whereby the repayment date was extended by one year;
- mBank – Master Agreement (item 2) – an annex was signed by the Company on 31 May 2023 whereby the repayment date was extended by one year;
- Alior Bank – Multicurrency Credit Limit Agreement (item 3) – on 26 June 2023, the Company signed an annex whereby the repayment date was extended by one year for the 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;
- mBank – Working capital (item 6) – an annex was signed by a subsidiary on 31 May 2023 whereby the repayment date was extended by one year;
- Agencja Rozwoju Przemysłu – Loan Agreement (item 4) – an annex to the loan agreement was signed by the Company on 19 July 2023 whereby the loan was changed to Revolving Loan Limit;
- Magdalena Nowak – Loan Agreement (item 6 of the comparative information) – the loan plus interest was repaid on 10 August 2023;
- 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
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1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		11,770	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	13,230	11,770		
		non-revolving working capital credit	25,000	13,230	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		overdraft	2,000	2,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	30,000	5,000	25 000	1M WIBOR + margin	August 2025
5	mBank S.A.	Working capital credit	3,050	0	3 050	1M WIBOR + margin	May 2023
6	Magdalena Nowak	Loan agreement	285	0	285	3M WIBOR + margin	indefinite
Total amount of available loans and credits				30,230			
Total debt under loans and credits					28,335		
Total use for bonds					11,770		

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

6.2. Leases

Lease liabilities

	31-12-2023	31-12-2022
Long-term lease liabilities	24,997	15,212
Short-term lease liabilities	6,743	5,070
Total	31,740	20,282

In the reporting period, the Group entered into the operating leasebacks of PLN 520 thousand.

In the reporting period, the Group's lease liabilities increased by PLN 18,874 thousand (including the new leases in the total amount of PLN 18,858 thousand). In addition, the Group **purchased the leased assets with the total net value of PLN 8,236 thousand**. Following the purchase transactions, 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	9,012	6,157	6,743	5,070
Later than one year and not later than five years	20,115	8,665	15,314	5,564
Later than five years	41,766	41,754	9,683	9,648
Less: future finance charges	-39,153	-36,294	0	0
Present value of minimum lease payments	31,740	20,282	31,740	20,282

General terms of lease

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

Short-term and low value leases

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

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

The costs associated with short-term and low value leases amounted to PLN 7,082 thousand in 2023 and to PLN 5,964 thousand in 2022.

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

No.	Note	2023	2022
2.2.	Depreciation and amortisation	3,358	2,811
2.6.	Finance costs – interest on lease liabilities	1,652	1,190

No.	Note	31-12-2023	31-12-2022
6.2.	Leases – lease liabilities	31,740	20,282
7.4.	Right-of-use assets	39,689	33,234

6.3. Management of capital

The Group reviews the capital structure each time for the purpose of the financing of major contracts/orders. During the review, the Group considers own resources required for day-to-day operations, the schedule of contract 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	57,565	28,335
Long- and short-term lease liabilities	31,740	20,282
Long- and short-term other financial liabilities	36	36
Total financial liabilities	89,341	48,653
Cash and cash equivalents	223,555	63,251
Net debt	-134,214	-14,598
Equity	200,075	180,768
Net debt to equity ratio	-67.08%	-8.08%

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 Group.

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

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

Changes in liabilities resulting from financing activities

Non-cash flows

Item	01-01-2023	Cash flows (change)	Change on gain/loss of control	Change on foreign exchange differences	Change on conclusion of new leases	Reclassification	31-12-2023
Long-term loans and credits	8,696	38,319	0	0	0	0	47,015
Long-term lease liabilities	15,212	0	0	0	13,098	-3,313	24,997
Short-term loans and credits	19,639	-9,089	0	0	0	0	10,550
Short-term lease liabilities	5,070	-7,460	-62	0	5,882	3,313	6,743
Short-term other financial liabilities	36	0	0	0	0	0	36
Total	48,653	21,770	-62	0	18,980	0	89,341

6.4. Financial risk management

The main financial instruments used by the Group include:

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

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

Foreign exchange risk

As part of its operations, the Group makes settlements in foreign currencies, mainly in EUR 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 Group'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	2,539	127	-127
Cash	USD	154	8	-8
Cash	RON	5,987	299	-299
Trade and other payables	EUR	4,792	-240	240
Trade and other payables	RON	5,212	-261	261
Trade and other receivables	EUR	462	23	-23
Trade and other receivables	RON	39,536	1,977	-1,977
Gross effect on profit or loss of the period and net assets			1,933	-1,933
Deferred tax			-367	367

Total			1,566	-1,566
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The Group had no hedging currency futures as at 31 December 2023 or 31 December 2022.

Interest rate risk

The Group is exposed to interest rate risk mainly because it uses such instruments as leases, multi-purpose lines of credit and a loan to finance day-to-day operations. These financial instruments are based on variable interest rates and expose the Group to the risk of cash flow fluctuations. The 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 Group'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)	7,129	-336	368
– recognised in liabilities (present value)	17,777	804	-912
Cash at banks	223,555	2,236	-2,236
Advanced loans	4,117	41	-41
Loans and bank credits	57,565	-576	576
Lease liabilities	31,740	-317	317
Gross effect on profit or loss of the period and net assets		1,852	-1,928
Deferred tax		-352	366
Total		1,500	-1,562

Price risk

The Group is exposed to price risk relating to the increase in prices of the most popular products and raw materials such as concrete, aggregates, steel elements (including tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact 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 Group by subcontractors. However, contracts with subcontractors may be concluded at later dates as the works progress.

Credit risk

The Group cooperates, as part of both financial and equity transactions, with highly credible financial institutions and aims to reduce the concentration of credit risk. The Group's financial assets exposed to 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 Group both at the stage of tender submission and at the stage of project execution.

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

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

Liquidity risk

The Group reduces liquidity risk by keeping sufficient cash and concluding multi-purpose credit line agreements and loan agreements which serve as an additional safeguard against the loss of liquidity. The Group 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	223,555	63,251
Bank deposits up to three months	0	0
Total	223,555	63,251

The cash does not include the cash on escrow accounts attributable to consortium members. The Group believes that the cash cannot be defined as an asset and is not presented in the balance sheet. As at 31 December 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	27,168	57,770	78,922	3,343	167,203	303	61	167,567
Additions	0	397	2,705	3,970	111	7,183	3,138	126	10,447
Presentation adjustment	0	-2,183	551	-127	-109	-1,868	0	0	-1,868
Reclassification – right-of-use*	0	0	210	10,309	0	10,519	0	0	10,519
Transfer to non-current assets	0	0	0	0	0	0	2,855	114	2,969
Sale/Liquidation	0	0	3,104	18,900	33	22,037	0	0	22,037
Balance at 31 December 2023	0	25,382	58,132	74,174	3,312	161,000	586	73	161,659

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	11,488	34,871	46,338	2,742	95,439	0	0	95,439
Decrease on disposal of company shares	0	0	-760	-112	-109	-981	0	0	-981
Elimination on disposal of assets	0	0	2,714	12,295	32	15,041	0	0	15,041
Reclassification – right-of-use* - depreciation expense	0	0	266	2,537	0	2,803	0	0	2,803
Depreciation expense	0	613	3,494	5,880	185	10,172	0	0	10,172
Presentation adjustment	0	-1,512	5	0	0	-1,507	0	0	-1,507
Balance at 31 December 2023	0	10,589	35,162	42,348	2,786	90,885	0	0	90,885

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	15,680	22,899	32,584	601	71,764	303	61	72,128

Balance at 31 December 2023	0	14,793	22,970	31,826	526	70,115	586	73	70,774
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* Purchase at the end of lease and leaseback.

No impairment losses were recognised by the Group 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 Group was PLN 18,578 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	23,237	48,272	67,201	2,486	141,196	565	65	141,826
Additions	0	81	2,175	2,024	44	4,324	1,958	62	6,344
Additions – purchase of company shares	0	3,247	6,059	3,399	884	13,589	0	0	13,589
Reclassification – right-of-use*	0	0	3,326	9,220	0	12,546	0	0	12,546
Reclassification – investment property	0	-467	0	0	0	-467	0	0	-467
Transfer to non-current assets	0	0	0	0	0	0	2,220	66	2,286
Sale/Liquidation	0	2,780	2,062	2,922	71	7,835	0	0	7,835
Reclassification from assets held for sale	0	3,850	0	0	0	3,850	0	0	3,850
Balance at 31 December 2022	0	27,168	57,770	78,922	3,343	167,203	303	61	167,567

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	27,094	38,420	2,013	77,108	0	0	77,108
Additions – purchase of company shares	0	1,791	5,992	3,338	791	11,912	0	0	11,912
Elimination on disposal of assets	0	1,346	1,994	2,745	72	6,157	0	0	6,157
Reclassification – right-of-use* - depreciation expense	0	0	1,303	1,765	0	3,068	0	0	3,068

Depreciation expense	0	576	3,270	5,940	151	9,937	0	0	9,937
Reclassification – investment property - depreciation expense	0	-445	0	0	1	-444	0	0	-444
IFRS presentation adjustment – prior years' depreciation	0	0	794	380	142	1,316	0	0	1,316
Reclassification to assets held for sale	0	1,331	0	0	0	1,331	0	0	1,331
Balance at 31 December 2022	0	11,488	34,871	46,338	2,742	95,439	0	0	95,439

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	13,656	21,178	28,781	473	64,088	565	65	64,718
Balance at 31 December 2022	0	15,680	22,899	32,584	601	71,764	303	61	72,128

* 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	Non-current assets under construction	TOTAL
Balance at 1 January 2023	128	11,417	9,425	0	0	0	20,970	313	0	21,283
Additions	0	0	0	0	0	0	0	37	0	37
Presentation adjustment	0	-793	1,969	0	0	0	1,176	0	0	1,176
Sale/Liquidation	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2023	128	10,624	11,394	0	0	0	22,146	350	0	22,496

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Non-current assets under construction	TOTAL
Balance at 1 January 2023	0	2,453	2,735	0	0	0	5,188	0	0	5,188
Elimination on disposal of assets	0	0	0	0	0	0	0	0	0	0
Presentation adjustment	0	546	207	0	0	0	753	0	0	753

Depreciation expense	0	222	422	0	0	0	644	0	0	644
Balance at 31 December 2023	0	3,221	3,364	0	0	0	6,585	0	0	6,585

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Non-current assets under construction	TOTAL
Balance at 1 January 2023	128	8,964	6,690	0	0	0	15,782	313	0	16,095
Balance at 31 December 2023	128	7,403	8,030	0	0	0	15,561	350	0	15,911

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

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

The investment property was measured at purchase price less impairment losses. In 2023, the income from the lease of investment property in Poznań and Cracow was PLN 876 thousand. Operating expenses relating to investment property in Kościelisko, Poznań and Cracow amounted to PLN 1,477 thousand in 2023 (PLN 521 thousand in 2022).

Fair value of the investment property as at 31 December 2023: real estate in Kościelisko: PLN 5,594 thousand, real estate in Poznań: PLN 5,375 thousand and real estate in Cracow: PLN 10,307 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
Additions – purchase of company shares	0	16	5,211	0	0	0	5,227	0	0	5,227
Reclassification from property, plant and equipment	0	-16	467	0	0	0	451	0	0	451
IFRS presentation adjustment	0	5,593	-1,291	0	0	0	4,302	0	0	4,302
Sale/Liquidation	0	0	0	0	0	0	0	0	0	0

Balance at 31 December 2022	128	11,417	9,425	0	0	0	20,970	313	0	21,283
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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
Additions – purchase of company shares	0	16	0	0	0	0	16	0	0	16
IFRS presentation adjustment	0	-16	-444	0	0	0	-460	0	0	-460
Depreciation expense	0	163	244	0	0	0	407	0	0	407
Reclassification from property, plant and equipment	0	0	445	0	0	0	445	0	0	445
Balance at 31 December 2022	0	2,453	2,736	0	0	0	5,189	0	0	5,189

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	8,964	6,689	0	0	0	15,782	313	0	16,095

7.3. Intangible assets

Structure of intangible assets

	31-12-2023	31-12-2022
Acquired concessions, patents, licenses and similar assets, including:	2,466	2,491
- software	2,466	2,491

Movement in intangible assets

Intangible assets – software	31-12-2023	31-12-2022
Gross value		
Balance at the beginning of the period	7,321	6,936
Decrease on disposal of companies	-294	0
Additions	591	385
Sale/Liquidation	35	0
Balance at the end of the period	7,583	7,321
Amortisation and impairment		
Balance at the beginning of the period	4,830	4,220
Decrease on disposal of companies	-286	0
Amortisation expense	608	610
Sale/Liquidation	35	0
Balance at the end of the period	5,117	4,830
Net carrying amount		
Balance at the beginning of the period	2,491	2,716
Balance at the end of the period	2,466	2,491

No impairment losses were recognised by the Group in 2023 or 2022. As at 31 December 2023, the gross carrying amount of fully amortised intangible assets still in use was PLN 3,643 thousand.

7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2023	0	15,844	0	2,217	22,790	0	40,851	0	0	40,851
Conclusion of new contracts	0	0	0	2,850	15,600	0	18,450	0	0	18,450
Changes on amendments to contracts	0	0	0	0	16	0	16	0	0	16
Reclassification – right of use*	0	0	0	-210	-10,309	0	-10,519	0	0	-10,519
Changes on the shortening of a contract	0	0	0	0	411	0	411	0	0	411
Presentation adjustment	0	-913	0	0	-128	0	-1,041	0	0	-1,041
Balance at 31 December 2023	0	14,931	0	4,857	27,558	0	47,346	0	0	47,346

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2023	0	1,915	0	441	5,261	0	7,617	0	0	7,617
Depreciation expense	0	195	0	435	2,728	0	3,358	0	0	3,358
Reclassification – right of use* - depreciation expense	0	0	0	-266	-2,537	0	-2,803	0	0	-2,803
Elimination on the shortening of a contract	0	0	0	0	-330	0	-330	0	0	-330
Presentation adjustment	0	-99	0	0	-86	0	-185	0	0	-185
Balance at 31 December 2023	0	2,011	0	610	5,036	0	7,657	0	0	7,657

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2023	0	13,929	0	1,776	17,529	0	33,234	0	0	33,234
Balance at 31 December 2023	0	12,920	0	4,247	22,522	0	39,689	0	0	39,689

* Purchase at the end of lease and leaseback

Assets pledged as security

The Group'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	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2022	0	14,931	0	5,543	29,123	0	49,597	0	0	49,597
Conclusion of new contracts	0	0	0	0	3,082	0	3,082	0	0	3,082
Changes on amendments to contracts	0	0	0	0	141	0	141	0	0	141
Reclassification – right of use*	0	0	0	-3,326	-9,220	0	-12,546	0	0	-12,546
Transfer to right-of-use assets	0	0	0	0	336	0	336	0	0	336
Changes on the shortening of a contract	0	913	0	0	0	0	913	0	0	913
Balance at 31 December 2022	0	15,844	0	2,217	22,790	0	40,851	0	0	40,851

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2022	0	1,621	0	1,389	5,077	0	8,087	0	0	8,087
Depreciation expense	0	202	0	355	2,254	0	2,811	0	0	2,811
Reclassification – right of use* - depreciation expense	0	0	0	-1,303	-1,765	0	-3,068	0	0	-3,068
Elimination on the shortening of a contract	0	0	0	0	-305	0	-305	0	0	-305
Reclassification from assets held for sale	0	92	0	0	0	0	92	0	0	92
Balance at 31 December 2022	0	1,915	0	441	5,261	0	7,617	0	0	7,617

	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2022	0	13,310	0	4,154	24,046	0	41,510	0	0	41,510
Balance at 31 December 2022	0	13,929	0	1,776	17,529	0	33,234	0	0	33,234

* 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

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

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

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

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

Annual impairment test

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

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

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Group carried out the tests for the impairment of the Company's assets as at 31 December 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

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

Company name	Core business	Registered office and principal place of business	Shares %		Value at historical cost	
			31-12-2023	31-12-2022	31-12-2023	31-12-2022
Railway Technology International Sp. z o.o.	Holding activities	Cracow	100%	100%	579	579
Total investments in subordinates					579	579
Write-down of RTI shares (cumulative)					251	251
Total investments in subordinates net of write-downs					328	328

7.8. Other financial assets

	31-12-2023	31-12-2022
Debt instruments	0	0
Other	92	62
Total	92	62

7.9. Other assets

	31-12-2023	31-12-2022
Deferrals	926	1,492
Other receivables	96	126
Total	1,022	1,618

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

7.10. Advanced loans

	31-12-2023	31-12-2022
Loans to other entities	6,057	6,118
Loss allowances	-1,940	-2,001
Total	4,117	4,117

7.11. Inventories

	31-12-2023	31-12-2022
Goods, raw and other materials	70,094	81,204
Work-in-progress	267	463
Total	70,361	81,667

There is no security for liabilities on inventories as at 31 December 2023.

No write-downs of inventories were recognised in the reporting period. The amount of write-downs was PLN 1 thousand as at 31 December 2023 and 31 December 2022.

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:	2,409	2,148
– present amount of obligation at the end of the reporting period	2,409	2,148
– 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
Other employee benefits	52,739	50,008
– provision for unused leaves	8,565	8,160
– provision for bonuses	31,934	29,542
– salaries and wages	6,295	6,062
– social security and other benefits	5,945	6,244
Total liabilities under retirement and other benefits	55,148	52,156
including:		
– long-term	2,056	1,801
– short-term	53,092	50,355

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.

907 employees were employed by the Group 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.

Major 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	2,148	2,116
Change on sale/purchase of company shares	-44	111
Interest expense	126	86
Current service cost	198	228
Past service cost	0	0
Benefits paid	-264	-108
Actuarial (gains) / losses	245	-285
Present amount of obligation at the end of the period	2,409	2,148

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

	2023	2022
Current service cost	198	228
Interest expense	126	86
Actuarial (gains) / losses to be recognised in the period	245	-285
Past service cost	0	0
Costs recognised in the statement of comprehensive income	569	29
Amount recognised in profit or loss	376	291
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 Group 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	1,723	116	570	2,409

rotation rate -1.0%	1,783	121	601	2,505
rotation rate +1.0%	1,669	111	540	2,320
probability of drawing pension -0.5	1,731	97	571	2,399
probability of drawing pension +0.5	1,714	135	566	2,415
technical discount rate -1.00%	1,799	120	595	2,514
technical discount rate +1.00%	1,652	113	546	2,311
rise in bases	0	0	0	0
remuneration at the Company -1.0%	1,584	109	523	2,216
remuneration at the Company +1.0%	1,884	124	623	2,631

7.14. Financial instruments

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

Balance at 31 December 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)	30,665	0	0	0	59,465
Trade receivables	202,704	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	6,057	0	0	0	0
Cash and cash equivalents	0	223,555	0	0	0
Loans and bank credits	0	0	0	0	57,565
Lease liabilities	0	0	0	0	31,740
Trade payables	0	0	0	0	193,132
Total	239,426	223,555	0	0	341,938

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

Balance at 31 December 2022

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

No changes to the classification of financial instruments or shifts between individual levels of fair value occurred in the 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	243,449	181,730
– 1 - 3 years	64,689	19,243
– 3 - 5 years	9,943	4,444
– 5 + years	23,857	23,731
Total	341,938	229,148

Derivative instruments

No derivative instrument transactions were entered into by the Group 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
RTI	0	0	0	0
Wiesław Nowak	0	0	0	0
Family Office	1	0	0	0
Total	1	0	0	0

	Revenue		Purchases	
	2023	2022	2023	2022
RTI	3	3	0	0
Wiesław Nowak	2	2	0	0
Family Office	1	0	0	0
Total	6	5	0	0

	Advanced loans		Finance income (interest)	
	31-12-2023	31-12-2022	2023	2022
RTI	0	0	0	3
Wiesław Nowak	0	0	0	0
Family Office	0	0	0	0
Total	0	0	0	3

Related party transactions were entered into in the reporting period by ZUE and subsidiaries on arm's length terms.

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

In the reporting period, ZUE and 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.

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

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

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

Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

Major pending court proceedings concerning claims:

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

On 29 September 2016, the Petitioner (PORR Polska Infrastructure; i.e. former BILFINGER INFRASTRUCTURE S.A., ZUE, Przedsiębiorstwo Budowy Kopalń PEBEKA S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury

Kolejowej w Krakowie Sp. z o.o. and Kolejowe Zakłady Automatyki Katowice S.A.) sued the Defendant (PKP Polskie Linie Kolejowe S.A.) for PLN 11.5m (out of which PLN 2.9m plus statutory interest was payable to ZUE) after additional works had been carried out for the Defendant and expenses had been incurred during the extended completion time. The lawsuit concerned the construction contract of 27 October 2009 between the Petitioner (the Contractor) and the Defendant (the Contracting Authority) for the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding. Phase 3: construction works on the siding as part of the Infrastructure and Environment Operational Programme (IEOP) 7.1-18: “Modernisation of the railway line no. 8, construction of the Okęcie Airport siding.” An expert opinion was prepared according to which the Petitioner’s claims were to a considerable extent well-grounded. There were also other opinions and the arguments contained therein were basically the same as those contained in the first opinion. The date of the next trial was set for 4 April 2024.

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

On 30 December 2016, the consortium of:

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

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

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

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

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

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

The Court admitted the expert evidence which complied, to a considerable extent, with the Petitioners’ arguments and was delivered to the parties. There was also a supplementary opinion whose content was basically the same as that of the first expert opinion. On 6 June 2023, the Court delivered the judgment whereby PKP Polskie Linie Kolejowe S.A. was ordered to pay the Company PLN 8.4m plus statutory default interest from 21 December 2016 to the date of payment and the remaining claims were dismissed. Both parties appealed against the judgment. In addition, the Petitioner replied to the Defendant’s appeal. The date of the appeal trial is yet to be set.

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

On 5 June 2023, the consortium of:

- 1) OHL ŽS, a.s. (Leader);

2) Swietelsky Baugesellschaft m.b.H; and

3) ZUE (hereinafter referred to as the "Consortium" or the "Contractor");

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

1) approx. PLN 2.2m – costs relating to the requirement to extend the performance bond and insurance provided by the Contractor; and

2) PLN 42.7m – fixed costs relating to the performance of works over the extended period.

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

Court case concerning the contract claim

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

Other court cases concerning inflation claims in respect of railway contracts

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

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

The Defendant replied to all of the claims and applied for the dismissal thereof. The Petitioner replied to the Defendant's statements and the exchange of pleadings between the parties came to an end. The date of the trial concerning the project named: "Preparation of building and detailed designs and the completion of LOT B works as part of "design-build" project in connection with the Infrastructure and Environment Operational Programme (IEOP) 7.1-19.1.a: "Upgrade of the railway line no. 8 of the Warszawa Okęcie – Radom (LOT A, B, F) section" – Phase II" was set by the Court to hear witnesses and then the parties. For the project named: "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section," the judgment was delivered on 25 September 2023 by the I Instance Court whereby the Petitioners' claim was dismissed in full. The date of the trials concerning the project named: "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section" was set by the Court to hear witnesses and the parties. The judgment was delivered by the I Instance Court for the project named: "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section" whereby the claim was dismissed in full. The judgment was appealed against. The hearings of evidence are carried out by the courts for other cases.

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

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

The exchange of pleadings came to an end and the first trials took place. The date of the next trial is yet to be set.

In December 2023, the Issuer sued PKP Polskie Linie Kolejowe S.A. of Warsaw in connection with the following project: “Preparation of design documentation and completion of construction and assembly works as part of the project named: Works on the railway line no. 93 of the Trzebinia – Oświęcim – Czechowice Dziedzice section.” The value of the claim is approx. PLN 23.6m. The Issuer is waiting for a copy of the suit to be delivered to the Defendant.

Other court cases concerning inflation claims in respect of urban contracts

In November 2022, the Issuer and the consortium members, namely Energopol and Przedsiębiorstwo Inżynieryjne “IMB-Podbeskidzie” Sp. z o.o., made an inflation claim relating to the urban project named: “Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow” managed by the City of Cracow, the Defendant. ZUE’s claim amounts to approximately PLN 6.7m and Energopol’s claim amounts to approximately PLN 6.5m. The Defendant replied to the claim and applied for the claim to be dismissed. The exchange of pleadings between the parties came to an end. Witnesses were obliged by the Court to respond in writing to questions asked by the parties. All witnesses submitted their written testimonies. The date of the trial is yet to be set.

Court case concerning inflation claim

In December 2023, the Issuer sued PKP CARGO Terminale sp. z o.o. in connection with the project named: “Construction of multimodal terminal in Zduńska Wola – Karsznice.” The claim concerned non-payment under the inflation clause contained in the contract. The value of the dispute is approx. PLN 12.3m. The Issuer was provided with the reply and responded to it in February 2024.

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 Group as a result of such inspections.

No significant or countable tax risks were recognised by the Group 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 just the remuneration payable for their service on the Supervisory Board.

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

7.19. Liabilities incurred to purchase property, plant and equipment

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

7.20. Contingent assets and contingent liabilities and security on property

Contingent assets

	31-12-2023	31-12-2022
Bonds	116,833	94,076
Statement of submission to enforcement (Art. 777 § 1 item 5 of the Code of Civil Procedure)	4,805	0
Promissory notes	17,825	12,608
Total	139,463	106,684

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

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

Contingent liabilities and security on property

	31-12-2023	31-12-2022
Bonds	486,708	515,905
Guarantees	29,837	13,285
Promissory notes	303,145	248,164
Mortgages	186,529	186,529
Pledges	158,853	158,556
Total	1,165,072	1,122,439

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

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

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

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

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

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

7.21. Discontinued operations

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

7.22. 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 8.2.11., note 8.2.13. and note 8.2.17.)

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 7.20.)

Uncertainty over tax settlements (note 7.17.)

7.23. Impact of the coronavirus pandemic on the Group's operations

Measures taken by the Group (during the pandemic)

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

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

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

Possible impact of the coronavirus pandemic on the Group'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.

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

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

The Group 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 Group has no assets in Russia, Belarus or Ukraine and does not conduct any activities in those countries.

The Group controls, on an ongoing basis, the safety of the Group'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 Group's activities.

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

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

8. Other notes to the financial statements

8.1. Use of the International Financial Reporting Standards

8.1.1. Statement of compliance

The consolidated financial statements of the Group for the year ended 31 December 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 Group, the abovementioned amendments to the standards or interpretations do not have any material influence on the consolidated financial statements of the Group.

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

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

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

In the 12 months ended 31 December 2023, the Group recognised the sales revenue of PLN 1,484.1m and the gross profit of PLN 55.9m. As at 31 December 2023, the Group presented the total current assets of PLN 742m, including trade and other receivables of PLN 172.4m and the cash of approximately PLN 223.6m. At the end of the reporting period, the Group had the backlog worth approximately PLN 1,731m. The Group is in the process of winning new contracts.

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

8.2.2. Comparability of financial information

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

8.2.3. Preparation basis

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

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

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

8.2.4. Principles of consolidation

Investments in subsidiaries

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

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

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

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

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

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

Investments in associates

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

The results, assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for in accordance with IFRS 5 – Noncurrent Assets Held for Sale and Discontinued Operations. Under the equity method of accounting, investments in associates are carried in the consolidated statement of financial position at historical

cost as adjusted by post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value of individual investments. Losses of the associates in excess of the Group's interest in those associates (including any long-term shares which in fact are a part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Loss of control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Non-controlling interests not resulting in change of control

Non-controlling interests that do not result in a change of control are recognised in equity separately from the parent shareholders' equity.

Goodwill

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

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

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

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

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

8.2.5. Segment reporting

The Group's reporting is based on operating segments.

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

- Construction;
- Sales; and
- Design (until 10 August 2023 when BPK Poznań was sold).

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

8.2.6. Recognition of revenue from long-term construction contracts

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

The Group's revenue:

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

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

Revenue from construction contracts

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

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

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

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

Input method

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

Zero-profit method

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

Recognition of expected losses

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

Practical use of progress toward completion measurement methods

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

Contract measurement stages:

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

In an input method, the percentage of completion is defined as the ratio of actual costs to estimated (budgeted) costs required to perform the contract. Contract budgets are prepared for each construction contract. Budgets are updated twice a year on the basis of April- and October-end closings. The stage of completion of a contract is determined on the basis of contract budgets by calculating the ratio of the costs actually incurred for the work

performed to date to the estimated total costs of the contract. Contracts, which have been signed but do not have approved budgets, are measured with a zero-profit method.

8.2.7. Foreign currencies

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

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

8.2.8. Borrowing costs

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

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

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

8.2.9. Employee benefits

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

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

Costs of social insurance financed by the employer include pension, social security and accident benefits and contributions to the Guaranteed Employee Benefits Fund, 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 Group pays retirement gratuities according to the employment code and makes a provision for these benefits. The payments are recognised in profit or loss in a way enabling the spread of these costs over the entire term of employees' employment with the Group. The amount of the provision is determined by an independent actuary using the projected unit method according to the employment code.

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

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

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

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

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

8.2.10. Income tax (including deferred tax)

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

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

8.2.11. Property, plant and equipment

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

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

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

Item	Useful lives
Buildings and structures	10 – 50 years
Plant and equipment	3 – 30 years
Vehicles	5 – 30 years

Other non-current assets

4 – 15 years

Freehold land is not depreciated.

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

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

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

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

8.2.12. Investment property

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

Investment properties are initially measured at cost, 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 as set out in note 8.2.15.

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

8.2.13. Intangible assets

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

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

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

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 8.2.14. Effects of the impairment of intangible assets and their amortisation are carried to other operating expenses.

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

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

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

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

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

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

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

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

8.2.15. Non-current assets held for sale

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

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

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

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

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

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

Long-term financial assets are measured at historical cost net of impairment, if any. The carrying amount of such assets is reviewed each time to find out whether it does not exceed the amount of future economic benefits. If the carrying amount exceeds the amount of anticipated economic benefits it is reduced to the amount of net sales

price. Impairment losses are recognised in 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 costs as finance income.

8.2.17. Leases

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

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

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

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

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

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

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

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

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

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

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

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and

- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

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

The amount of incremental borrowing rate for leases is remeasured by the Group annually. The Group applies the same discount rates to the portfolio of leased cars and rentals. The Group applies a separate discount rate to the leasehold land. In the case of short-term leases and leases of low-value assets, lease payments are recognised by the Group as an expense on a straight-line basis over the lease term.

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

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

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

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

8.2.18. Inventories

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

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

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

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

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

8.2.19. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for expected credit losses. Where the effect of the time value of money is material, the balance of receivables is determined by discounting projected future cash flows to their present value using the discount rate, which reflects current market

assessments of the time value of money. If a discounting approach is used, the increase in receivables as a result of the passage of time is recognised as finance income.

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

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

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

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

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

8.2.20. Cash and cash equivalents

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

8.2.21. Trade and other payables

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

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

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

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

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

8.2.22. Accruals

Accruals include provisions for the costs of contracts.

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

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

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

8.2.23. Advance payments

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

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

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

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

8.2.24. Financial assets

Classification and measurement

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

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

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

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

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

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

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

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

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

- Cash and cash equivalents.

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

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

Impairment

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

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

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

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

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

Hedge accounting

No hedge accounting is applied by the Group.

8.2.25. Financial liabilities and equity instruments issued by the Group

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

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

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

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms a part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it is a part of a contract containing one or more embedded derivatives and under IFRS 9, the entire contract (asset or liability) may be designated as an item as at fair value through profit or loss.

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

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

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

8.2.26. Provisions

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

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

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

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

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

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

8.3. Sources of estimation uncertainty

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

The estimates relate, *inter alia*, to:

1. Impairment of goodwill
2. Useful economic lives of non-current assets
3. Loss allowances for receivables
4. Provisions
5. Measurement of long-term construction contracts
6. Deferred income tax
7. Contingent assets and contingent liabilities 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 8.2.11 and 8.2.13 discuss the expected periods of useful economic lives of property, plant and equipment and intangible assets verified by the Group at the end of each annual reporting period.

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

8.3.3. Loss allowances for receivables

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

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

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

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

8.3.4. Provisions

Provisions for litigations

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

Provisions for employee benefits

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

Provisions for warranty claims

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

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

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

Provisions for loss on contracts

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

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

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

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

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

8.3.6. Deferred tax assets

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

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

9. Events after the end of the reporting period

On 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 consolidated financial statements

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

The financial statements have been prepared by:

Marzena Filarek Chief Accountant

Signatures of the management personnel:

Wiesław Nowak Management Board President

Anna Mroczek Management Board Vice-President

Jerzy Czeremuga Management Board Vice-President

Maciej Nowak Management Board Vice-President

Marcin Wiśniewski Management Board Vice-President

Cracow, 26 March 2024