



FINANCIAL STATEMENTS OF ZUE S.A.

For the Year Ended 31 December 2024

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

Cracow, 10 April 2025

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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.
Railway gft	Railway gft Polska Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000532311, share capital of PLN 3,000,000 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 627,500 paid up in full. Subsidiary of ZUE.
Energopol	Przedsiębiorstwo Budownictwa Inżynieryjnego ENERGOPOL Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000042724, share capital of PLN 2,200,000 paid up in full. Subsidiary of ZUE.
ZUE Bahnbau	ZUE Bahnbau GmbH with registered office in Berlin, Germany, entered into the German commercial register (<i>Handelsregister Abteilung B</i>) maintained by the Charlottenburg District Court in Berlin under entry number HRB 267659 B, share capital of EUR 80,000 paid up in full. Subsidiary of ZUE.
ZUE Construct	ZUE Construct S.R.L. with registered office in Cluj-Napoca, Romania, entered into the commercial register maintained by the District Court for Cluj-Napoca under entry number 50767159, share capital of RON 150,000 paid up in full. Subsidiary of ZUE.
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.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period: ZUE, Railway gft, RTI, Energopol, ZUE Bahnbau, ZUE Construct.
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 2024.

Selected financial information of ZUE S.A.

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

	31-12-2024	31-12-2024	31-12-2023	31-12-2023
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	207,854	48,644	186,390	42,868
Current assets	484,163	113,307	693,115	159,410
Total assets	692,017	161,951	879,505	202,278
Equity	198,741	46,511	192,986	44,385
Non-current liabilities	88,900	20,805	107,968	24,832
Current liabilities	404,376	94,635	578,551	133,061
Total equity and liabilities	692,017	161,951	879,505	202,278

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

	2024	2024	2023	2023
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	1,115,018	259,053	1,351,508	298,452
Cost of sales	1,072,010	249,061	1,303,303	287,807
Gross profit (loss) on sales	43,008	9,992	48,205	10,645
Operating profit (loss)	16,800	3,903	28,701	6,338
Gross profit (loss)	11,775	2,736	30,161	6,660
Net profit (loss) from continuing operations	10,262	2,384	22,028	4,864
Total comprehensive income	10,536	2,448	21,872	4,830

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

	2024	2024	2023	2023
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-115,051	-26,730	131,576	29,056
Cash flows from investing activities	-2,733	-635	1,921	424
Cash flows from financing activities	-49,163	-11,422	18,130	4,004
Total net cash flows	-166,947	-38,787	151,627	33,484
Cash at the beginning of the period	212,159	48,795	60,256	12,848
Cash at the end of the period	45,678	10,690	212,159	48,795

Rules adopted to translate selected financial information into EUR:

Items	Exchange rate	31-12-2024	31-12-2023	31-12-2022
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.2730	4.3480	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	4.3042	4.5284	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	4.2730	4.3480	4.6899

Statement of comprehensive income

Restated

Continuing operations	Note	2024	2023
Sales revenue	2.1.	1,115,018	1,351,508
Cost of sales	2.2.	1,072,010	1,303,303
Gross profit (loss) on sales		43,008	48,205
General and administrative expenses	2.2.	28,862	24,489
Other operating income	2.3.	4,627	6,227
Other operating expenses	2.4.	1,973	1,242
Operating profit (loss)		16,800	28,701
Finance income	2.5.	3,839	15,524
Finance costs	2.6.	8,864	14,064
Pre-tax profit (loss)		11,775	30,161
Income tax	2.7.	1,513	8,133
Net profit (loss) from continuing operations		10,262	22,028
Net profit (loss)		10,262	22,028
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		274	-156
Actuarial gains (losses) relating to defined benefit plans	2.8.	274	-156
Total other net comprehensive income		274	-156
Total comprehensive income		10,536	21,872
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)	5.2.	0.45	0.96
Total comprehensive income (loss) per share (PLN)		0.46	0.95

Statement of financial position

Restated

ASSETS	Note	31-12-2024	31-12-2023
Non-current assets			
Property, plant and equipment	7.1.	63,971	66,100
Investment property	7.2.	8,665	9,132
Intangible assets	7.3.	1,891	2,466
Right-of-use assets	7.4.	64,945	38,622
Goodwill	7.6.	31,172	31,172
Investments in subordinates	7.7.	6,594	6,140
Deposits under construction contracts	3.2.	7,782	6,949
Deferred tax assets	2.7.	20,129	21,692
Advanced loans	7.10.	2,705	4,117
Total non-current assets		207,854	186,390
Current assets			
Inventories	7.11.	14,940	60,562
Trade and other receivables	4.1.	155,343	166,890
Valuation of long-term construction contracts	3.1.	220,339	213,792
Deposits under construction contracts	3.2.	31,164	20,012
Advances	3.5.	3,960	10,650
Current tax assets	2.7.	0	0
Advanced loans	7.10.	9,478	8,140
Other assets	7.9.	3,261	910
Cash and cash equivalents	6.5.	45,678	212,159
Total current assets		484,163	693,115
Total assets		692,017	879,505

Restated

EQUITY AND LIABILITIES	Note	31-12-2024	31-12-2023
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.	101,836	96,081
Total equity		198,741	192,986
Non-current liabilities			
Long-term loans and bank credits	6.1.	0	47,015
Long-term lease liabilities	6.2.	41,257	21,687
Deposits under construction contracts	3.2.	23,005	17,499
Liabilities under employee benefits	7.13.	1,688	1,867
Long-term provisions	3.3.	22,950	19,900
Total non-current liabilities		88,900	107,968
Current liabilities			
Trade and other payables	4.2.	91,118	202,567
Accruals	3.6.	115,222	167,066
Valuation of long-term construction contracts	3.1.	9,132	47,062
Deposits under construction contracts	3.2.	32,758	33,024
Advances	3.5.	74,590	43,330
Short-term loans and bank credits	6.1.	25,515	7,500
Short-term lease liabilities	6.2.	8,501	6,468
Other financial liabilities	7.12.	36	36
Liabilities under employee benefits	7.13.	42,483	51,619
Current tax liabilities	2.7.	0	4,290
Short-term provisions	3.3.	5,021	15,589
Total current liabilities		404,376	578,551
Total liabilities		493,276	686,519
Total equity and liabilities		692,017	879,505

Statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2024	5,758	93,837	-2,690	96,081	192,986
Dividend	0	0	0	-4,781	-4,781
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Repurchase of shares	0	0	0	0	0
Profit (loss)	0	0	0	10,262	10,262
Other net comprehensive income	0	0	0	274	274
Total changes in equity	0	0	0	5,755	5,755
Balance at 31 December 2024	5,758	93,837	-2,690	101,836	198,741

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

Statement of cash flows

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	11,775	30,161
Adjustments for:		
Depreciation and amortisation	14,560	13,753
Foreign exchange gains / (losses)	-466	-276
Interest and share in profit (dividends)	2,612	-611
Gain / (loss) on disposal of investments	-1,232	-5,002
Operating profit (loss) before changes in working capital	27,249	38,025
Change in receivables and deposits under construction contracts	-159	3,125
Change in inventories	45,622	846
Change in provisions and liabilities under employee benefits	-16,495	7,430
Change in payables and deposits under construction contracts	-106,241	87,291
Change in valuation of construction contracts	-44,477	-124,523
Change in accruals	-51,844	111,026
Change in advances	37,950	14,829
Change in other assets	-2,351	254
Income tax paid / (tax refund)	-4,305	-6,727
NET CASH FROM OPERATING ACTIVITIES	-115,051	131,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	1,563	11,997
Purchase of property, plant and equipment and intangible assets	-5,501	-6,989
Sale of financial assets in related parties	0	559
Purchase of financial assets in related parties	-455	0
Advanced loans	-3,750	-5,140
Repayment of advanced loans	4,265	61
Dividends received	0	399
Interest received	1,145	1,034
NET CASH FROM INVESTING ACTIVITIES	-2,733	1,921
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	0	44,515
Repayments of loans and bank credits	-29,000	-15,000
Repayment of lease liabilities	-11,182	-7,199
Interest paid	-4,200	-2,592
Other finance income / (expenses) – dividends paid	-4,781	-1,594
NET CASH FLOWS FROM FINANCING ACTIVITIES	-49,163	18,130
TOTAL NET CASH FLOWS	-166,947	151,627
Net foreign exchange differences	466	276
TOTAL NET CASH FLOWS NET OF FOREIGN EXCHANGE DIFFERENCES	-166,481	151,903
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	212,159	60,256
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	45,678	212,159
- of limited availability	8,853	60,197

Notes to the financial statements as at 31 December 2024

1. General information

1.1. Information about the Company

ZUE was established on 1 June 1991. The Company has operated under the name ZUE Spółka Akcyjna since 20 May 2002. Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow–Śródmieście in Cracow XI Commercial Division of the National Court Register under entry number KRS 0000135388.

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

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

Management Board:

Wiesław Nowak	Management Board President
Magdalena Nowak	Management Board Vice-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

Irena Piekarska-Konieczna, Agnieszka Klimas and Maciej Szubra meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (Journal of Laws of 2024, item 1035).

The Supervisory Board of ZUE decided on 12 April 2024 to appoint Magdalena Nowak to the Management Board of ZUE from 10 June 2024.

No other changes to the composition of ZUE's Management or Supervisory Board occurred until the date of preparation of these separate financial statements.

1.2. Activities of ZUE

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

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

- Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, power lines, stations and civil structures.

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

1.3. Functional and reporting currency

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

2. Notes to the statement of comprehensive income

2.1. Revenue

	2024	2023
Revenue from construction contracts	1,094,018	1,325,152
Revenue from the provision of services	8,440	9,840
Revenue from the sale of goods, raw and other materials	12,560	16,516
Total	1,115,018	1,351,508

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

In the reporting period, the Company operated in Poland and abroad. Revenue from construction contracts includes the amount of PLN 154,539 thousand concerning the contracts performed in Romania and the amount of PLN 1,439 thousand concerning the contracts performed in Latvia.

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

Concentration of revenue which exceeds 10% of total sales revenue

	2024	2023
Counterparty A	356,208	542,427
Counterparty B	248,882	183,908
Counterparty C	149,722	
Counterparty D	138,815	

PKP Polskie Linie Kolejowe S.A. was ZUE's biggest customer in 2024. Its share in sales accounted for about 32% of the Company's total sales revenue in 2024.

2.2. Operating expenses

	2024	2023
Change in products	237	226
Depreciation and amortization	14,560	13,753
Consumption of materials and energy, including:	292,378	327,569
- consumption of materials	281,545	315,248
- consumption of energy	10,833	12,321
Contracted services	636,435	812,696
Employee benefits expense, including:	126,942	136,496
- salaries and wages	100,664	108,800
- social security and other benefits	26,278	27,696
Taxes and charges	2,605	2,436
Other expenses	16,992	19,472
Value of goods and materials sold	10,723	15,144
Total	1,100,872	1,327,792

	2024	2023
Cost of sales	1,072,010	1,303,303
General and administrative expenses	28,862	24,489
Total	1,100,872	1,327,792

The increase in general and administrative expenses in 2024 results, *inter alia*, from higher costs of business activity and increased expenditures on promotional and social activities. 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 3%.

Depreciation and amortisation

	2024	2023
Depreciation of property, plant and equipment	8,634	9,327
Depreciation of right-of-use assets	4,804	3,302
Amortisation of intangible assets	602	604
Depreciation of investments in real property	520	520
Total	14,560	13,753

2.3. Other operating income

	2024	2023
Gain on disposal of assets	1,232	5,002
Gain on disposal of non-current assets	1,232	5,002
Other operating income	3,395	1,225
Damages and penalties	1,615	616
Release of allowances for receivables	104	8
Refund of the costs of court proceedings	53	77
Substitute performance	312	348
Expired liabilities	951	31
Subsidies	198	9
Other	162	136
Total	4,627	6,227

2.4. Other operating expenses

	2024	2023
Loss on disposal of assets	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses	1,973	1,242
Donations	101	51
Creation of allowances on receivables	750	117
Costs of litigations	703	721
Substitute performance	312	348
Other	107	5
Total	1,973	1,242

2.5. Finance income

	2024	2023
Interest income	2,890	1,504
Interest on bank deposits	621	1,051
Interest on loans	633	446
Interest on receivables	1,636	7
Other finance income	949	14,020
Dividend income	0	2,099
Discounting of long-term items	0	2,685
Financial guarantees	507	413
Release of write-downs of shares	0	8,762
Release of write-downs of advanced loans	441	61
Other	1	0
Total	3,839	15,524

2.6. Finance costs

	2024	2023
Interest expense	4,336	2,625
Interest on bank credits	249	34
Interest on loans	836	1,190
Interest on lease liabilities	3,113	1,366
Interest on trade and other payables	138	35
Other finance costs	4,528	11,439
Loss on disposal of investment	0	8,203
Foreign exchange loss	1,376	2,627
Discounting of long-term items	3,129	0
Costs associated with share in profit of legal persons	0	559
Other	23	50
Total	8,864	14,064

2.7. Income tax

Income tax recognised in the statement of comprehensive income

	2024	2023
Current income tax	15	11,005
Deferred tax	1,498	-2,872
Total tax expense (income)	1,513	8,133

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

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

Current income tax

	2024	2023
Gross profit (loss)	11,775	30,161
Difference between gross profit (loss) and income tax base:	-77,596	27,758
- differences between gross profit and taxable income arising from expenses that are not tax-deductible under tax regulations and revenues not classified as revenues under tax regulations and additional revenues and expenses	-77,596	27,758
- other differences (including loss brought forward)	0	0
Income/Loss	-65,821	57,919
Income tax base	0	57,919
Income tax at the applicable rate of 19%	0	11,005
Income tax paid / (tax refund) on foreign earnings	15	0
Tax increases, waivers, exemptions, deductions, and reductions	0	0
Income tax adjustments for prior periods	0	0
Current income tax	15	11,005

Income tax according to effective interest rate

	2024	2023
Gross profit (loss)	11,775	30,161
Income tax at the applicable rate of 19%	2,237	5,731
Effect of tax recognition of:	-743	2,227
- Expenses non-deductible under tax regulations and tax-deductible expenses not recognized in accounting (permanent differences)	750	2,334
- Revenues not recognised as revenues under tax regulations and tax revenues not recognized in accounting (permanent differences)	132	2,063
- Difference due to the application of local tax rates - 16% Romania	-1,361	1,956
Revaluation of deferred tax assets (current year loss)	4	175
Income tax paid / (tax refund) on foreign earnings	15	0
Income tax according to effective tax rate	1,513	8,133
effective tax rate	13%	27%

Current tax assets and liabilities

	31-12-2024	31-12-2023
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	4,290

Deferred tax balance

	2024	2023
Deferred tax balance at the beginning of the period	21,692	18,784
Temporary differences relating to deferred tax assets:	57,019	81,676
Provisions for costs and accruals	27,770	50,524
Discounting of receivables	469	649
Operating lease liabilities	7,924	3,577
Write-downs	567	540
Warranties and insurance premiums recognised over time	2,379	3,086
Tax work in progress	16,147	15,209
Valuation of long-term contracts	1,735	8,942
Other	28	-851
Temporary differences relating to deferred tax liabilities:	49,396	59,984
Valuation of long-term contracts	27,184	43,425
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	18,010	13,309
Discounting of payables	2,476	3,250
Other	1,726	0
Unused tax losses and other tax credits to be carried forward:	12,506	0
Tax losses	12,506	0
Total temporary differences relating to deferred tax assets:	69,525	81,676
Total temporary differences relating to deferred tax liabilities:	49,396	59,984
Deferred tax balance at the end of the period	20,129	21,692
Change in deferred tax, including:	-1,563	2,909
- recognised in income	-1,498	2,872
- recognised in equity	-65	37

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

The maturity dates of deferred tax assets and liabilities

Maturity date	Deferred tax assets	
	2024	2023
More than 12 months after the end of the reporting period	-21,676	-4,097
Up to 12 months after the end of the reporting period	41,805	25,789
Total	20,129	21,692

2.8. Items of other comprehensive income

Items of other comprehensive income:

	2024	2023
Actuarial gains (losses) relating to defined benefit plans	339	-193
Deferred tax	-65	37
Amount recognised in other comprehensive income	274	-156

2.9. Operating segments

ZUE's reporting is based on operating segments. The Company analyses the areas of activity based on the aggregation rules under IFRS 8.12 and identifies one aggregate reporting segment, namely construction activity.

The Company is organised and managed within the abovementioned segment. The Company applies a uniform accounting policy to all operating areas within the segment of engineering construction and assembly services.

3. Contracts, deposits, provisions, advances and accruals

3.1. Construction contracts

	31-12-2024	31-12-2023
Assets (selected balance sheet data)	278,185	311,965
- Valuation of long-term construction contracts	220,339	213,792
- Advances paid for ongoing contracts	3,960	10,650
- Deposits under construction contracts withheld by customers	38,946	26,961
- Inventories	14,940	60,562
Liabilities (selected balance sheet data)	281,538	342,121
- Valuation of long-term construction contracts	9,132	47,062
- Provisions for contract costs	114,082	165,717
- Advances received for ongoing contracts	74,590	43,330
- Deposits under construction contracts withheld for suppliers	55,763	50,523
- Provisions for warranty claims	25,398	21,036
- Provisions for expected losses on contracts	2,573	14,453

3.2. Deposits under construction contracts

	31-12-2024	31-12-2023
Withheld by customers – refundable after 12 months	7,782	6,949
Withheld by customers – refundable within 12 months	31,164	20,012
Total deposits under construction contracts withheld by customers	38,946	26,961
Withheld for suppliers – refundable after 12 months	23,005	17,499
Withheld for suppliers – refundable within 12 months	32,758	33,024
Total deposits under construction contracts withheld for suppliers	55,763	50,523

The construction contracts and work-for-hire contracts performed by ZUE provide for an obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or insurance companies. Cash deposits related to bank or insurance bonds are withheld in accordance with the terms of the bond agreements.

Discounting of long-term deposits

	31-12-2024	31-12-2023
Discounting of long-term deposits under construction contracts withheld by customers	2,467	3,415
Discounting of long-term deposits under construction contracts withheld for suppliers	6,720	8,433

	2024	2023
Finance income from the discounting of deposits	0	1,615
Finance costs from the discounting of deposits	765	0
Deferred tax	-145	307
Net effect on the statement of comprehensive income	-620	1,308

Discount rate

The effective interest rate in 2024 used for the discounting of deposits was 5.5% (7.7% in 2023).

3.3. Provisions

Provisions	01-01-2024	Created	Used	Released	Reclassified	31-12-2024	Item
Long-term provisions:	21,767	7,376	1,598	339	-2,568	24,638	
Provisions for employee benefits	1,867	160	0	339	0	1,688	Liabilities under employee benefits (long-term)
Provisions for warranty claims	19,900	7,216	1,598	0	-2,568	22,950	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	55,647	31,618	23,302	31,104	2,568	35,427	
Provisions for employee benefits	40,058	25,267	22,887	12,032	0	30,406	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,136	10	415	851	2,568	2,448	Short-term provisions
Provision for loss on contracts	14,453	6,341	0	18,221	0	2,573	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	77,414	38,994	24,900	31,443	0	60,065	

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

The release of provisions for expected losses on contracts is due to the increase in the progress of works on contracts. The result of the increase in the progress of works is the incurred costs. With the increasing progress of works on loss-making projects, a loss provision is gradually released.

Comparative information:

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

3.4. Write-downs and allowances

Change in write-downs and allowances

Write-downs and allowances	01-01-2024	Creation	Use	Release	31-12-2024
Write-downs and allowances:	37,541	10,620	10,101	4,051	34,009
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances on trade receivables in connection with the increase of credit risk	34,287	10,500	10,101	3,490	31,196
Allowances on trade receivables for expected credit losses	250	120	0	120	250
Write-downs of deposits	0	0	0	0	0
Write-downs of advances	43	0	0	0	43
Write-downs of shares	251	0	0	0	251
Write-downs of advanced loans	1,940	0	0	441	1,499
Total:	37,541	10,620	10,101	4,051	34,009

Allowances for trade receivables of PLN 31.2m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 28.9m – the amount is presented for disclosure purposes only as the debit notes do not constitute revenue for the Company at the time of their issuance. The biggest items are the notes issued in prior years of PLN 21.8m;
- Receivables under court and enforcement cases of PLN 1.4m;
- Doubtful debt of PLN 0.9m.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 104 thousand and the creation of allowances of PLN 750 thousand. The remaining balance is for presentation purposes only and arises, *inter alia*, from the debit notes issued by the Company for the penalties and damages that are not the Company's revenue at the time of their issuance.

Comparative information:

Write-downs and allowances	01-01-2023	Creation	Use	Release	31-12-2023
Write-downs and allowances:	43,555	19,681	2,591	23,104	37,541
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances on trade receivables in connection with the increase of credit risk	31,467	19,681	2,580	14,281	34,287
Allowances on trade receivables for expected credit losses	250	0	0	0	250
Write-downs of deposits	11	0	11	0	0
Write-downs of advances	43	0	0	0	43
Write-downs of shares	9,013	0	0	8,762	251
Write-downs of advanced loans	2,001	0	0	61	1,940
Total:	43,555	19,681	2,591	23,104	37,541

3.5. Advances

	31-12-2024	31-12-2023
Advances paid for ongoing contracts	3,960	10,650
Other advances	43	43
Write-downs of advances	-43	-43
Total	3,960	10,650

	31-12-2024	31-12-2023
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Advances received for ongoing contracts	74,590	43,330
Total	74,590	43,330

3.6. Accruals

	31-12-2024	31-12-2023
Provisions for contract costs	114,082	165,717
Other accruals	1,140	1,349
Total	115,222	167,066

4. Trade and other receivables and payables

4.1. Trade and other receivables

	31-12-2024	31-12-2023
Trade receivables	182,615	197,258
Allowances for trade receivables in connection with the increase of credit risk	-31,196	-34,287
Allowances for trade receivables for expected credit losses	-250	-250
Other receivables	4,174	4,169
Total trade and other receivables	155,343	166,890

The item "Other receivables" includes the security provided in connection with the financing agreement of PLN 4,000 thousand.

Ageing analysis of trade receivables

	31-12-2024	31-12-2023
Not past due receivables	148,429	161,499
Receivables that are past due but not impaired	2,990	1,472
1-30 days	1,386	464
31-60 days	750	155
61-90 days	93	12
91-180 days	41	13
181-360 days	1	48
360 + days	719	780
Past due receivables for which allowances have been made	31,196	34,287
1-30 days	3,642	281
31-60 days	64	0
61-90 days	79	54
91-180 days	2,946	9,699
181-360 days	1,857	9
360 + days	22,608	24,244
Total trade receivables (gross)	182,615	197,258
Allowances for trade receivables	-31,196	-34,287
Total trade receivables (net)	151,419	162,971

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

	31-12-2024	31-12-2023
Counterparty A	70,164	58,511
Counterparty B	24,539	22,799

The concentration of credit risk is limited due to the fact that the creditability of the abovementioned Counterparties A and B assessed, *inter alia*, by analysing their financial standing, is high and the fact that the said Counterparties

meet additional requirements concerning the settlement of the EU funds. The Counterparties have been the Company's customers for many years. The State Treasury holds a majority stake in the Counterparty A as a result of which the Counterparty's creditworthiness is even higher. Therefore, the Management Board of the Company believe there is no need to create additional provisions.

4.2. Trade and other payables

	31-12-2024	31-12-2023
Trade payables	79,668	187,897
Budgetary liabilities other than corporate income tax	10,985	14,346
Other payables	465	324
Total trade and other payables	91,118	202,567

Ageing analysis of trade payables

	31-12-2024	31-12-2023
Not past due payables	79,507	187,664
Past due payables	161	233
1-30 days	34	112
31-60 days	12	6
61-90 days	0	0
91-180 days	0	0
181-360 days	0	0
360 + days	115	115
Total trade payables	79,668	187,897

5. Equity

5.1. Share capital

The amount of the registered share capital disclosed in the financial statements as at 31 December 2024 is PLN 5,757,520.75.

Share capital as at 10 April 2025

(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 preference shares and rights to the shares are not limited.

As at 31 December 2024, the structure of the share capital was unchanged compared to 10 April 2025.

5.2. Profit (loss) per share

(PLN)

	2024	2023
Basic profit (loss) per share	0.45	0.96
Diluted profit (loss) per share	0.45	0.96

Basic profit (loss) per share

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

(PLN)

	2024	2023
Profit (loss) per share for the financial year	0.45	0.96
Total profit (loss) used to determine basic profit per share	10,261,571,83	22,028,232,93
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 of the period.

Diluted profit (loss) per share

There are no diluting instruments.

5.3. Share premium account

	2024	2023
Balance at the beginning of the year	93,837	93,837
Issue of shares	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 2014-2024.

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

	2024	2023
Balance at the beginning of the year	96,081	75,803
Net profit distribution	17,247	8,647
Reserve funds	17,247	8,647
Capital reserve	0	0

Coverage of losses from prior years	0	0
Profit (loss) of the current year	10,262	22,028
Other net comprehensive income	274	-156
Payment of dividend for the prior year	-4,781	-1,594
Balance at the end of the year	101,836	96,081

	31-12-2024	31-12-2023
Reserve funds (without share premium account)	72,117	54,870
Capital reserve	0	0
Capital reserve arising from comprehensive income	-120	-394
Retained earnings (losses) from prior years	0	0
Profit (loss) brought forward relating to the settlement of revaluation capital	2,778	2,581
Profit (loss) of the current year	10,262	22,028
Effects of the implementation of IFRS at ZUE	451	451
Revaluation capital	16,348	16,545
Retained earnings	101,836	96,081

A capital reserve is created by the Company according to the Company's Articles of Association. The Company's profit earmarked for distribution in future periods or for the coverage of other expenses may be allocated to the capital reserve.

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

Out of the Company's profit for the financial year 2023 of PLN 22,028 thousand, PLN 17,247 thousand was allocated to reserve funds and PLN 4,781 thousand was paid as dividend.

6. Debt and management of capital and liquidity

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

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

As at 31 December 2024, the Company could use overdraft and working capital credit limits in the total amount of PLN 86,862 thousand. The guarantee limits provided by banks and insurance companies amounted to PLN 580,227 thousand and EUR 16,792 thousand and RON 24,705 thousand.

6.1. Loans and bank credits

	31-12-2024	31-12-2023
Long-term	0	47,015
Bank credits	0	39,515
Loans received	0	7,500
Short-term	25,515	7,500
Bank credits	25,515	0
Loans received	0	7,500
Total	25,515	54,515

Summary of loan and credit agreements

As at 31 December 2024

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2024	Amount of available loans/credits as at 31-12-2024	Use as at 31-12-2024	Interest	Repayment date
1	mBank S.A.	Multiproduct line master agreement - overdraft	15,000	15,000	0	ON WIBOR + margin	June 2025
2	mBank S.A. (i)	Multiproduct line master agreement	25,000		13,123	1M WIBOR + margin	June 2025
	including:	guarantee sublimit	25,000	11,877	13,123		
		non-revolving working capital credit	25,000	11,877	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	75,000		30,000	1M WIBOR + margin	
	including:	guarantee sublimit	75,000	45,000	30,000		June 2025
		overdraft	1,500	1,500	0		June 2026
4	Alior Bank S.A.	Revolving credit facility agreement	40,000	14,485	25,515	1M WIBOR + margin	June 2025
5	BFF Polska S.A.	Master mandate agreement	24,000	24,000	0	1M WIBOR + margin	June 2025
6	Bank Millennium S.A.	Multiproduct line agreement	30,000	30,000	0	1M WIBOR + margin	December 2025
	including:	revolving credit sublimit	20,000	20,000	0		
		guarantee line	30,000	30,000	0		
	Total amount of available loans and credits			86,862			
	Total debt arising from loans and credits				25,515		
	Total use for guarantees				43,123		

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

Types of security and liabilities under loan and credit agreements:

1. and 2. Multiproduct line master agreement:

- Contractual joint mortgage on the real estate in Cracow;
- Security deposit established each time for a guarantee expiring after 36 months;
- Financial pledge on cash kept on customer's bank accounts maintained by the Bank;
- Statement on submission to enforcement.

3. Multicurrency credit limit agreement:

- Promissory note with declaration;
- Assignment of receivables under contracts;
- Statement on submission to enforcement;
- Power of attorney to the bank account;
- Security deposit established each time for a guarantee expiring after 36 months.

4. Revolving credit facility agreement:

- 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.
5. Master mandate agreement:
- a) Remuneration in the form of a right to cash consideration arising from receivables.
6. Multiproduct line agreement:
- a) Statement on submission to enforcement;
 - b) Contractual mortgage up to PLN 48,000 thousand on the real estate in Cracow owned by a subsidiary;
 - c) Subsidiary's statement on submission to enforcement;
 - d) Power of attorney to the bank account.

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

- Alior Bank - Multicurrency credit limit agreement (item 3) – on 27 March 2024, the Company signed an annex whereby the sublimit for guarantees was raised to PLN 50m and the repayment date was extended until 25 March 2025 for the guarantee limit and 25 March 2026 for the overdraft. The overdraft limit remained unchanged.
- mBank – Multiproduct line master agreement (items 1 and 2) - on 14 June 2024, the Company signed the Multiproduct line master agreement – up to PLN 15m for overdraft and PLN 25m for sublimit for guarantees and working capital credit. The agreement replaces the overdraft of PLN 10m and the master agreement of PLN 25m and incorporates all unexpired guarantees under the replaced master agreement.
- Alior Bank - Multicurrency credit limit agreement (item 3) – on 27 June 2024, the Company signed an annex whereby the sublimit for guarantees was raised to PLN 75m and the repayment date was extended until 25 June 2025 for the guarantee limit and 25 June 2026 for the overdraft. The overdraft limit remained unchanged.
- BFF Polska – Master mandate agreement (item 5) - on 24 June 2024, the Company signed the Master mandate agreement for the financing of contracts as part of the Polish Deal programme.
- Agencja Rozwoju Przemysłu – Loan agreement (item 4 of the comparative information) – the loan was repaid by the Company in full on 23 December 2024.
- Bank Millennium - Multiproduct line agreement (item 6) – on 30 December 2024, the Company entered into the Multiproduct line agreement of PLN 30m, including the revolving credit sublimit of PLN 20m.

No amendments to credit agreements were made after the balance sheet date.

Comparative information:

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:	guarantee sublimit	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:	guarantee sublimit	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 facility agreement	40,000	485	39,515	1M WIBOR + margin	June 2025
	Total amount of available loans and credits			23,756			
	Total debt arising from loans and credits				54,515		
	Total use for guarantees				13,242		

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

6.2. Leases

Lease liabilities

	31-12-2024	31-12-2023
Long-term lease liabilities	41,257	21,687
Short-term lease liabilities	8,501	6,468
Total	49,758	28,155

In the reporting period, the Company's lease liabilities increased by PLN 32,817 thousand. The amount includes the purchase of construction equipment of PLN 28,190 thousand (operating lease) and the purchase of the leased assets with the total net value of PLN 1,661 thousand. Following the purchase of the leased assets, the assets were reclassified from right-of-use assets to property, plant and equipment.

No leaseback agreements were entered into by the Company in the reporting period.

	Minimum lease payments		Present value of minimum lease payments	
	31-12-2024	31-12-2023	31-12-2024	31-12-2023
Not later than one year	12,058	8,408	8,501	6,468
Later than one year and not later than five years	30,410	18,684	21,680	14,726
Later than five years	38,829	25,464	19,577	6,961
Less: future finance charges	-31,539	-24,401	0	0
Present value of minimum lease payments	49,758	28,155	49,758	28,155

General terms of lease

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

Short-term and low value leases

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

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

The costs associated with short-term and low value leases amounted to PLN 8,222 thousand in 2024 and to PLN 7,082 thousand in 2023.

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

No.	Note	2024	2023
2.2.	Depreciation and amortisation	4,804	3,302
2.6.	Finance costs – interest on lease liabilities	3,113	1,366

No.	Note	31-12-2024	31-12-2023
6.2.	Leases – lease liabilities	49,758	28,155
7.4.	Right-of-use assets	64,945	38,622

6.3. Management of capital

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

	31-12-2024	31-12-2023
Long- and short-term loans and bank credits	25,515	54,515
Long- and short-term lease liabilities	49,758	28,155
Long- and short-term other financial liabilities	36	36
Total financial liabilities	75,309	82,706
Cash and cash equivalents	45,678	212,159
Net debt	29,631	-129,453
Equity	198,741	192,986
Net debt to equity ratio	14.91%	-67.08%

Positive net debt is due to the fact that the amount of total financial liabilities at the end of 2024 was higher than the amount of cash at the Company following the allocation of funds to the production process.

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

The information on the financial ratios contained in this report is monitored on a regular basis and presented in subsequent interim reports. The definitions of alternative measures are derived from the layout of individual line items presented in the relevant tables and according to the Issuer, no additional defining is required.

Changes in liabilities arising from financing activities

Item	01-01-2024	Cash flows (change)	Non-cash flows				31-12-2024
			Change on gain/loss of control	Change on foreign exchange differences	Change on conclusion of new leases	Reclassification/ other changes in value	
Long-term loans and credits	47,015	-47,015	0	0	0	0	0
Long-term lease liabilities	21,687	0	0	0	24,727	-5,157	41,257
Short-term loans and credits	7,500	18,015	0	0	0	0	25,515
Short-term lease liabilities	6,468	-11,184	0	0	8,060	5,157	8,501
Short-term other financial liabilities	36	0	0	0	0	0	36
Total	82,706	-40,184	0	0	32,787	0	75,309

6.4. Financial risk management

The main financial instruments used by the Company include:

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

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

Foreign exchange risk

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

Foreign exchange risk – sensitivity to changes

To analyse the sensitivity to exchange rate changes, the reasonably possible change in foreign exchange rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -5% / +5% for EUR and RON/PLN exchange rate as at 31 December 2024.

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 2024

	Currency	Nominal value at the end of the reporting period	Depreciation of PLN	Appreciation of other currencies
			+5%	-5%
Cash	EUR	3,759	188	-188
Cash	USD	160	8	-8
Cash	RON	12,055	603	-603
Trade and other payables	EUR	2,767	-138	138
Trade and other payables	RON	30,315	-1,516	1,516
Trade and other receivables	EUR	127	6	-6
Trade and other receivables	RON	41,860	2,093	-2,093
Gross effect on profit or loss of the period and net assets			1,244	-1,244
Deferred tax			-236	236
Total			1,008	-1,008

The Company had no hedging currency futures as at 31 December 2024 or 31 December 2023.

Interest rate risk

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

Interest rate risk – sensitivity to changes

To analyse the sensitivity to interest rate changes, the reasonably possible change in interest rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -1 / +1 pp at 31 December 2024. A parallel shift of the interest rate curve was assumed for the purpose of sensitivity analysis to interest rate changes.

The following table sets out the effect on the profit or loss of the period and net assets as at 31 December 2024.

	Amount at the end of the reporting period	31-12-2024 +100 bp	31-12-2024 -100 bp
Long-term deposits under construction contracts (discount):			
– recognised in assets (present value)	7,782	-365	388
– recognised in liabilities (present value)	23,005	995	-1,057
Cash at banks	45,678	457	-457
Advanced loans	12,183	122	-122
Loans and bank credits	25,515	-255	255
Lease liabilities	49,758	-498	498
Gross effect on profit or loss of the period and net assets		456	-495
Deferred tax		-87	94
Total		369	-401

Price risk

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

Credit risk

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

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

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

Liquidity risk

The Company reduces liquidity risk by keeping sufficient cash and concluding multi-purpose credit line agreements which serve as an additional safeguard against the loss of liquidity. The Company uses own resources, credits or

long-term finance lease agreements to finance capital expenditures and to ensure a stable financing structure for such type of assets.

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

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

6.5. Cash and cash equivalents

	31-12-2024	31-12-2023
Cash on hand and at banks	45,678	212,159
Bank deposits up to three months	0	0
TOTAL	45,678	212,159

The cash does not include the cash on escrow accounts attributable to consortium members. The Company believes that the cash cannot be defined as an asset and is not presented in the balance sheet. As at 31 December 2024, the cash on escrow accounts maintained by ZUE was PLN 135 thousand, including PLN 94 thousand attributable to ZUE. 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.

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 2024	0	23,711	51,911	70,575	2,429	148,626	330	73	149,029
Increase in balance	0	160	654	4,171	261	5,246	1,360	182	6,788
Reclassification – right-of-use*	0	0	1,486	1,185	0	2,671	0	0	2,671
Transfer to non-current assets	0	0	0	0	0	0	1,171	166	1,337
Sale/Liquidation	0	0	1,929	7,529	135	9,593	0	0	9,593
Balance at 31 December 2024	0	23,871	52,122	68,402	2,555	146,950	519	89	147,558

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 2024	0	10,572	30,751	39,555	2,051	82,929	0	0	82,929
Elimination on disposal of assets	0	0	1,894	6,959	132	8,985	0	0	8,985
Reclassification – right-of-use* - depreciation expense	0	0	631	378	0	1,009	0	0	1,009
Depreciation expense	0	495	3,190	4,834	115	8,634	0	0	8,634
Balance at 31 December 2024	0	11,067	32,678	37,808	2,034	83,587	0	0	83,587

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 2024	0	13,139	21,160	31,020	378	65,697	330	73	66,100
Balance at 31 December 2024	0	12,804	19,444	30,594	521	63,363	519	89	63,971

*Lease buyout and leaseback.

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

As at 31 December 2024, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 36 thousand. As at 31 December 2024, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 16,685 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 2023	0	23,314	52,108	75,618	2,351	153,391	303	61	153,755
Increase in balance	0	397	2,170	3,524	110	6,201	2,882	126	9,209
Reclassification – right-of-use*	0	0	730	10,309	0	11,039	0	0	11,039
Transfer to non-current assets	0	0	0	0	0	0	2,855	114	2,969
Sale/Liquidation	0	0	3,097	18,876	32	22,005	0	0	22,005
Balance at 31 December 2023	0	23,711	51,911	70,575	2,429	148,626	330	73	149,029

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

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

*Lease buyout and leaseback.

7.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2024	128	6,698	8,323	0	0	0	15,149	350	0	15,499
Increase in balance	0	0	0	0	0	0	0	53	0	53
Balance at 31 December 2024	128	6,698	8,323	0	0	0	15,149	403	0	15,552

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 2024	0	2,782	3,585	0	0	0	6,367	0	0	6,367
Depreciation expense	0	233	287	0	0	0	520	0	0	520
Balance at 31 December 2024	0	3,015	3,872	0	0	0	6,887	0	0	6,887

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 2024	128	3,916	4,738	0	0	0	8,782	350	0	9,132
Balance at 31 December 2024	128	3,683	4,451	0	0	0	8,262	403	0	8,665

The investment property as at 31 December 2024 and 31 December 2023 included the real property in Kościelisko and Poznań. The investment property comprises buildings with land and leasehold land. The Company's investment property is held either as freehold or leasehold interests.

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

The investment property was measured at purchase price less impairment losses. The income from the lease of the investment property in Poznań in 2024 was PLN 280 thousand (PLN 280 thousand in 2023). Operating expenses relating to the investment property in Kościelisko and Poznań amounted to PLN 685 thousand in 2024 (PLN 661 thousand in 2023).

Fair value of the investment property as at 31 December 2024: real property in Kościelisko – PLN 5,831 thousand and real property in Poznań – PLN 5,375 thousand.

Assets pledged as security

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

Comparative information:

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

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

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

7.3. Intangible assets

Structure of intangible assets

	31-12-2024	31-12-2023
Acquired concessions, patents, licenses and similar assets, including:	969	2,466
- software	969	2,466
Other intangible assets, including:	922	0
- costs of completed development work	922	0
Total	1,891	2,466

Movement in intangible assets

	31-12-2024	31-12-2023
Gross value		
Balance at the beginning of the year	7,402	6,846
Increase in balance	949	591
Sale/Liquidation	201	35
Transfer to intangible assets	922	0
Balance at the end of the year	7,228	7,402
Amortisation and impairment		
Balance at the beginning of the year	4,936	4,367
Amortisation expense	602	604
Sale/Liquidation	201	35
Balance at the end of the year	5,337	4,936
Net carrying amount		
Balance at the beginning of the year	2,466	2,479
Balance at the end of the year	1,891	2,466

No impairment losses were recognised by the Company in 2024 or 2023. As at 31 December 2024, the gross carrying amount of fully amortised intangible assets still in use was PLN 3,272 thousand.

7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2024	0	14,931	0	3,849	27,436	0	46,216
Conclusion of new contracts	0	0	0	28,190	4,627	0	32,817
Changes arising from amendments to contracts	0	0	0	0	-2,281	0	-2,281
Reclassification – right of use*	0	0	0	-1,486	-1,185	0	-2,671
Changes arising from amending the scope (shortening) of contracts	0	0	0	0	129	0	129
Balance at 31 December 2024	0	14,931	0	30,553	28,726	0	74,210

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2024	0	2,011	0	584	4,999	0	7,594
Depreciation expense	0	197	0	871	3,736	0	4,804
Reclassification – right of use* - depreciation expense	0	0	0	-631	-378	0	-1,009
Elimination on amending the scope of contracts – shortening and modification	0	0	0	0	-2,124	0	-2,124
Balance at 31 December 2024	0	2,208	0	824	6,233	0	9,265

Net carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2024	0	12,920	0	3,265	22,437	0	38,622
Balance at 31 December 2024	0	12,723	0	29,729	22,493	0	64,945

*Lease buyout and leaseback.

Assets pledged as security

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

Comparative information:

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

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

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

*Lease buyout and leaseback.

7.5. Assets held for sale

There are no assets held for sale as at 31 December 2024 or 31 December 2023 and, accordingly, there are no lease liabilities associated with assets held for sale.

7.6. Goodwill

At cost	31-12-2024	31-12-2023
Goodwill of PRK	31,172	31,172
Balance at the end of the reporting period	31,172	31,172

ZUE merged with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A (PRK) on 20 December 2013. The control of PRK was taken by ZUE in 2010.

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

Annual impairment test

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

The recoverable amount was determined with the discounted future cash flows method. The rate of average weighted cost of capital including the projected structure and the cost of financing, and the market risks was 13.1%.

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of the Company's assets as at 31 December 2024.

The impairment tests carried out as at 31 December 2024 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

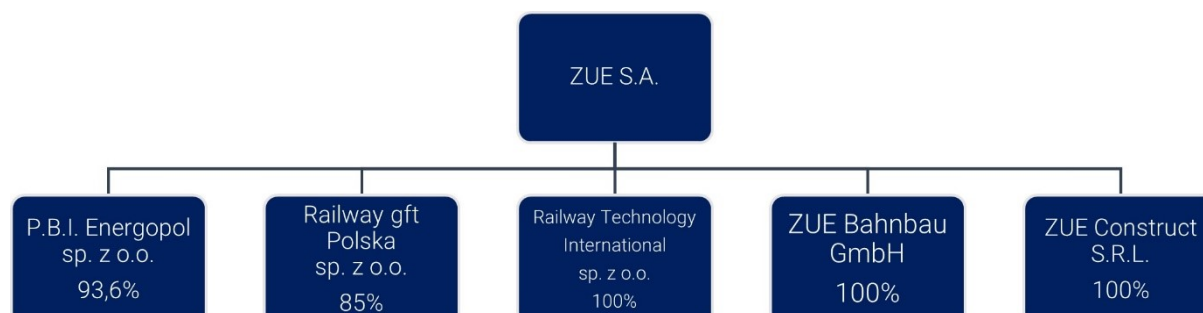
If the useful value of an asset generating cash is estimated, the management personnel is convinced that no reasonably possible change to any key assumption will cause the carrying amount of the said asset to substantially exceed its recoverable value.

7.7. Investments in subsidiaries

Information about the Company's subsidiaries

As at the balance sheet date, ZUE has investments in subsidiaries. The Capital Group emerged on 6 January 2010 (date of acquisition of 85% of shares in the share capital of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. from the State Treasury).

Structure of the Capital Group at the end of the reporting period:



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

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

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

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

Subsidiary - ZUE Bahnbau GmbH was incorporated on 16 September 2024. Berlin (Germany) is the company's registered office. The company has been entered into the German commercial register maintained by the Charlottenburg District Court in Berlin under entry number HRB 267659 B.

Subsidiary - ZUE Construct S.R.L. was established on 25 October 2024. Cluj-Napoca (Romania) is the company's registered office. The company has been entered into the register of entrepreneurs maintained by the District Court for Cluj-Napoca under entry number 50767159.

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 4 February 2025, after the end of the reporting period, ZUE signed the agreement for the sale of shares in NTB Systemy

Sp. z o.o. with registered office in Serock. NTB Systemy Sp. z o.o. has been entered into the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XII Commercial Division of the National Court Register under entry number KRS 0000730177. Under the agreement, ZUE acquired all the shares in NTB Systemy Sp. z o.o. for the total amount of PLN 1,300 thousand. The company carries out the construction works performed under the contracts executed by ZUE. The transaction will improve ZUE's competitive position and will bring additional know-how in the field of construction, modernization, and maintenance of tram tracks, particularly those based on structures/systems incorporating chemical materials, including polyurethane compounds, epoxy resins, adhesives, paints, coatings, mats, and vibration-isolation absorbers.

Company name	Core business	Registered office and principal place of business	Shares %		Value at historical cost	
			31-12-2024	31-12-2023	31-12-2024	31-12-2023
Railway GFT Polska Sp. z o.o.	Sales activities,	Cracow	85%	85%	2,516	2,516
Railway Technology International Sp. z o.o.	Holding activities	Cracow	100%	100%	579	579
Przedsiębiorstwo Budownictwa Inżynieryjnego ENERGOPOL Sp. z o. o.	Construction activities	Cracow	93.6%	93.6%	3,296	3,296
ZUE Bahnbau GmbH	Construction activities	Berlin	100%	n/a	329	n/a
ZUE Construct S.R.L.	Construction activities	Cluj-Napoca	100%	n/a	125	n/a
Total investments in subordinates					6,845	6,391
Write-down of RTI shares (cumulative)					251	251
Total investments in subordinates net of write-downs					6,594	6,140

ZUE has the power to manage the financial and operating policy of Railway gft, RTI, Energopol, ZUE Bahnbau and ZUE Construct because it held the majority interest in the companies as at 31 December 2024.

The Company prepared the consolidated financial statements for the year ended 31 December 2024. The consolidated financial statements were approved of on 10 April 2025. ZUE is the Parent Company of the Group.

7.8. Other financial assets

No other financial assets were held by the Company as at 31 December 2024 or 31 December 2023.

7.9. Other assets

	31-12-2024	31-12-2023
Prepaid expenses	3,069	814
Other receivables	192	96
Total	3,261	910

7.10. Advanced loans

	31-12-2024	31-12-2023
Loans to related parties	8,890	8,140
Loans to other entities	4,792	6,057
Impairment losses	-1,499	-1,940
Total	12,183	12,257

In the reporting period, the Company granted special-purpose loans of PLN 3,750 thousand to a subsidiary and the loans of PLN 3000 thousand were repaid by the subsidiary.

7.11. Inventories

	31-12-2024	31-12-2023
Goods, raw and other materials	14,940	60,325
Work-in-progress	0	237
Total	14,940	60,562

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

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

7.12. Other financial liabilities

	31-12-2024	31-12-2023
Dividends payable	36	36
Total	36	36

7.13. Liabilities under employee benefits

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

	31-12-2024	31-12-2023
Retirement and disability severance payments and death benefits, including:	1,925	2,199
– present amount of obligation at the end of the reporting period	1,925	2,199
– actuarial gains / (losses) unrecognised at the end of the reporting period	0	0
– past service cost unrecognised at the end of the reporting period	0	0

Liabilities to employees	0	0
Employee benefits	42,246	51,287
– provision for unused vacation days	8,266	8,076
– provision for bonuses	21,903	31,650
– salaries and wages	6,128	5,947
– social security and other benefits	5,949	5,614
Total liabilities under retirement and other benefits	44,171	53,486
including:		
– long-term	1,688	1,867
– short-term	42,483	51,619

Retirement and disability severance payments are granted to employees upon retirement or when granted a disability pension. The severance amount is determined by multiplying the severance calculation base as of the date of entitlement by an appropriate coefficient, which increases in proportion to the employee's years of service.

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

718 employees were employed by ZUE as at 31 December 2024. The management of human resources is presented in detail in section 52 of the Management Board Report on the Activities of the Parent Company and ZUE Capital Group for 2024.

Major actuarial assumptions for determining obligations under retirement and disability severance payments and death benefits

	31-12-2024	31-12-2023
Discount rate	5.61%	5.35%
Expected future increase in salaries and wages	4.50%	4.50%

Retirement and disability severance payments and death benefits

	2024	2023
Present amount of obligation at the beginning of the period	2,199	1,942
Interest expense	108	116
Current service cost	201	188
Past service cost	0	0
Benefits paid	-244	-240
Actuarial (gains) / losses	-339	193
Present amount of obligation at the end of the period	1,925	2,199

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

	2024	2023
Current service cost	201	188
Interest expense	108	116
Actuarial (gains) / losses to be recognised in the period	-339	193
Past service cost	0	0
Costs recognised in the statement of comprehensive income	-30	497
Amount recognised in profit or loss	309	304
Amount recognised in other comprehensive income (without deferred tax)	-339	193

	2024	2023
Actuarial gains (losses) relating to defined benefit plans	339	-193
Deferred tax	-65	37
Amount recognised in other comprehensive income	274	-156

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

Provisions for retirement and disability severance payments and death benefits are recognized based on an actuarial valuation prepared by an independent actuarial consulting firm.

Provision sensitivity analysis

The table below presents the analysis of sensitivity of provisions for employee benefits as at 31 December 2024 to the key parameters of actuarial model. The first row of the table presents the initial provision amounts. Subsequent rows demonstrate the impact of changes in specific actuarial model parameters on the value of provisions.

PARAMETER / BENEFIT	Retirement severance payments	Disability severance payments	Death benefits	Total
initial provision amounts	1,378	103	444	1,925
rotation rate -1.0%	1,428	108	468	2,004
rotation rate +1.0%	1,332	99	422	1,853
probability of transition to disability pension - 0.5	1,385	86	446	1,917
probability of transition to disability pension +0.5	1,371	120	442	1,933
technical discount rate -1.00%	1,442	106	463	2,011
technical discount rate +1.00%	1,319	100	426	1,845
rise in bases				
compensation in the Company -1.0%	1,262	97	408	1,767
compensation in the Company +1.0%	1,513	110	484	2,107

7.14. Financial instruments

The following table sets out the carrying amounts of all financial instruments of the Company broken down by individual classes and categories of assets and liabilities.

Balance as at 31 December 2024

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 comprehensiv e income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Deposits under construction contracts (before discount)	41,413	0	0	0	62,483
Trade receivables	182,615	0	0	0	0
Other receivables	4,174	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	13,682	0	0	0	0
Cash and cash equivalents	0	45,678	0	0	0
Loans and bank credits	0	0	0	0	25,515
Lease liabilities	0	0	0	0	49,758
Trade payables	0	0	0	0	79,668
Total	241,884	45,678	0	0	217,460

The Company did not make any changes to the classification of financial instruments, nor were there any transfers between the different levels of the fair value hierarchy in the reporting period.

The fair value of financial assets and liabilities measured at amortised cost is similar to their carrying amount.

Balance as 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
Deposits under construction contracts (before discount)	30,376	0	0	0	58,956
Trade receivables	197,258	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	14,197	0	0	0	0
Cash and cash equivalents	0	212,159	0	0	0
Loans and bank credits	0	0	0	0	54,515
Lease liabilities	0	0	0	0	28,155
Trade payables	0	0	0	0	187,897
Total	246,000	212,159	0	0	329,559

The Company did not make any changes to the classification of financial instruments, nor were there any transfers between the different levels of the fair value hierarchy in the reporting period.

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

Age structure	31-12-2024	31-12-2023
– less than 1 year	146,363	234,810
– 1 - 3 years	38,513	63,990
– 3 - 5 years	10,111	7,000
– 5 + years	22,473	23,759
Total	217,460	329,559

Derivative instruments

No derivative instrument transactions were entered into by the Company in 2024 or 2023.

7.15. Transactions with related parties

The following sales and financial transactions occurred between the related parties in the reporting period:

	Receivables		Payables	
	31-12-2024	31-12-2023	31-12-2024	31-12-2023
Railway gft	99	103	5	1,066
BPK Poznań	0	0	0	0
RTI	0	0	0	0
Energopol	98	4	107	661
Wiesław Nowak	0	0	0	0
Family Foundation	1	1	0	0
Total	198	108	112	1,727

	Revenues		Purchases	
	2024	2023	2024	2023
Railway gft	568	695	5,488	14,408
BPK Poznań	0	311	0	752
RTI	3	3	0	0
Energopol	501	789	120	2,807
Wiesław Nowak	2	2	0	0
Family Foundation	6	1	0	0
Total	1,080	1,801	5,608	17,967

	Advanced loans		Finance income (interest on loans)	
	31-12-2024	31-12-2023	2024	2023
Railway gft	3,000	3,000	236	255
BPK Poznań	0	0	0	21
RTI	0	0	0	0
Energopol	5,890	5,140	386	158
Wiesław Nowak	0	0	0	0
Family Foundation	0	0	0	0
Total	8,890	8,140	622	434

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

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

- Lease of rooms, along with utilities and telephone services;

- Financial services;
- Cost recharge;
- Servicing and repair of vehicles;
- Lease of stacking yard;
- Car rental; and
- Other services.

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

- Purchase of materials used to build and repair tracks;
- Lease of rooms, along with utilities;
- Transport and equipment services;
- Cost recharge; and
- Other services.

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

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

On 6 May 2024, ZUE and Energopol signed the special-purpose loan agreement of PLN 750 thousand to be repaid by 31 May 2025. The loan was disbursed in full.

On 20 June 2024, ZUE and Energopol signed an annex to the loan agreement of 23 June 2023 whereby the repayment date was extended until 31 May 2025.

On 21 August 2024, ZUE and Energopol signed the special-purpose loan agreement of PLN 1 million to be repaid by 31 July 2025. The loan was disbursed in full.

On 26 August 2024, ZUE and Energopol signed the special-purpose loan agreement of PLN 1 million to be repaid by 31 July 2025. The loan was disbursed in full.

On 31 October 2024, ZUE and Energopol signed an annex to the loan agreement of 6 November 2023 whereby the repayment date was extended until 31 October 2025.

On 30 December 2024, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the repayment date was extended until 30 December 2025.

On 30 December 2024, ZUE and Railway gft signed an annex to the loan agreement of 11 June 2021 whereby the repayment date was extended until 30 December 2025.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' obligations. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the abovementioned guarantees as at 31 December 2024 is PLN 42,892 thousand.

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 Company's operating activities.

Below please find the information about major proceedings before the court or another authority concerning the Company'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" – conclusion of the proceedings:

On 4 April 2024, the Parties reached the settlement and the Defendant agreed to pay the amount of approximately PLN 3.3m (including PLN 1.9m of the principal amount) to ZUE S.A. A detailed description of the case is contained in the note 7.16. of the consolidated financial statements for the year ended 31 December 2023. Consequently, the Court decided to discontinue the proceedings. The settlement influences the gross profit on sales of approximately PLN 1.5m and the profit before tax of approximately PLN 3m.

Court case concerning the following project: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadolino – 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 Biadolino – 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 PLK 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. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding.

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. The Court of Appeals reversed the case and sent it back for a new trial. The case is pending.

Second court case concerning the following project: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadolino – 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 Biadolino – 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. The case is pending.

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.

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 case concerning the contract named "Works on the ring rail line in Warsaw (the Warszawa Gołębki/Warszawa Zachodnia – Warszawa Gdańska section) is pending and the Court intends to admit expert evidence. 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. The case is pending. 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 case is pending. 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 case is being examined by the II Instance Court. No hearing date has been set.

Two inflation claims in the total amount of approximately PLN 7m 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 abovementioned cases are pending. The proceedings concerning the E 20 railway line of the Warszawa – Kutno section were partly discontinued by the Court after the claim had been withdrawn by the Issuer.

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 case is pending.

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 case is pending.

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. On 24 October 2024, the Court delivered a judgment fully upholding the claims set out in the statement of claim. The judgment was appealed against by the defendant.

7.17. Tax settlements

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

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

No significant or countable tax risks were recognised by the Company as at 31 December 2024 or 31 December 2023.

7.18. Remuneration of key management personnel

The remuneration of the Management Board members and other members of key management personnel in 2024 is set out below:

	Term	Gross remuneration	Term	Term
Management Board				
Wiesław Nowak	01.2024-12.2024	1,570	01.2023-12.2023	1,988
Anna Mroczek	01.2024-12.2024	892	01.2023-12.2023	871
Jerzy Czeremuga	01.2024-12.2024	751	01.2023-12.2023	670
Maciej Nowak	01.2024-12.2024	801	01.2023-12.2023	768
Marcin Wiśniewski	01.2024-12.2024	828	01.2023-12.2023	799
Magdalena Nowak	06.2024-12.2024	293	01.2023-12.2023	n/a
Proxy				
Magdalena Nowak	01.2024-05.2024	498	01.2023-12.2023	760
Supervisory Board				
Barbara Nowak	01.2024-12.2024	55	01.2023-12.2023	50
Piotr Korzeniowski	01.2024-12.2024	72	01.2023-12.2023	67
Agnieszka Klimas	01.2024-12.2024	55	01.2023-12.2023	50
Maciej Szubra	01.2024-12.2024	55	01.2023-12.2023	50
Irena Piekarska-Konieczna	01.2024-12.2024	55	01.2023-12.2023	50
Total		5,925		6,123

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.

The amount of social security contributions on the gross remuneration of the members of key management personnel, recognized as an expense in 2024, amounted to PLN 475 thousand (PLN 422 thousand in 2023).

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

7.19. Dividend

On 6 May 2024, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2023 of PLN 22,028 thousand in the following manner:

- 1) The portion of the net profit for the financial year 2023 of PLN 4,781 thousand should be paid as dividend (PLN 0.21 per share);
- 2) The residual net profit for the financial year 2023 of PLN 17,247 thousand should be allocated to reserve funds.

The Company's Supervisory Board gave a favourable opinion on the said proposal on 8 May 2024.

On 7 June 2024, the Ordinary General Meeting of ZUE S.A. passed the resolution on distribution of the Company's profit for the financial year 2023 whereby the dividend for 2023 of PLN 0.21 per share should be paid to the Company's shareholders. 12 September 2024 was the date on which the shareholders' right to dividend was set (dividend record date). The date of the dividend payment was 27 September 2024. The dividend was paid according to the resolution.

7.20. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment as at 31 December 2024 or 31 December 2023.

7.21. Contingent assets and contingent liabilities and security on property

Contingent assets

	31-12-2024	31-12-2023
Bonds	116,340	114,857
Statement of submission to enforcement (Art. 777 § 1 item 5 of the Code of Civil Procedure)	0	4,805
Promissory notes	28,762	25,965
Total	145,102	145,627

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

The Company also received promissory notes from counterparties which serve as security for ZUE's claims against these entities in respect of loans advanced, the repayment of advances and other security provided under concluded contracts ZUE.

Contingent liabilities and security on property

	31-12-2024	31-12-2023
Bonds	516,157	471,170
Guarantees	42,892	29,837
Promissory notes	313,930	273,797
Mortgages	178,529	171,529
Pledges	156,121	140,103
Total	1,207,629	1,086,436

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

Contingent liabilities arising from guarantees serve as security for credits, bonds and leases 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 agreements with mBank S.A., ING Bank Śląski S.A. and Millennium S.A., the insurance agreement with PZU S.A., the guarantee limit agreement with PEKAO S.A. and the loan agreement with Agencja Rozwoju Przemysłu S.A.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A., CaixaBank S.A. and Bank Gospodarstwa Krajowego and Agencja Rozwoju Przemysłu S.A. The pledged assets include wagons, cleaning machine, profiling machine, welder and piles drivers.

There is also a financial pledge over the funds kept on the Borrower's bank accounts to secure the agreements between the Company and mBank S.A.

After the balance sheet date, the Company received a statement confirming the release of securities relating to the loan from Agencja Rozwoju Przemysłu S.A. repaid on 23 December 2024, specifically the mortgage and the registered pledge over the profiling machine.

7.22. Discontinued operations

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

7.23. Revisions to estimates

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

1/ Construction contracts accounted for using percentage-of-completion method - the change was influenced by a revision of budgets for ongoing construction contracts, as a result of which the planned budgets for revenues and costs of the contracts were adjusted – the changes did not have any material influence on the Company's results in the reporting period; and

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

The estimates relate, *inter alia*, to:

Impairment of goodwill (note 7.6.)

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

Loss allowances on receivables (note 3.4.)

Provisions (note 3.3.)

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

Deferred income tax (note 2.7.)

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

Uncertainty over tax settlements (note 7.17.)

7.24. Influence of the situation in Ukraine on the Company'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 Company. The Company keeps monitoring the potential risks and cooperates with contracting authorities to minimize them.

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

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

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

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

- Increased prices of certain imported products and materials caused by the long-term weakening of PLN rate (as well as other currencies of the region);
- Disruptions in the chains of supply of certain imported products and materials;
- Long-term increase in the prices of fuels, natural gas and electricity;
- Limited access to fuels and natural gas;

- Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs;
- Decreased supply of financial products as a result of increased spending on defence and security;
- Migration of Ukrainian employees from Poland to Ukraine; and
- Limited availability and higher prices of building materials caused by a long-term radical increase in demand for building materials in Ukraine.

8. Other notes to the financial statements

8.1. Use of the International Financial Reporting Standards

8.1.1. Statement of compliance

The financial statements of the Company for the year ended 31 December 2024 and the comparative information for the financial year ended 31 December 2023 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 2024:

- **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).

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

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

Amendments to the existing standards published and approved for use in the EU but not yet effective at the date of approval of the separate financial statements:

- **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).

According to the Company, the abovementioned amendments to the standard will not have any material impact on the separate financial statements.

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 18 "Presentation and Disclosure in Financial Statements"** (effective for annual periods beginning on or after 1 January 2027);
- **IFRS 19 "Subsidiaries without Public Accountability"** – reduced disclosures in financial statements of eligible entities (effective for annual periods beginning on 1 January 2027);
- **Amendments to IFRS 9 and IFRS 7** – recognition of financial instruments and disclosures in financial statements (effective for annual periods beginning on 1 January 2026);
- **Amendments to IFRS 9 and IFRS 7** – contracts referencing nature-dependent electricity (effective for annual periods beginning on 1 January 2026);
- **Annual improvements to accounting standards**, including IFRS 1 with regard to hedge accounting, IFRS 7 with regard to profit and loss on removal of instrument from the balance sheet, credit risk disclosures, IFRS 9 with regard to the end of recognition of lease liability and transaction price, IFRS 10 with regard to the "de facto agent" definition and IAS 7 with regard to a more precise presentation of flows with related parties (effective for annual periods beginning on 1 January 2026).

According to the Company's estimates, the abovementioned standards, excluding IFRS 18, or amendments to the standards would not have any material influence on the Company's separate financial statements if they were used by the Company as at the balance sheet date. As regards IFRS 18, the Company analyses the influence of the new standard, however the preliminary analyses indicate that the scope and presentation of financial information may differ from the current financial statements.

8.1.5. Changes of applied accounting principles

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

8.2. Important accounting principles

8.2.1. Going concern

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

In assessing the Company's financial situation, the following aspects should be noted: In the 12 months ended 31 December 2024, the Company recognised the sales revenue of PLN 1,115m and the gross profit of PLN 43m. As at 31 December 2024, the Company presented the total current assets of PLN 484.2m, including trade and other receivables of PLN 155.3m and the cash of approximately PLN 45.7m. At the end of the reporting period, ZUE had the backlog worth approximately PLN 1,060m. The Company is in the process of winning new contracts.

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

8.2.2. Comparability of financial information

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

After they had considered the specific nature of accounting for international contracts performed by consortium, the Company decided to present revenue from re-invoiced items and the associated expenses in the statement of comprehensive income according to their netted balance. Accordingly, the comparative period data was restated and the current period data was presented in line with the above approach.

In addition, in the statement of financial position the Company excluded certain mutual consortium settlements in assets under the item "Valuation of long-term construction contracts" and in liabilities under the item "Accruals." The comparative period data was restated.

The following table presents the effect of changes on the separate statement of comprehensive income:

	Restated	Approved	
Continuing operations	2023	2023	Effect of changes
Sales revenue	1,351,508	1,379,095	-27,587
Cost of sales	1,303,303	1,330,890	-27,587
Gross profit (loss) on sales	48,205	48,205	0
Operating profit (loss)	28,701	28,701	0
Pre-tax profit (loss)	30,161	30,161	0
Net profit (loss) from continuing operations	22,028	22,028	0
Net profit (loss)	22,028	22,028	0
Other net comprehensive income			
Total other net comprehensive income	-156	-156	0
Total comprehensive income	21,872	21,872	0

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

	Restated	Approved	
	31-12-2023	31-12-2023	Effect of changes
ASSETS			
Non-current assets			
Total non-current assets	186,390	186,390	0
Current assets			
Valuation of long-term construction contracts	213,792	243,339	-29,547
Total current assets	693,115	722,662	-29,547
Total assets	879,505	909,052	-29,547
EQUITY AND LIABILITIES			
Equity			
Total equity	192,986	192,986	0
Non-current liabilities			
Total non-current liabilities	107,968	107,968	0
Current liabilities			
Accruals	167,066	196,613	-29,547
Total current liabilities	578,551	608,098	-29,547
Total liabilities	686,519	716,066	-29,547
Total equity and liabilities	879,505	909,052	-29,547

8.2.3. Preparation basis

The separate financial statements have been prepared in accordance with the historic cost convention, except for certain non-current assets and financial instruments 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 financial statements are consistent with the accounting principles (policies) used in the preparation of the financial statements of the Company for the financial year ended 31 December 2023.

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

8.2.4. Segment reporting

ZUE's reporting is based on operating segments. The Company analyses the areas of activity based on the aggregation rules under IFRS 8.12 and identifies one aggregate reporting segment, namely construction activity.

The Company is organised and managed within the abovementioned segment.

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

8.2.5. Recognition of revenue from long-term construction contracts

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

Revenue from construction contracts

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

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

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

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

Input method

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

Zero-profit method

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

Recognition of expected losses

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

Practical use of progress toward completion measurement methods

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

Contract measurement stages:

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

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

8.2.6. Foreign currencies

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

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

8.2.7. Borrowing costs

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

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

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

8.2.8. Costs of employee benefits

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

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

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

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

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

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

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

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

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

8.2.9. Income tax (including deferred tax)

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

8.2.10. Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

8.2.11. Investment property

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

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

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

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

8.2.12. Intangible assets

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

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

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

Item	Useful lives
Licences for software	2 - 10 years
Leasehold	25 - 99 years
Cost of completed development projects	1 - 10 years

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

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

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

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

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

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

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

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

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

8.2.14. Non-current assets held for sale

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

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

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

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

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

8.2.15. Investments in subordinates

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

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

8.2.16. Leases

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

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

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

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

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

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

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

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

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

- a) Fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- b) Variable lease payments that depend on an index or a rate initially measured with the index or the rate at the commencement date;
- c) Amounts expected to be payable by the lessee under residual value guarantees;

- d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

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

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

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

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

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

8.2.17. Inventories

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

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

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

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

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

8.2.18. Trade and other receivables

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

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

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

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

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

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

8.2.19. Cash and cash equivalents

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

8.2.20. Trade and other payables

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

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

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

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

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

8.2.21. Accruals

Accruals include provisions for the costs of contracts.

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

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

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

8.2.22. Advance payments

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

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

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

The item of Advance payments received in connection with performed contracts presents the obligation under the contracts in respect of which the advance payment has been made and the remuneration has been paid in advance

for the construction works which have not yet been performed by the Company. Advance payments for performed contracts are settled during the contract performance as part of the ordinary course of the Company's operation.

8.2.23. Financial assets

Classification and measurement

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

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

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

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

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

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

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

- Trade receivables;
- Deposits under supplies and services;
- Advanced loans;
- Other receivables.

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

- Cash and cash equivalents.

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

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

Impairment

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

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

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

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

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

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

Hedge accounting

No hedge accounting is applied by the Company.

8.2.24. Financial liabilities and equity instruments issued by the Company

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

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

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

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

A financial liability is classified as held for trading if:

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

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

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

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

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

- Deposits under construction contracts;
- Loans and bank credits and other financing sources; and
- Trade and other payables.

8.2.25. Provisions

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

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

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

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

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

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

8.2.26. Treasury shares

Treasury shares are recognised under short-term financial assets in the accounting records, but are disclosed in the liabilities section of the statement of financial position as a separate component of equity, reducing total equity.

Treasury shares are recognised at acquisition cost.

The sale or cancellation of treasury shares does not give rise to any recognition of gain or loss in profit or loss. Amounts paid for treasury shares and proceeds from their sale are recognised directly in equity.

8.3. Sources of estimation uncertainty

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

The estimates relate, *inter alia*, to:

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

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

8.3.1. Impairment of goodwill

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

8.3.2. Useful economic lives of non-current assets

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

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

8.3.3. Loss allowances for receivables

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

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

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

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

8.3.4. Provisions

Provisions for litigations

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

Provisions for employee benefits

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

Provisions for warranty claims

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

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

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

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

Provisions for loss on contracts

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

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

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

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

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

8.3.6. Deferred tax assets

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

8.3.7. Contingent assets and contingent liabilities and security on property

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

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

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

8.3.8. Uncertainty over tax settlements

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

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

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

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

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

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

9. Events after the end of the reporting period

On 30 January 2025, the Company learnt about the submission by the consortium of ZUE (the Leader) and Duna Polska S.A. (the Consortium) of the most economically advantageous tender in the tender procedure for the following project: "Design and execution of construction works for the task named: Upgrade of the railway line no. 108 between Jasło and Nowy Zagórz as part of the following project: "Upgrade of the railway line no. 108 between Jasło and Nowy Zagórz and the construction of the Jedlicze – Szebnie railway link." Contracting authority: PKP PLK S.A. Net value of the tender submitted by the Consortium including the options (ZUE's share – 50%): PLN 991.4m (gross value: PLN 1,219.4m). Completion date: 50 months. **(Current report 2/2025)**

On 5 February 2025, the Company learnt about the submission by the consortium of the companies within ZUE Capital Group (ZUE, ZUE Construct S.R.L.) of the most economically advantageous tender in the tender procedure

on the Romanian market for the following project: "Design and execution of works for the project named: "Upgrade of the Dărmănești – Vicșani – Frontieră railway line – Stage 1, Electrification:" Part 2 – Bridge renovation works at km 0+522." Contracting authority: State-owned railway company operating in Romania under the company name "C.F.R." S.A. The net amount the Contracting authority intends to spend on the project translated into PLN is about PLN 27m. Completion date: 24 months of the contract conclusion date. **(Current report 3/2025)**

On 4 March 2025, the Company learnt about the selection of the tender submitted by ZUE as the most economically advantageous offer in the tender procedure for the following project: "Design and execution of works for the project named: "Creation of the Łomża – Białystok transport route through the upgrade and electrification of the Łomża – Śniadowo railway line no. 49 and the electrification and reconstruction of passenger facilities on the Śniadowo – Łapy railway line no. 36" as part of the *Kolej+* until 2029 Programme for Supplementing Local and Regional Railway Infrastructure" (the Tender Procedure). The Company informed about the submission of the most economically advantageous tender in the Tender Procedure in the current report 20/2024. Contracting authority: PKP PLK S.A. Net value of the tender submitted by ZUE (scope of the basic contract and under the option right): PLN 329.1m (gross value: PLN 404.8m) **(Current report 4/2025)**

On 17 March 2025, the Company published the preliminary financial results for 2024. **(Current report 5/2025)**

10. Approval of the financial statements

The financial statements were approved by the Management Board on 10 April 2025.

These financial statements may change between the date of their publication and their approval by the General Meeting of the Company.

