



**ZUE Capital Group**

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**CONSOLIDATED QUARTERLY REPORT  
FOR 9 MONTHS ENDED 30 SEPTEMBER 2020**

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**Cracow, 18 November 2020**

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**Contents of the consolidated quarterly report:**

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

Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the ZUE Capital Group.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE.
Railway gft	Railway gft Polska Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000532311, share capital of PLN 300,000 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 260,000 paid up in full. Subsidiary of ZUE.
RTI Germany	Railway Technology International Germany GmbH in liquidation with registered office in Görlitz, Germany, entered into the German Register of Entrepreneurs ( <i>Handelsregister B, HRB</i> ) maintained by the District Court in Dresden ( <i>Amtsgericht Dresden</i> ) under entry number HRB 36690. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period ZUE, BPK Poznań, Railway gft, RTI and RTI Germany.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Uniform text, Journal of Laws of 2020, item 1526).

Share capital details as at 30 September 2020.



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## I. Selected financial data of ZUE Capital Group

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

	Balance at 30-09-2020		Balance at 31-12-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	175,896	38,857	182,336	42,817
Current assets	359,913	79,507	372,301	87,425
Assets held for sale	3,340	738	0	0
<b>Total assets</b>	<b>539,149</b>	<b>119,102</b>	<b>554,637</b>	<b>130,242</b>
Equity	153,292	33,864	150,441	35,327
Non-current liabilities	52,096	11,508	53,318	12,520
Current liabilities	333,761	73,730	350,878	82,395
<b>Total equity and liabilities</b>	<b>539,149</b>	<b>119,102</b>	<b>554,637</b>	<b>130,242</b>

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

	Period ended 30-09-2020		Period ended 30-09-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	610,764	137,498	748,258	173,666
Cost of sales	587,824	132,334	725,083	168,287
<b>Gross profit (loss) on sales</b>	<b>22,940</b>	<b>5,164</b>	<b>23,175</b>	<b>5,379</b>
Operating profit (loss)	5,140	1,157	7,184	1,667
Gross profit (loss)	4,268	961	6,729	1,562
<b>Net profit (loss) from continuing operations</b>	<b>2,911</b>	<b>655</b>	<b>3,966</b>	<b>920</b>
Total comprehensive income	2,851	642	3,943	915

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

	Period ended 30-09-2020		Period ended 30-09-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-2,671	-601	-84,785	-19,678
Cash flows from investing activities	-5,585	-1,257	-485	-113
Cash flows from financing activities	-3,685	-830	9,013	2,092
<b>Total net cash flows</b>	<b>-11,941</b>	<b>-2,688</b>	<b>-76,257</b>	<b>-17,699</b>
Cash at the beginning of the period	30,378	7,133	81,723	19,005
Cash at the end of the period	18,445	4,075	5,460	1,248



Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on	Exchange rate on	Exchange rate on
		30-09-2020	31-12-2019	30-09-2019
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.5268	4.2585	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.4420	n/a	4.3086
"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	4.5268	4.2585	4.3736

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

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

	Balance at 30-09-2020		Balance at 31-12-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	174,746	38,603	181,634	42,652
Current assets	339,399	74,975	341,697	80,239
Assets held for sale	3,544	783	0	0
<b>Total assets</b>	<b>517,689</b>	<b>114,361</b>	<b>523,331</b>	<b>122,891</b>
Equity	152,647	33,721	149,291	35,057
Non-current liabilities	50,005	11,046	51,499	12,093
Current liabilities	315,037	69,594	322,541	75,741
<b>Total equity and liabilities</b>	<b>517,689</b>	<b>114,361</b>	<b>523,331</b>	<b>122,891</b>

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

	Period ended 30-09-2020		Period ended 30-09-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	573,291	129,061	707,422	164,188
Cost of sales	553,024	124,499	687,588	159,585
<b>Gross profit (loss) on sales</b>	<b>20,267</b>	<b>4,562</b>	<b>19,834</b>	<b>4,603</b>
Operating profit (loss)	5,089	1,146	6,258	1,452
Gross profit (loss)	4,817	1,084	6,341	1,472
<b>Net profit (loss) from continuing operations</b>	<b>3,416</b>	<b>769</b>	<b>3,700</b>	<b>859</b>
Total comprehensive income	3,356	756	3,677	853

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

	Period ended 30-09-2020		Period ended 30-09-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-5,247	-1,181	-81,505	-18,917
Cash flows from investing activities	-7,158	-1,611	-827	-192
Cash flows from financing activities	1,764	397	7,247	1,682
<b>Total net cash flows</b>	<b>-10,641</b>	<b>-2,395</b>	<b>-75,085</b>	<b>-17,427</b>
Cash at the beginning of the period	27,979	6,570	79,404	18,466
Cash at the end of the period	17,346	3,832	4,313	986

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on	Exchange rate on	Exchange rate on
		30-09-2020	31-12-2019	30-09-2019
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.5268	4.2585	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.4420	n/a	4.3086
"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	4.5268	4.2585	4.3736



## ZUE Capital Group

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# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2020

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Cracow, 18 November 2020

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

#### Consolidated statement of comprehensive income

Continuing operations	Note no.	9 months ended 30-09- 2020	3 months ended 30-09- 2020	9 months ended 30-09- 2019	3 months ended 30-09- 2019
Sales revenue	4.3.1.	610,764	228,345	748,258	268,451
Cost of sales	4.3.2.	587,824	220,164	725,083	258,621
<b>Gross profit (loss) on sales</b>		<b>22,940</b>	<b>8,181</b>	<b>23,175</b>	<b>9,830</b>
General and administrative expenses	4.3.2.	17,356	5,816	16,410	5,711
Other operating income	4.3.3.	1,135	502	973	714
Other operating expenses	4.3.4.	1,579	112	554	262
<b>Operating profit (loss)</b>		<b>5,140</b>	<b>2,755</b>	<b>7,184</b>	<b>4,571</b>
Financial income	4.3.5.	571	256	1,164	190
Financial expenses	4.3.6.	1,443	363	1,619	654
<b>Pre-tax profit (loss)</b>		<b>4,268</b>	<b>2,648</b>	<b>6,729</b>	<b>4,107</b>
Corporate income tax	4.3.7.	1,357	656	2,763	1,284
<b>Net profit (loss) from continuing operations</b>		<b>2,911</b>	<b>1,992</b>	<b>3,966</b>	<b>2,823</b>
<b>Net profit (loss)</b>		<b>2,911</b>	<b>1,992</b>	<b>3,966</b>	<b>2,823</b>
<b>Other net comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>-60</b>	<b>0</b>	<b>-23</b>	<b>0</b>
Actuarial gains (losses) relating to specific benefit schemes		-60	0	-23	0
<b>Other total net comprehensive income</b>		<b>-60</b>	<b>0</b>	<b>-23</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>2,851</b>	<b>1,992</b>	<b>3,943</b>	<b>2,823</b>
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
<b>Consolidated net profit attributable to:</b>					
Shareholders of the parent		2,928	1,977	3,975	2,818
Non-controlling interests		-17	15	-9	5
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		0.13	0.09	0.17	0.12
<b>Total comprehensive income attributable to:</b>					
Shareholders of the parent		2,868	1,977	3,952	2,818
Non-controlling interests		-17	15	-9	5
Total comprehensive income per share (PLN)		0.12	0.08	0.17	0.12

## Consolidated statement of financial position

	Note no.	Balance at 30-09-2020	Restated Balance at 31-12-2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4.7.1.	56,633	56,525
Investment property	4.7.2.	5,592	5,877
Intangible assets	4.7.3.	1,965	1,521
Right-of-use assets	4.7.4.	51,328	57,092
Goodwill	4.7.6.	31,172	31,172
Retentions on construction contracts	4.4.2.	10,106	9,758
Deferred tax assets	4.3.7.	18,862	20,202
Other assets		238	189
<b>Total non-current assets</b>		<b>175,896</b>	<b>182,336</b>
<b>Current assets</b>			
Inventories	4.7.9.	34,770	30,353
Trade and other receivables	4.5.1.	119,678	185,772
Measurement of long-term construction contracts	4.4.1.	178,582	111,893
Retentions on construction contracts	4.4.2.	3,826	3,057
Advance payments	4.4.4.	3,690	9,722
Current tax assets	4.3.7.	0	0
Advanced loans	4.7.8.	10	0
Other assets		912	1,126
Cash and cash equivalents	4.6.4.	18,445	30,378
<b>Current assets</b>		<b>359,913</b>	<b>372,301</b>
<b>Assets held for sale</b>	4.7.5.	<b>3,340</b>	<b>0</b>
<b>Total current assets</b>		<b>363,253</b>	<b>372,301</b>
<b>Total assets</b>		<b>539,149</b>	<b>554,637</b>

	Note no.	Balance at 30-09-2020	Restated Balance at 31-12-2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		53,254	53,386
<b>Total equity attributable to shareholders of the parent company</b>		<b>153,159</b>	<b>150,291</b>
Equity attributable to non-controlling interests		133	150
<b>Total equity</b>		<b>153,292</b>	<b>150,441</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	4.6.1.	6,666	13,333
Non-current lease liabilities	4.6.2.	13,801	12,450
Retentions on construction contracts	4.4.2.	14,682	12,946
Liabilities under employee benefits		2,229	2,092
Deferred tax liability	4.3.7.	49	48
Long-term provisions	4.4.3.	14,669	12,449
<b>Total non-current liabilities</b>		<b>52,096</b>	<b>53,318</b>
<b>Current liabilities</b>			
Trade and other payables	4.5.2.	118,954	165,631
Accruals	4.4.5.	82,373	61,422
Measurement of long-term construction contracts	4.4.1.	1,277	4,584
Retentions on construction contracts	4.4.2.	21,479	19,807
Advance payments	4.4.4.	34,964	27,890
Short-term loans and bank credits	4.6.1.	21,579	15,983
Current lease liabilities	4.6.2.	10,028	10,016
Other financial liabilities		36	106
Liabilities under employee benefits		31,175	29,942
Current tax liabilities	4.3.7.	0	0
Short-term provisions	4.4.3.	11,896	15,942
<b>Total current liabilities</b>		<b>333,761</b>	<b>350,878</b>
<b>Total liabilities</b>		<b>385,857</b>	<b>404,196</b>
<b>Total equity and liabilities</b>		<b>539,149</b>	<b>554,637</b>

## Consolidated statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent	Equity attributable to non-controlling interests	Total equity
<b>Balance at</b>	<b>1 January 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,386</b>	<b>150,291</b>	<b>150</b>	<b>150,441</b>
Change of interest in subsidiaries		0	0	0	0	0	0	0
Payment of dividend		0	0	0	0	0	0	0
Issue of shares		0	0	0	0	0	0	0
Issue costs		0	0	0	0	0	0	0
Buy-back of shares		0	0	0	0	0	0	0
Profit (loss)		0	0	0	2,928	2,928	-17	2,911
Other net comprehensive income		0	0	0	-60	-60	0	-60
Other		0	0	0	0	0	0	0
<b>Balance at</b>	<b>30 September 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>56,254</b>	<b>153,159</b>	<b>133</b>	<b>153,292</b>
<b>Balance at</b>	<b>1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,717</b>	<b>146,622</b>	<b>126</b>	<b>146,748</b>
Change of interest in subsidiaries		0	0	0	0	0	0	0
Payment of dividend		0	0	0	0	0	0	0
Issue of shares		0	0	0	0	0	0	0
Issue costs		0	0	0	0	0	0	0
Buy-back of shares		0	0	0	0	0	0	0
Profit (loss)		0	0	0	3,975	3,975	-9	3,966
Other net comprehensive income		0	0	0	-23	-23	0	-23
Other		0	0	0	2	2	0	2
<b>Balance at</b>	<b>30 September 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,671</b>	<b>150,576</b>	<b>117</b>	<b>150,693</b>



<b>Balance at</b>	<b>1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,717</b>	<b>146,622</b>	<b>126</b>	<b>146,748</b>
Change of interest in subsidiaries		0	0	0	0	0	0	0
Payment of dividend		0	0	0	0	0	0	0
Issue of shares		0	0	0	0	0	0	0
Issue costs		0	0	0	0	0	0	0
Buy-back of shares		0	0	0	0	0	0	0
Profit (loss)		0	0	0	3,753	3,753	24	3,777
Other net comprehensive income		0	0	0	-86	-86	0	-86
Other		0	0	0	2	2	0	2
<b>Balance at</b>	<b>31 December 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,386</b>	<b>150,291</b>	<b>150</b>	<b>150,441</b>

## Consolidated statement of cash flows

	Restated	
	9 months ended	9 months ended
	30-09-2020	30-09-2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit / (loss) before tax</b>	<b>4,268</b>	<b>6,729</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	9,994	9,781
Foreign exchange gains / (losses)	-8	6
Interest and share in profit (dividends)	1,218	995
(Gain) / loss on disposal of investments	-413	-107
<b>Operating profit (loss) before changes in working capital</b>	<b>15,059</b>	<b>17,404</b>
Change in receivables and retentions on construction contracts	65,104	-2,038
Change in inventories	-4,417	12,434
Change in provisions and liabilities under employee benefits	-67	-6,706
Change in payables and retentions on construction contracts	-42,621	-57,755
Change in measurement of construction contracts	-69,996	-46,067
Change in accruals	20,951	38,242
Change in advance payments	13,106	-40,117
Change in other assets	212	52
Income tax paid / tax (refund)	-2	-234
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-2,671</b>	<b>-84,785</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	1,117	238
Purchase of property, plant and equipment and intangible assets	-6,685	-3,678
Sale / (purchase) of financial assets in related parties	0	-35
Advanced loans	-27	-17
Repayment of advanced loans	0	2,817
Interest received	10	190
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-5,585</b>	<b>-485</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	16,953	50,170
Repayment of loans and bank credits	-9,548	-28,189
Decrease in lease liabilities	-9,797	-11,977
Lease interest paid	-626	-742
Other interest paid	-667	-249
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-3,685</b>	<b>9,013</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-11,941</b>	<b>-76,257</b>
Net foreign exchange gains / (losses)	8	-6
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>30,378</b>	<b>81,723</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>18,445</b>	<b>5,460</b>
- of limited availability	2,038	40

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

### 1. General information

#### 1.1. Composition of the Capital Group

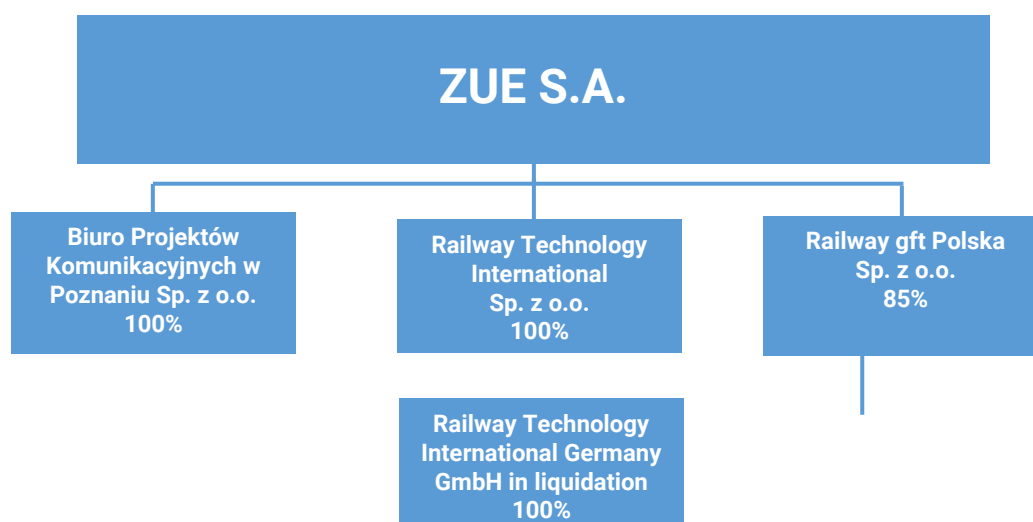
At the end of the reporting period, the Capital Group is composed of ZUE S.A. (the Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Railway Technology International Germany GmbH in liquidation (indirect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

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

The Company has been incorporated under the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). 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, under entry no. KRS 0000135388.

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

**Structure of the Capital Group at the date of the report approval:**



**Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.** has been established under the deed of 15 June 2009 signed in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). Poznań is the company's registered office. The company has been registered with the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry no. KRS 0000332405.

**Subsidiary – Railway gft Polska Sp. z o.o.** has been established under the deed of 21 October 2014 in the Notary's Office in Cracow, the Lubicz Street no. 3 (Rep. A no. 3715/2014). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000532311.

**Subsidiary – Railway Technology International Sp. z o.o.** has been established under the deed of 20 July 2011 in the Notary's Office in Warsaw, al. Jerozolimskie 29/26 (Rep. A no. 2582/2011). 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 (indirectly through RTI) – Railway Technology International Germany GmbH in liquidation** has been established under the deed of 8 May 2012 in the Notary's Office in Radebeul, Rathenaustrasse 6, Germany (no.

1090/2012). Görlitz (Germany) is the company's registered office.

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

## 1.2. Consolidated companies

Consolidated companies as at 30 September 2020:

Company name	Registered office	Interests as at		Consolidation method
		30 September 2020	31 December 2019	
ZUE S.A.	Cracow	Parent Company	Parent Company	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	85%	85%	Full

ZUE is entitled to manage the financial and operating policy of BPK Poznań and Railway gft because at 30 September 2020, it held a 100% and an 85% interest, respectively, in these companies.

At 30 September 2020, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

Railway Technology International Sp. z o.o. held 100% of shares in Railway Technology International Germany GmbH in liquidation. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Germany GmbH in liquidation was not consolidated.

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

No changes in the Group's structure occurred between the beginning of 2020 and the date of this report approval.

On 13 February 2020, an entry about the start of liquidation proceedings regarding RTI Germany was made in the District Court of Dresden.

## 1.4. Activities of the Capital Group

The Group reports the three aggregate reportable segments:

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

**Construction** activities include:

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

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

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

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

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

The operating segments' financial information is presented in the note 4.3.8.

### 1.5. Functional and reporting currency

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

## 2. Operational information

### 2.1. Sales markets

The Group's sales markets reflect the scope of the activities conducted by the Group.

Construction activities are conducted by ZUE mainly on the rail and urban infrastructure market. The table below presents the major construction contracts in progress.

Contract*	Contracting authority	Completed / in progress	Contract net value [PLN '000]
Preparation of design documentation and completion of construction works in connection with the project named: LOT D – Works on the railway lines no. 131, 542 and 739 of the Rusiec Łódzki (km 137.500) – Zduńska Wola Karsznice (km 170.212) section as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-14 “Works on the railway line C-E 65 of the Chorzów Batory – Tarnowskie Góry – Karsznice – Inowrocław – Bydgoszcz – Maksymilianowo section.”	PKP Polskie Linie Kolejowe S.A.	In progress	582,722
Design services and construction works in connection with the following project: “Works on the railway line no. 25 of the Skarżysko Kamienna – Sandomierz section” executed as part of Eastern Poland Operational Programme.	PKP Polskie Linie Kolejowe S.A.	In progress	384,805
Preparation of design documentation and completion of construction works in connection with a “design-build” contract as part of the following project: “Works on the railway line no. 1 of the Częstochowa – Zawiercie section.”	PKP Polskie Linie Kolejowe S.A.	In progress	371,580
Design and construction services in connection with the project no. 1: “Works on the Chabówka - Zakopane railway line no. 99” and the project no. 2: “Construction of railway link in Chabówka along the Sucha Beskidzka – Chabówka railway line no. 98 and the Chabówka – Zakopane railway line no. 99.”	PKP Polskie Linie Kolejowe S.A.	In progress	354,826
Provision of design services and completion of works in connection with the following project: “Works on the railway lines no. 14 and 811 of the Łódź Kaliska - Zduńska Wola - Ostrów Wielkopolski section, stage I: Łódź Kaliska – Zduńska Wola.”	PKP Polskie Linie Kolejowe S.A.	In progress	339,679
Works on the railway line no. 93 of the Trzebinia – Oświęcim – Czechowice Dziedzice section, Infrastructure and Environment Operational Programme (IEOP) 5.1-12.	PKP Polskie Linie Kolejowe S.A.	In progress	303,050
Completion of construction works in the area of the Kutno Local Traffic Control Centre (LCS) – the Żychlin-Barłogi section in connection with the following project: “Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section” executed as part of the Connecting Europe Facility (CEF).	PKP Polskie Linie Kolejowe S.A.	In progress	285,751
Design and construction services in connection with the Infrastructure and Environment Operational Programme (IEOP) 5.2 – 4 “Works on the railway line no. 146 of the Wyczerpy – Chorzew Siemkowice section.”	PKP Polskie Linie Kolejowe S.A.	In progress	208,049

Provision of design services and completion of construction works in connection with the following project: "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section" as part of the Infrastructure and Environment Operational Programme (IEOP) 2014.	PKP Polskie Linie Kolejowe S.A.	In progress	96,168
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."	PKP Polskie Linie Kolejowe S.A.	In progress	91,824
Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow and additional contract.	Zarząd Dróg Miasta Krakowa	In progress	71,951
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.	PKP Polskie Linie Kolejowe S.A.	In progress	71,900
Provision of design services and completion of construction works and purchase of land in the area of the Medyka station in connection with the following project: "Investment project at the Medyka - Mościska II border crossing."	PKP Polskie Linie Kolejowe S.A.	In progress	64,200
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)."	PKP Polskie Linie Kolejowe S.A.	In progress	59,036
"Reconstruction of the road and the track in the Chrobrego Street and the Mieszka I Street as part of the task named: "The system of sustainable urban transport in Gorzów Wlkp."	City of Gorzów Wielkopolski – Municipal Council	In progress	53,112
Maintenance and repair of tram tracks in Cracow in 2019-2022.	City of Cracow	In progress	56,046
Modernisation of E30 railway line Kraków Medyka, the Biadoliny – Tarnów section.	OHL ZS, a.s. S. A. Polish Branch	In progress	45,184
Works on the E59 railway line, the Dobiegniew – Słonice section – traction network.	Strabag Sp. z o.o.	In progress	45,052
Provision of design services and completion of construction works in connection with the following project: "Construction of the Czarnca - Włoszczowa Płn. railway line no. 582."	PKP Polskie Linie Kolejowe S.A.	In progress	40,881
Maintenance and repair of tram infrastructure (traction electrical power engineering services) in Cracow in 2019-2022.	City of Cracow	In progress	40,790
Construction of a transport hub – the Zawodzie hub as part of the following project: "Katowice System of Integrated Transport Hubs – the Zawodzie hub."	Tramwaje Śląskie S.A.	In progress	40,586
Reconstruction of track and overhead contact system in the Wyszyńskiego hub and the Szarych Szeregów Square.	City of Szczecin	In progress	36,675

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.”	PKP Polskie Linie Kolejowe S.A.	In progress	34,414
Modernisation of OCL network, B1.G Krzewie - Kłodawa section (140.000-155.000) – construction works in the area of the Kutno Local Traffic Control Centre (LCS).	Budimex S.A.	In progress	34,082
Provision of design services and completion of works at the Munina and Żurawica stations as part of the project named: “Modernization of the railway line no. 91 Kraków Główny Osobowy – Medyka and the railway line no. 92 Przemyśl – Medyka, the Rzeszów – State Border section.”	PKP Polskie Linie Kolejowe S.A.	In progress	23,845
Maintenance of street lighting equipment and building illuminations in Cracow with a breakdown into four regions.	Zarząd Dróg Miasta Krakowa	In progress	16,336

\* Contracts whose net value exceeds PLN 10m.

Design services relating to urban and rail transport systems are provided by BPK Poznań to both investors and companies which execute “design-build” projects. The biggest customers of BPK Poznań in the reporting period included PKP Polskie Linie Kolejowe S.A. and Thales Polska sp. z o.o.

Sales activities conducted by Railway gft included the sale of rails, track accessories, sleepers, rail fastening systems and aggregate.

## 2.2. Backlog

The construction contracts performed by ZUE are the biggest item of the Group’s backlog. At the date of preparation of this report, the net value of the contracted construction and assembly services amounted to PLN 1,540m and provided the Group with an ability to carry out the works in the period 2020-2023. The net value of the signed design contracts amounted to PLN 7.2m. The backlog relating to the supply of materials and equipment amounted to PLN 17.8m. ZUE signed a number of master agreements for the supply of key materials in order to secure the performance of contracts.

At the date of preparation of this report, ZUE submitted the most economically advantageous tenders for urban “build” contracts with the total net value of approx. PLN 190m. The companies within the Group take an active part in tenders. The Group intends to win new contracts, mainly on the Polish market.

## 2.3. Issuer’s major achievements of failures

In the three quarters of 2020, both the Group and the Company reported a year-on-year decrease in sales revenue by 18% and 19%, respectively. The said decrease occurred following the completion of subsequent stages of contracts. In 2020, a share of the supply of materials in sales revenue decreased as a consequence of contractual clauses whereby contractors were obliged to sell the materials in advance. The materials supplied in previous years are currently used in building processes as a result of which the reporting period saw an increase in expenses associated with the services provided by contractors. Gross margin improved over the year for both the Company (from 2.8% to 3.5%) and the Group (from 3.1% to 3.8%).

By the date of publication of this report, the Company won the new contracts in 2020 with the total net value of approx. PLN 142m. In addition, ZUE submitted the most economically advantageous tenders for urban contracts whose total net value was approx. PLN 190m.

Financial results are discussed in detail in the note no. 4.1.

No major events other than operating events discussed in this report occurred by this report preparation date.

## 2.4. Unusual factors and events with significant influence on the Group’s results

No unusual factors or events that would have any significant influence on the Group’s results occurred in the reporting period.



## 2.5. Major events in the reporting period

### Construction works:

On 31 January 2020, the Company and Strabag sp. z o.o. (Strabag) signed the contract whereby the Company would perform construction works and subcontracting services consisting in the comprehensive completion of the works relating to the reconstruction of OCL network in connection with the following project carried out by Strabag for PKP PLK S.A.: "Modernisation of track systems and the associated infrastructure on the railway line E59 of the Dobiegniew – Słonice section, between 105.820 km and 128.680 km" as part of the project named: "Works on the railway line E59 of the Wronki – Słonice section." The contract net value: PLN 44.9m. Completion of the tasks under the contract: April 2022. **(Current report 3/2020)**

On 12 February 2020, an annex was signed to the contract with Kolejowe Zakłady Automatyki S.A. The Company informed about the conclusion of the contract in the current report 61/2017 and the current report 33/2019. The contract net value increased by the net amount of approx. PLN 6.2m and the contract would be completed until the end of July 2020. **(Current report 5/2020)**

Following the receipt by the Company on 13 February 2020 of the signed contract between the Company and PKP Polskie Linie Kolejowe S.A. (PKP PLK) for the following task: "Provision of design services and completion of additional railway traffic control works in connection with the project no. 1: "Works on the Chabówka - Zakopane railway line no. 99" carried out as part of the following project: "Works on the railway lines no. 97, 98 and 99 of the Skawina – Sucha Beskidzka – Chabówka – Zakopane section" (the "Contract"), the total net value of the contracts between PKP PLK and the companies within the ZUE Group concluded since 18 September 2019 amounted to approx. PLN 17.8m. The cooperation between the Company and PKP PLK included, in particular, the abovementioned Contract of the net value of approx. PLN 12m (gross value of PLN 14.8m). The Contract completion date was set as the end of August 2021. **(Current report 6/2020)**

On 17 March 2020, the Company submitted the termination notice relating to the contract for the provision of design services and the completion of construction works in connection with the following project: "Works on the railway lines no. 14 and 811 of the Łódź Kaliska - Zduńska Wola - Ostrów Wielkopolski section, stage I: Łódź Kaliska – Zduńska Wola" performed by the Company for PKP Polskie Linie Kolejowe S.A. (the "Contract") for PKP Polskie Linie Kolejowe S.A. (the "Contracting Authority"). The Company declared its intention to terminate the services provided by the Company (the remaining part of the construction works which had not been performed) under the Contract between the Company and the Contracting Authority due to the circumstances blamed on the Contracting Authority. On 5 May 2020, the Issuer and the Contracting Authority defined the rules on which ZUE would continue the works relating to the completion of the Contract. **(Current reports 9/2020 and 14/2020)**

On 15 April 2020, the Company received the annex signed by both parties to the subcontract entered into in June 2019 between the Company and Pilar-Rail sp. z o.o. with registered office in Raszyn (the "Subcontractor"). Accordingly, the total net value of orders and contracts entered into between ZUE and the Subcontractor since June 2019 is approx. PLN 30.4m. **(Current report 10/2020)**

On 16 April 2020, the consortium of ZUE (Leader) and FDO sp. z o.o. entered into the contract with the City of Gorzów Wlkp., Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o., Polska Spółka Gazownictwa Sp. z o.o., Oddział Zakład Gazowniczy w Gorzowie Wielkopolskim (jointly referred to as the "Contracting Authority") in connection with the following project: "Reconstruction of the road and the track in the Chrobrego Street and the Mieszka I Street as part of the project named: "The system of sustainable urban transport in Gorzów Wlkp." The Company informed about the selection of the tender as the most economically advantageous offer in the current report 7/2020. Net value of the contract: PLN 56.1m out of which 95% is attributable to the Company. Gross

value of the contract: PLN 69.0m. Project completion date: 18 months of the contract conclusion date. **(Current report 11/2020)**

On 14 May 2020, the Company learnt about the submission by ZUE of the most economically advantageous tender in the tender procedure for the project named: "Reconstruction of the track together with OCL network from the Żołnierza Square to the Niebuszewo terminus and along the Żołnierza Polskiego Square – the Matejki Street – the Piłsudskiego Street (to the Rodła Square)." Contracting Authority: The City of Szczecin. Net value of the tender submitted by the Company: PLN 141.8m. Gross value of the tender submitted by the Company: PLN 174.4m. Project completion date: 720 days of the contract conclusion date. On 1 September 2020, the Company learnt about the selection by the Contracting Authority of ZUE's offer as the most economically advantageous tender. **(Current report 15/2020 and 30/2020)**

On 17 July 2020, the Company received the signed contract with PKP Polskie Linie Kolejowe S.A. for the project named: "Provision of design services and completion of works at the Munina and Żurawica stations" as part of the project named: "Modernization of the railway line no. 91 Kraków Główny Osobowy – Medyka and the railway line no. 92 Przemyśl – Medyka, the Rzeszów – State Border section." The Company informed about the selection of the most economically advantageous tender in the current report 19/2020. Net value of the contract: PLN 23.4m. Gross value of the contract: PLN 28.8m. Project completion date: 670 days of the contract conclusion date. **(Current report 22/2020)**

On 17 July 2020, the Company learnt about ZUE's submission of the lowest price tender in the tender procedure for the project named: "Expansion of a tram line in Olsztyn." Contracting Authority: City of Olsztyn. Net value of the tender submitted by the Company: PLN 310.7m. Gross value of the tender submitted by the Company: PLN 382.2m. Project completion date: 791 days of the contract conclusion date. On 17 August 2020, the Company learnt about the selection by the Contracting Authority of ZUE's offer as the most economically advantageous tender. On 30 September 2020, the Company learnt about the oral judgment delivered on the same date by the National Appeals Chamber (the "Chamber"). The Chamber ordered that the selection by the City of Olsztyn of the most economically advantageous tender submitted by the Company in the said tender procedure be cancelled. **(Current report 23/2020, 28/2020, 32/2020)**

On 11 September 2020, the Company entered into the subcontracting agreement with Pilar-Rail sp. z o.o. of Falenty. Net value of the agreement: PLN 22.4m. Completion date: February 2023. **(Current report 31/2020)**

#### **Financial agreements:**

On 28 January 2020, the Company and BNP Paribas Bank Polska S.A. (the "Bank") signed a number of annexes to the financing agreement. The Company informed about the said financing agreement in the current report 72/2017 and subsequent current reports. Under the annexes, the amount of the limit granted to the Company was set as PLN 100m. At the Company's request, the Bank would provide the bank guarantees of any type (including, in particular, bid bonds, performance bonds and advance payment bonds). In addition, the term of the limit was extended by 12 months of the annexes conclusion date. **(Current report 1/2020)**

On 5 February 2020, the Company published preliminary financial results for 2019. **(Current report 4/2020)**

On 4 May 2020, the Company signed the annex to the master agreement for project-related bonding products with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. Under the annex, the limit provided to the Company was raised from PLN 30m to PLN 40m. **(Current report 13/2020)**

On 26 May 2020, the Company received the two signed annexes to the agreements with mBank S.A. (the "Bank") whereby the Company was provided by the Bank with the banking products such as guarantee lines or credits to finance day-to-day operations. On the basis of one of the abovementioned documents, the limit of the guarantee line granted under the master agreement was set as PLN 100m to be used by 31 May 2021. The other document defined the limit of the guarantee line granted under the cooperation agreement as PLN 25m to be used by 31 May 2021. **(Current report 17/2020)**

On 30 July 2020, the Company and BNP Paribas Bank Polska S.A. entered into premium multi-purpose credit line agreement whereby the Company would be granted the credit limit of up to PLN 30m. The limit would be available

to the Company until 30 July 2022. The credit tenor was set until 30 July 2030. The Company may use the credit limit to issue bank guarantees and to finance day-to-day operations. **(Current report 25/2020)**

#### Corporate events:

On 22 April 2020, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 18 June 2020. **(Current report 12/2020 and 18/2020)**

On 21 May 2020, the Company received a notice from NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. according to which all investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. had dropped below 5% of votes at the Company's General Meeting. **(Current report 16/2020)**

On 30 July 2020, the Company's Ordinary General Meeting resolved to allocate the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds. **(Current report 26/2020 and 27/2020)**

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

On 5 October 2020, the Company learnt about the selection of the tender submitted by the Company as the most economically advantageous offer in the tender procedure for the completion of the second part of the project named: "Reconstruction of the tramway track from the Toruńska Street to the OM Rząd tram terminus" and "Reconstruction of the Chelmińska Street between the Laskowicka Street and the Wiejska Street" as part of the following projects: "Reconstruction of tram infrastructure to improve public transport in Grudziądz" and "Reconstruction of a part of the provincial road no. 498 (the Chelmińska Street) in Grudziądz." The Contracting Authority: Zarząd Dróg Miejskich w Grudziądz. Net value of the tender submitted by the Company: PLN 47.7m. Gross value of the tender submitted by the Company: PLN 58.6m. Project completion date: 31 October 2021. The Company informed about the submission of the most economically advantageous tender in the current report 24/2020. **(Current report 33/2020)**

On 19 October 2020, the Company appealed in the District Court in Olsztyn against the judgment delivered by the National Appeals Chamber. In the said judgment, the Chamber ordered that the selection by the City of Olsztyn of the most economically advantageous tender submitted by the Company in the tender procedure entitled "Expansion of a tram line in Olsztyn." The Company informed about the Chamber's judgment in the current report 32/2020. **(Current report 34/2020)**

On 9 November 2020, the Company published preliminary financial results for the three quarters of 2020. **(Current report 35/2020)**

#### 2.7. Bonds, guarantees, loans and credit limits

The activities conducted by the Group require it to provide bonds. The bonds include, first and foremost, bid bonds, performance bonds, defects liability bonds and advance payment bonds provided by banks and insurance companies to the Group's counterparties to secure their claims against the Group. Banks and insurance companies have recourse against the Group.

As at 30 September 2020:

- The amount of the bonds issued by the Group to third parties: PLN 542,558 thousand;
- The amount of the bonds issued by the Company to third parties: PLN 534,164 thousand;
- The amount of unused guarantee lines at the Group: PLN 167,205 thousand (including PLN 7,600 thousand which may be allocated to working capital credit);
- The amount of unused guarantee lines at the Company: PLN 163,834 thousand (including PLN 7,600 thousand which may be allocated to working capital credit);
- The amount of unused credits at the Group: PLN 26,735 thousand (including PLN 22,828 thousand with no ability of allocating to bonds);
- The amount of unused credits at the Company: PLN 26,735 thousand (including PLN 22,828 thousand with no ability of allocating to bonds).

In the reporting period:

- On 15 January 2020, ZUE entered into the guarantee limit agreement of PLN 10m with Towarzystwo Ubezpieczeniowe InterRisk.

- On 28 January 2020, the Company and BNP Paribas signed an annex to the Multipurpose Credit Line Agreement whereby the line was extended for another year and the available limit was reduced from PLN 170m to PLN 100m to be used exclusively for bonds. As the credit cannot be taken under the Agreement, the Agreement is not disclosed by the Company in the table of credit agreements and the amount of the limit is disclosed exclusively in the list of guarantee limits.
- On 5 February 2020, the debt under multipurpose credit line with BNP Paribas Bank was repaid in full and the subsidiary's limit expired.
- On 4 May 2020, the Company signed the annex to the master agreement for project-related bonding products with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. Under the annex, the limit provided to the Company was raised to PLN 40m. The Company informed thereof in the current report 13/2020.
- On 15 May 2020, the debt under the revolving credit agreement with BNP Paribas Bank was repaid in full and the limit expired.
- On 19 May 2020, a subsidiary signed the annex to the working capital credit agreement with mBank S.A. Under the annex, the amount of instalments was changed and the repayment date was extended until 31 July 2020. The credit was repaid in a timely fashion and the limit expired.
- On 22 May 2020, an amendment was made to the working capital credit agreement whereby a type of security was changed for a subsidiary by establishing a financial pledge over the borrower's bank accounts.
- On 26 May 2020, the Company signed two annexes to the agreements with mBank S.A. whereby the Company was provided by the Bank with the banking products such as guarantee lines or credits to finance day-to-day operations. On the basis of one of the abovementioned documents, the limit of the guarantee line granted under the master agreement was set as PLN 100m and the line could be used until 31 May 2021. The other document defined the limit of the credit line granted under the cooperation agreement as PLN 25m to be used by 31 May 2021.
- On 10 June 2020, the Company and mBank S.A. entered into the working capital credit agreement as part of the sublimit available under the abovementioned Master Agreement.
- On 9 July 2020, the Company and mBank S.A. signed the annex to the overdraft agreement whereby the repayment date was extended by another year and the type of security was changed.
- On 30 July 2020, the Company entered into the new agreement with BNP Paribas whereby the Company was granted the credit limit of up to PLN 30m. The tenor was set until 30 July 2030.
- On 6 August 2020, working capital credit with mBank S.A. was partially repaid by a subsidiary.
- On 19 August 2020, a subsidiary signed the annex to the working capital credit agreement whereby the repayment date was extended until 30 November 2020 and the new repayment schedule was defined.

At the end of the reporting period, the loans granted by ZUE (net of write-downs) amounted to PLN 1,741 thousand. At the end of the reporting period, the loans granted by the Group (net of write-downs) amounted to PLN 10 thousand.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 30 September 2020 was PLN 15,268 thousand, including PLN 13,500 thousand to guarantee the liabilities of Railway gft.

The liabilities of Railway gft are guaranteed in connection with the following bank agreements:

- Guarantee master agreement with mBank S.A. – the guarantee of PLN 8m in the period July 2015 – August 2024;
- Revolving credit agreement with mBank S.A. – the guarantee of PLN 5.5m in the period August 2015 – May 2022.

No loans or bonds of significant total value were granted or provided in the three quarters of 2020 by the Parent Company or the subsidiaries to any single entity outside the Capital Group (or any subsidiary thereof).

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

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

The coronavirus epidemic declared in Poland on 20 March 2020 or the related restrictions did not have any material influence on the Group's financial results achieved in the three quarters of 2020. Despite the restrictions, the Group continues to operate in all operating segments.

The Management Board believe there are no indicators of impairment or any reasons for the recognition of additional provisions in connection with the pandemic. There are no major changes to the scope of operating activities. The Group's predictions about the performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Company's key assets.

The influence of threats related to the spread of COVID-19 on the Group is discussed in item 2.12. of this report.

## **2.9. Factors believed by the Issuer to have an influence on the Group's development and future performance**

The factors believed to have a bearing on the Group's financial results include:

- Untimely settlement of liabilities to the Group by Contracting Authorities;
- Delays or unfavourable outcome of tender procedures including the Group;
- Unstable prices of raw materials and liquid fuels;
- Increase in the fees charged by subcontractors;
- Unstable EUR/PLN rate;
- Outcome of court proceedings; and
- Influence of the coronavirus pandemic.

The Management Board Report on the activities of the Capital Group for six months ended 30 June 2020 contains a detailed description of the factors. In addition, the influence of the pandemic is discussed in item 2.12.

No significant changes have been identified when comparing the factors with the information contained in the semi-annual report.

## **2.10. Risks believed by the Group to have an influence on its future performance**

- Risk related to financial liquidity in the construction sector;
- Risk related to logistics;
- Risk related to the failure of making the construction site available by the date specified in a contract;
- Risk related to obtaining administrative decisions, ability to appeal against administrative decisions and third parties' activities influencing the Group's design or construction services;
- Risk related to inaccurate estimate of the costs of planned and performed contracts;
- Risk related to joint and several liability to subcontractors and consortium members;
- Risk related to improper performance of contracts by key counterparties;
- Risk related to bonds, contractual penalties and the related litigations;
- Risk related to bankruptcy of counterparties;
- Risk related to guarantee of payment for construction works;
- Risk related to change of law, including tax law;
- Risk related to obtaining new contracts;
- Risk related to growing competition;
- Risk related to terms and procedures of awarding contracts and exclusions from public tenders;
- Risk related to the European co-funding of railway projects;
- Risk related to the obtaining of funds required to perform construction contracts as well as performance and bid bonds;
- Risk related to weather conditions;
- Risk related to social and economic situation in Poland;
- Risk related to interest rates;
- Risk related to unstable margins; and
- Risk related to the influence of coronavirus on construction processes.

The Management Board Report on the activities of the Capital Group for six months ended 30 June 2020 contains a detailed description of the abovementioned risks.

Except for the information on the effects of COVID-19 contained in item 2.12, no significant changes have been identified when comparing these risks with the information contained in the semi-annual report.

## 2.11. Risks related to social and employee issues, natural environment, respect of human rights and counteracting corruption

- Risk related to greater employment costs;
- Risk related to the outflow of qualified staff;
- Risk related to the influence on natural environment;
- Risk related to social issues and human rights; and
- Risk related to corruption.

The Management Board Report on the activities of the Parent Company and the Capital Group for 2019 contains a detailed description of the abovementioned risks.

No significant changes have been identified when comparing these risks with the information contained in the annual report.

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

### a) Measures taken by the Group

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

The Company reacts on an ongoing basis to the worsening pandemic situation in Poland. After the new restrictions had been announced by the Polish government on 10 October 2020 and on later dates, the Company considered the recommendations and extended the ability of its employees to work remotely or on a rotational basis where remote work is impossible. The Company also employed additional measures to keep its employees informed, monitor their health and provide them with protective equipment. The situation is constantly monitored.

These measures have been taken by the Company to ensure the safety of employees and collaborators and to continue operating activities.

### b) Impact of the coronavirus pandemic on the activity and financial standing in the three quarters of 2020

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

At the end of the reporting period or at the date of preparation of this report, there are no major disruptions to construction processes or the chain of supplies caused by the COVID-19 restrictions which could influence the Group's financial results. The situation is monitored on an ongoing basis.

The Management Board believe there are no indicators of impairment or any reasons for the recognition of additional provisions in connection with the pandemic. There are no major changes to the scope of operating activities. The Group's predictions about the performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Company's key assets.

### c) Possible impact of the coronavirus on the activity and financial standing

The impact of the coronavirus pandemic on the Group's future situation or results cannot be estimated at the date of preparation of this report. Below please find the factors which may influence the Group's activity and the markets in which the Issuer operates in the next quarters.

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

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

- Impediments relating to the absence or temporary exclusion of the Company's employees, subcontractors and consortium members; and
- Possible suspension of works under construction contracts.

Factors which may have a positive influence:

- Change in the prices of fuels and petroleum products (changing prices of crude oil);
- Government decisions to continue the domestic transport infrastructure modernisation projects;
- Simplified procedures concerning, for instance, the acceptance of works and the circulation of documents in connection with railway contracts and quick payments for the works performed;
- Better supply of employees and lower financial expectations (growing unemployment in Poland).

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

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

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

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

### 2.14. Strategic objectives

The main strategic objective in 2020-2022 is to take a maximum advantage of the current EU perspective.

The Group's strategic objectives include:

- Maintenance of the position of the Group as one of the leaders of the rail transport infrastructure construction market;
- Maintenance of the position of the Group as one of the leaders of the urban transport infrastructure construction market;
- Strengthening of the Group's position on the transport system design market;
- Development of sales services on the track materials manufacture and distribution market.

In 2020, the Issuer's focus was on winning new construction contracts and proper performance of the contracts concluded in prior years.

In the long-term perspective, the principal aim of the Group is to develop its offer of the service and maintenance of urban and rail infrastructure.

The strategic objectives are pursued taking into consideration non-financial issues such as human rights, employees' rights, the impact on local environment or environmental protection.

### Prospects of the markets the Group operates in:

In July 2020, 27 Member States agreed on the EU budget for 2021-2027. Different UE programmes give Poland approx. PLN 750bn in grants and low-interest loans. According to the information provided, Poland will be the biggest beneficiary of the Cohesion Policy funds and will receive about EUR 66.8bn including the funds to be spent on the development of infrastructure<sup>1</sup>.

According to the information provided, *inter alia*, by the Ministry of Infrastructure, investments in railway infrastructure projects will continue in accordance with the long-term planning despite the economic downturn caused by the coronavirus pandemic<sup>2</sup>.

<sup>1</sup> <https://www.gov.pl/web/fundusze-regiony/750-mln-w-latach-2021-2027-jest-sukces-na-szczycie-rady-europejskiej>

<sup>2</sup> <https://www.rynekinfrastruktury.pl/wiadomosci/drogi/adamczyk-inwestycje-drogowe-i-kolejowe-nadal-beda-realizowane-71197.html>

### Rail infrastructure construction market

The Polish rail infrastructure construction market is witnessing the execution of the biggest ever railway modernisation project – the National Railway Programme (the “NRP”). In September 2019, the amount of the NRP was raised by PLN 5.7bn to the total amount of more than PLN 75bn<sup>3</sup>. The pending projects are worth approx. PLN 46bn<sup>4</sup>. The entire programme is scheduled for completion by 2023. Project design documents are also prepared for contracts funded under the next financial perspective. In August 2020, PKP PLK revealed that it expected the design documents worth approx. PLN 36-40bn to be ready in 2021 and the design documents worth between ten and twenty billions of PLN to be ready in 2022<sup>5</sup>. This is to ensure the continuity of operations and prevent the occurrence of so-called peaks and decays between EU perspectives, which exerted a negative impact on the industry in the past. Apart from modernization projects, the next perspective (from 2021) will also cover the construction of new railway lines, including under the Central Communication Port project with a railway component (construction of the new lines of approx. 1,800 km out of which 500 km will be completed in the next 6 years<sup>6</sup>).

### Urban infrastructure construction market

The intensity of the start and execution of new urban infrastructure projects in subsequent years will depend on the financial condition of individual cities influenced by the coronavirus-related restrictions.

In the current EU perspective for the years 2014-2020, tram infrastructure is the preferred direction in the field of the transport system development in the cities with tram lines. The plans of the Polish cities provide for the construction of more than 100 km of new and upgrading of 200 km of the existing tram lines. Investments in environmentally friendly urban rail transport will have excellent potential in terms of financing under the 2021-2027 EU perspective.

Cracow, Warsaw, Olsztyn, Gdańsk, Bydgoszcz, Szczecin, Poznań or the Upper Silesia cities are planning the construction or modernisation of the new lines. Warsaw intends to build the most modern tram depot in Poland.

The urban market is the Company’s major path of backlog diversification. ZUE actively aims to increase the share of the urban backlog by winning “build” and “maintain” contracts.

<sup>3</sup> <https://www.rynek-kolejowy.pl/wiadomosci/krajowy-program-kolejowy-zwiekszony-o-kolejne-57-mld-zl-93578.html>

<sup>4</sup> <https://forsal.pl/artykuly/1426335,pkp-plk-zapowiada-90-proc-realizacji-programu-kolejowego-do-konca-2020-r.html>

<sup>5</sup> <https://stooq.pl/n/?f=1367795>

<sup>6</sup> <https://www.rynek-lotniczy.pl/wiadomosci/prezes-pkp-plk-budowa-500-km-linii-kolejowych-do-cpk-w-6-lat-to-wyzwanie-9486.html>



### 3. Corporate information

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

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

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

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

#### Supervisory Board:

Mariusz Szubra	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
Bogusław Lipiński	Supervisory Board Member
Piotr Korzeniowski	Supervisory Board Member
Michał Lis	Supervisory Board Member

#### Audit Committee:

Mariusz Szubra	Audit Committee Chairperson
Barbara Nowak	Audit Committee Member
Piotr Korzeniowski	Audit Committee Member

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

#### 3.2. Share capital structure

The Company's share capital amounts to PLN 5,757,520.75 and is divided into 23,030,083 shares with a par value of PLN 0.25 each, including:

- 16,000,000 class A bearer shares;
- 6,000,000 class B bearer shares; and
- 1,030,083 class C bearer shares.

#### 3.3. Treasury shares

At this report preparation date, the Company holds 264,652 treasury shares whose purchase value is PLN 2,690,000. 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 transaction was described in detail in the note no. 25 of the Consolidated Financial Statements for the year ended 31 December 2015.

### 3.4. Shareholders of the Parent Company

According to the information held, the Parent Company had the following shareholding structure at this report preparation date:

Shareholder	Number of shares/votes at 18 November 2020	% of the share capital/total number of votes	Number of shares/votes at the date of publication of the last interim report <sup>(1)</sup>	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53	14,400,320	62.53
MetLife OFE	1,400,000 <sup>(2)</sup>	6.08	1,400,000 <sup>(2)</sup>	6.08
PKO Bankowy OFE	1,500,000 <sup>(3)</sup>	6.51	1,500,000 <sup>(3)</sup>	6.51
Other	5,729,763 <sup>(4)</sup>	24.88	5,729,763 <sup>(4)</sup>	24.88
<b>Total</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>

- (1) Publication of the last interim report (Consolidated Report of the Group for 1H 2020): 19 August 2020.  
(2) Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of ZUE held on 8 December 2014 provided in the current report 41/2014 of 8 December 2014.  
(3) Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Ordinary General Meeting of ZUE held on 18 June 2014 provided in the current report 31/2014 of 18 June 2014.  
(4) Including 264,652 ZUE shares repurchased by the Company as part of the buy-back of own shares.

### 3.5. Shares and powers held by members of the Issuer's management and supervisory bodies

According to the information held by the Management Board of ZUE at this report preparation date, ZUE shares were held by the following members of the Issuer's management and supervisory bodies.

Shareholder	Position	Number of shares/votes as at 18 August 2020	% of the share capital/total number of votes	Changes in shareholding since the preparation of the last interim report; i.e. 20 May 2020
Wiesław Nowak	Management Board President	14,400,320	62.53	None
Marcin Wiśniewski	Management Board Vice-President	2,300	0.01	None
Jerzy Czeremuga	Management Board Vice-President	136	< 0.01	None
Maciej Nowak	Management Board Vice-President	7,806	0.03	None
Michał Lis	Supervisory Board Member	661	< 0.01	None

According to the best knowledge of the Company's Management Board, other members of the Issuer's management or supervisory bodies did not hold any ZUE shares at this report preparation date.

No members of the Management Board or the Supervisory Board had any rights to acquire the Company shares at the date of preparation of the last interim report or this report.

### 3.6. Other information significant for the assessment of the Issuer's position

No events with significant influence on the assessment of the Issuer's position other than presented in this report occurred in the reporting period.

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

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

### 3.8. Dividend

No dividend was paid the Company in the reporting period.

On 22 April 2020, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 18 June 2020.

On 30 July 2020, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit for the financial year 2019 to reserve funds.

## 4. Financial information

### 4.1. Factors and events with significant influence on the Group's financial results for the three quarters of 2020

In the third quarter of 2020, the Company (whose activities generated 92% of the Group's revenue) continued to carry out the contracted construction works. They were mainly railway infrastructure projects performed as part of the National Railway Programme until 2023 (the "NRP") and urban (tram) infrastructure projects in such cities as Szczecin, Gorzów Wlkp. or Katowice. ZUE also performed the Cracow tram and street lighting infrastructure maintenance contracts. The Company continued to expand its backlog by winning the new railway but also urban infrastructure contracts as a result of which it diversified the backlog previously mainly composed of railway contracts won as part of NRP. At the date of preparation of this report, the Company submitted the best "build" tenders in urban tender procedures with the total net value of approx. PLN 190m.

#### Discussion of major items of the statement of profit or loss

Sales revenue generated by the Group and the Company in the three quarters of 2020 decreased over the year by 18% and 19%, respectively. The revenue decreased as a result of the completion of subsequent stages of contracts. In 2020, a share of the supply of materials in sales revenue decreased as a consequence of contractual clauses whereby contractors were obliged to sell the materials in advance. The materials supplied in previous years are currently used in building processes as a result of which the reporting period saw an increase in expenses associated with the services provided by contractors. Gross margin improved over the year for both the Company (from 2.8% to 3.5%) and the Group (from 3.1% to 3.8%).

In the period under analysis, both the Group and the Company recorded positive results at all profit levels.

#### Comparison of the results reported by ZUE and the Group:

	ZUE		GROUP	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Sales revenue	573,291	707,422	610,764	748,258
Cost of sales	553,024	687,588	587,824	725,083
<b>Gross profit (loss) on sales</b>	<b>20,267</b>	<b>19,834</b>	<b>22,940</b>	<b>23,175</b>
<i>Gross margin</i>	3.5%	2.8%	3.8%	3.1%
General and administrative expenses	14,384	13,315	17,356	16,410
Other operating income	658	214	1,135	973

Other operating expenses	1,452	475	1,579	554
<b>Operating profit (loss) (EBIT)**</b>	<b>5,089</b>	<b>6,258</b>	<b>5,140</b>	<b>7,184</b>
<i>EBIT margin**</i>	0.9%	0.9%	0.8%	1.0%
<i>EBITDA***</i>	14,962	15,910	15,134	16,965
<i>EBITDA margin**</i>	2.6%	2.2%	2.5%	2.3%
Financial income	826	1,314	571	1,164
Financial expenses	1,098	1,231	1,443	1,619
<b>Pre-tax profit (loss)</b>	<b>4,817</b>	<b>6,341</b>	<b>4,268</b>	<b>6,729</b>
Income tax	1,401	2,641	1,357	2,763
<b>Net profit (loss) from continuing operations</b>	<b>3,416</b>	<b>3,700</b>	<b>2,911</b>	<b>3,966</b>
<b>Net profit (loss)</b>	<b>3,416</b>	<b>3,700</b>	<b>2,911</b>	<b>3,966</b>
<i>net margin</i>	0.6%	0.5%	0.5%	0.5%

\* Operating profit + depreciation / amortisation.

\*\* EBIT, EBITDA measures unspecified by the IFRS.

Gross margin improved year on year for both the Group and the Company in the period analysis. In addition, both the Group and the Company maintained EBIT, EBITDA and net margin on the similar level.

The Group's general and administrative expenses in the reporting period increased over the year by 6%. The Company's general and administrative expenses in the reporting period increased over the year by 8%. The Group's financial expenses decreased by 11% when compared with the analogous period of 2019. (ZUE: year-on-year decrease by 11%).

#### Discussion of major balance sheet items

As at 30 September 2020, the Group's total assets and liabilities amounted to PLN 539,149 thousand and the Company's total assets and liabilities amounted to PLN 517,689 thousand.

#### Major changes in the consolidated statement of financial position of the Group:

Item	Change compared to 31-12-2019	Balance as at 30-09-2020	Description
<b>Assets</b>			
Right-of-use assets	-5,764	51,328	End of leases and repayment.
Trade and other receivables	-66,094	119,678	Accounting for certain completed construction works.
Measurement of long-term construction contracts	66,689	178,582	Greater progress of construction works in connection with performed contracts.
Cash and cash equivalents	-11,933	18,445	Use of funds to conduct operating activities.
<b>Liabilities</b>			
Long-term loans and bank credits	-6,667	6,666	Repayment of financial liabilities.
Trade and other payables	-46,677	118,954	Accounting for certain completed construction works.
Accruals	20,951	82,373	Greater provisions for subcontractors in connection with performed contracts.
Advance payments	7,074	34,964	Advance payment on one construction contract and accounting for certain advance payments in connection with works progressing under construction contracts.

## Discussion of items of the Group's statement of cash flows

Cash flows from operating activities were mainly influenced by changes in receivables, payables, advance payments, measurement of long-term construction contracts and accruals in connection with the performance of construction contracts.

Cash flows from investing activities were mainly influenced by the purchase of intangible assets and non-current assets.

Cash flows from financing activities were mainly influenced by the financing with credit and leaseback, a decrease in liabilities under loans and credits and a decrease in lease liabilities.

	ZUE		ZUE Group	
	Period ended	Period ended	Period ended	Period ended
	30-09-2020	30-09-2019	30-09-2020	30-09-2019
Cash flows from operating activities	-5,247	-81,505	-2,671	-84,785
Cash flows from investing activities	-7,158	-827	-5,585	-485
Cash flows from financing activities	1,764	7,247	-3,685	9,013
<b>Total net cash flows</b>	<b>-10,641</b>	<b>-75,085</b>	<b>-11,941</b>	<b>-76,257</b>
Cash and cash equivalents at the beginning of the period	27,979	79,404	30,378	81,723
Cash and cash equivalents at the end of the period	17,346	4,313	18,445	5,460

## Discussion of the results reported by segments

The total revenue generated by the Group in the three quarters of cons2020 amounted to PLN 610,764 thousand. 92% of the revenue was derived from construction activity.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	573,291	39,654	8,446	-10,627	610,764
Gross profit on sales	20,267	1,805	1,222	-354	22,940
Net profit/loss	3,416	-155	-113	-237	2,911

In the reporting period, both Railway gft (sales activities) and BPK Poznań (design activities) reported gross profit and net losses. The revenue of Railway gft accounted for 7% of the Group's revenue. 1% of the Group's revenue was generated by BPK Poznań.

Note no. 4.3.8 contains more information about the results reported by individual segments.

### 4.2. Statement by the Management Board of ZUE on financial projections

The Company did not publish any financial projections for the financial year 2020.

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

#### 4.3.1. Revenue

	Period ended	Period ended
	30-09-2020	30-09-2019
Revenue from construction contracts	563,989	698,350
Revenue from the rendering of services	10,653	11,556
Revenue from the sale of goods, raw and other materials	36,122	38,352

<b>Total</b>	<b>610,764</b>	<b>748,258</b>
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Revenue from construction and design activities is recognised by the Group in the item Revenue from construction contracts. The revenue is earned under the contracts accounted for on the basis of consumed time and expenditures. The services provided under construction contracts are passed directly to customers as the time passes by.

The Group's sales revenue in the period from 1 January to 30 September 2020 amounted to PLN 610,764 thousand and decreased by 18% compared to the revenue reported in the analogous period of 2019. In 2020, a share of the supply of materials in sales revenue decreased as a consequence of contractual clauses whereby contractors were obliged to sell the materials in advance. The materials supplied in previous years are currently used in building processes as a result of which the reporting period saw an increase in expenses associated with the services provided by contractors.

The Group operated in the territory of Poland in the three quarters of 2020. In addition, the Group generated sales revenue of PLN 449 thousand from the sale of materials to Russia and Germany.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	30-09-2020	30-09-2019
Counterparty A	418,396	399,873
Counterparty B		77,959
Counterparty C		74,892

**4.3.2. Operating expenses**

	Period ended 30-09-2020	Period ended 30-09-2019
Change in products	-1,518	-2,002
Depreciation and amortization	9,994	9,781
Consumption of materials and energy, including:	121,153	210,912
- consumption of materials	116,438	205,366
- consumption of energy	4,715	5,546
Contracted services	341,453	375,993
Costs of employee benefits	88,402	84,927
Taxes and charges	1,258	1,097
Other expenses	12,451	18,102
Value of goods and materials sold	31,987	42,683
<b>Total</b>	<b>605,180</b>	<b>741,493</b>

	Period ended 30-09-2020	Period ended 30-09-2019
Cost of sales	587,824	725,083
General and administrative expenses	17,356	16,410
<b>Total</b>	<b>605,180</b>	<b>741,493</b>

The Group's general and administrative expenses in the period 1 January – 30 September 2020 amounted to PLN 17,356 thousand and increased by 6% when compared with the Group's general and administrative expenses reported in the analogous period of 2019.

**Depreciation and amortisation**

	Period ended 30-09-2020	Period ended 30-09-2019
Depreciation of property, plant and equipment	6,842	6,857
Depreciation of right-of-use assets	2,789	2,548
Amortisation of intangible assets	78	92
Depreciation of investments in real property	285	284

<b>Total</b>	<b>9,994</b>	<b>9,781</b>
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The foregoing table sets out the information on the depreciation and amortisation of assets according to the use and purpose thereof as at 30 September 2020. The reclassification of assets presented in the item Right-of-use assets to the item Property, plant and equipment in connection with the purchase at the end of the lease caused (Note 4.7.1 and 4.7.4) a change in the presentation of depreciation expense and a shift among items.

#### 4.3.3. Other operating income

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Gain on disposal of assets:</b>	<b>398</b>	<b>107</b>
Gain on disposal of non-current assets	398	107
<b>Other operating income:</b>	<b>737</b>	<b>866</b>
Damages and penalties	127	655
Release of allowances for receivables	109	9
Refund of the costs of court proceedings	57	47
Release of write-downs of inventories	5	79
Donations	380	0
Other	59	76
<b>Total</b>	<b>1,135</b>	<b>973</b>

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by the Group companies (income and expenses according to their netted balance).

The Donations item includes the additional funding received by a subsidiary in connection with COVID.

#### 4.3.4. Other operating expenses

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Loss on disposal of assets:</b>	<b>0</b>	<b>0</b>
Loss on disposal of non-current assets	0	0
<b>Other operating expenses:</b>	<b>1,579</b>	<b>554</b>
Donations	3	2
Damages and penalties	0	27
Allowances for receivables	1,060	345
Costs of litigations	453	142
Other	63	38
<b>Total</b>	<b>1,579</b>	<b>554</b>

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by the Group companies (income and expenses according to their netted balance).

#### 4.3.5. Financial income

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Interest income</b>	<b>161</b>	<b>224</b>
Interest on bank deposits	61	140

Interest on loans	0	32
Interest on receivables	100	52
<b>Other financial income</b>	<b>410</b>	<b>940</b>
Discount of long-term items	398	939
Other	12	1
<b>Total</b>	<b>571</b>	<b>1,164</b>

In order to make the financial statements clearer, reinvoices have been jointly presented by the Group companies (income and expenses according to their netted balance).

#### 4.3.6. Financial expenses

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Interest expenses</b>	<b>1,257</b>	<b>1,344</b>
Interest on bank credits	241	268
Interest on loans	426	5
Interest on leases	541	885
Interest on trade and other payables	49	186
<b>Other financial expenses</b>	<b>186</b>	<b>275</b>
Foreign exchange losses	146	123
Discount of long-term items	16	32
Write-down of investments in related parties	0	35
Other	24	85
<b>Total</b>	<b>1,443</b>	<b>1,619</b>

#### 4.3.7. Corporate income tax

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

	Period ended 30-09-2020	Period ended 30-09-2019
Current income tax	2	234
Deferred tax	1,355	2,529
<b>Total tax expense/income</b>	<b>1,357</b>	<b>2,763</b>

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

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

##### Income tax according to effective interest rate

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Gross profit (loss)</b>	<b>4,268</b>	<b>6,729</b>
Income tax at the applicable rate of 19%	811	1,279
<b>Effect of tax recognition of:</b>	<b>-4,475</b>	<b>-1,296</b>
- Use of tax losses carried forward	0	1,282



- Costs that are not tax-deductible under tax regulations	6,807	9,216
- Revenue not classified as revenue under tax regulations	13,417	8,762
- Tax-deductible expenses not classified as balance sheet expenses	-439	504
- Taxable revenue not classified as balance sheet revenue	1,696	36
Revaluation of deferred tax assets (current year loss)	3,666	17
Deferred tax	1,355	2,529
Income tax adjustments	0	234
<b>Income tax according to effective tax rate</b>	<b>1,357</b>	<b>2,763</b>
Effective tax rate	32%	41%

#### Current tax assets and liabilities

	<b>Balance at</b>	<b>Balance at</b>
	<b>30-09-2020</b>	<b>31-12-2019</b>
<b>Current tax assets</b>		
Tax refundable	0	0
<b>Current tax liabilities</b>		
Tax payable	0	0

#### Deferred tax

	<b>Period ended</b>	<b>Period ended</b>
	<b>30-09-2020</b>	<b>30-09-2019</b>
<b>Deferred tax balance at the beginning of the period</b>	<b>20,154</b>	<b>22,876</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>47,450</b>	<b>50,617</b>
Provisions for expenses and accruals	24,485	27,642
Discount of receivables	151	225
Operating lease liabilities	2,312	2,661
Write-downs	1,459	1,529
Bonds and insurances accounted for over time	1,831	1,523
Tax work in progress	16,568	14,595
Measurement of long-term contracts	242	2,169
Other	402	273
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>47,118</b>	<b>44,841</b>
Measurement of long-term contracts	33,930	31,415
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	15,521	12,714
Discount of payables	657	707
Other	10	5
<b>Unused tax losses and other tax credits carried forward:</b>	<b>18,481</b>	<b>14,576</b>
Tax losses	18,481	14,576
<b>Total temporary differences relating to deferred tax assets:</b>	<b>65,931</b>	<b>65,193</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>47,118</b>	<b>44,841</b>
<b>Deferred tax balance at the end of the period</b>	<b>18,813</b>	<b>20,352</b>

<b>Change in deferred tax, including:</b>	<b>-1,341</b>	<b>-2,524</b>
- recognised in income	-1,355	-2,529
- recognised in equity	14	5

The recognition of deferred tax in equity is a result of calculating tax on actuarial gains/losses presented in comprehensive income.

#### 4.3.8. Operating segments

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

- Construction;
- Design; and
- Sales.

The segments jointly meet the following rules:

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

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

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

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

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

#### Operating segments' results for the three quarters of 2020:

	<b>Construction</b>	<b>Sales</b>	<b>Design</b>	<b>Exclusions</b>	<b>Total</b>
<b>Sales revenue</b>	<b>573,291</b>	<b>39,654</b>	<b>8,446</b>	<b>-10,627</b>	<b>610,764</b>
including:					
Revenue from external customers	568,972	34,178	7,574	40	610,764
Inter-segment revenues	4,319	5,476	872	-10,667	0
including:					
Revenue from construction contracts	560,295	0	8,446	-4,752	563,989
Revenue from the provision of services	11,010	42	0	-339	10,653
Revenue from the sale of goods, raw and other materials	1,986	39,612	0	-5,476	36,122
<b>Gross profit</b>	<b>20,267</b>	<b>1,805</b>	<b>1,222</b>	<b>-354</b>	<b>22,940</b>
Financial income / expenses	-272	-533	-90	23	-872
Interest received	24	0	0	-14	10
Interest paid	-1,090	-188	-29	14	-1,293
<b>Pre-tax profit</b>	<b>4,817</b>	<b>-144</b>	<b>-112</b>	<b>-293</b>	<b>4,268</b>
Corporate income tax	1,401	11	1	-56	1,357
<b>Net profit</b>	<b>3,416</b>	<b>-155</b>	<b>-113</b>	<b>-237</b>	<b>2,911</b>

Depreciation and amortisation	9,873	2	141	-22	9,994
Property, plant and equipment	56,387	32	173	41	56,633
Non-current assets	174,746	499	950	-299	175,896
<b>Total assets</b>	<b>517,689</b>	<b>12,640</b>	<b>15,662</b>	<b>-6,842</b>	<b>539,149</b>
<b>Total liabilities</b>	<b>365,042</b>	<b>11,835</b>	<b>15,402</b>	<b>-6,422</b>	<b>385,857</b>

The Group operated in Poland in the three quarters of 2020. In addition, the Group earned the revenue of PLN 449 thousand from the sale of materials to Russia and Germany.

#### Operating segments' results for the three quarters of 2019:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>707,422</b>	<b>44,202</b>	<b>8,175</b>	<b>-11,541</b>	<b>748,258</b>
including:					
Revenue from external customers	706,898	35,436	2,390	3,534	748,258
Inter-segment revenues	524	8,766	5,785	-15,075	0
including:					
Revenue from construction contracts	692,457	0	8,175	-2,282	698,350
Revenue from the provision of services	12,048	1	0	-493	11,556
Revenue from the sale of goods, raw and other materials	2,917	44,201	0	-8,766	38,352
<b>Gross profit</b>	<b>19,834</b>	<b>1,898</b>	<b>1,136</b>	<b>307</b>	<b>23,175</b>
Financial income / expenses	83	-467	-90	19	-455
Interest received	180	134	0	-124	190
Interest paid	-736	-223	-32	0	-991
<b>Pre-tax profit</b>	<b>6,341</b>	<b>-85</b>	<b>82</b>	<b>391</b>	<b>6,729</b>
Corporate income tax	2,641	48	0	74	2,763
<b>Net profit</b>	<b>3,700</b>	<b>-133</b>	<b>82</b>	<b>317</b>	<b>3,966</b>
Depreciation and amortisation	9,652	8	134	-13	9,781
Property, plant and equipment	54,929	4	199	2,622	57,754
Non-current assets	183,374	433	1,104	-924	183,987
<b>Total assets</b>	<b>558,314</b>	<b>15,937</b>	<b>16,232</b>	<b>-3,130</b>	<b>587,353</b>
<b>Total liabilities</b>	<b>408,395</b>	<b>15,189</b>	<b>15,917</b>	<b>-2,841</b>	<b>436,660</b>

The Group operated in Poland in the three quarters of 2019. In addition, the Group earned the revenue of PLN 244 thousand from the sale of materials to Russia and Germany.

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

##### 4.4.1. Construction contracts

The following details relate to long-term construction contracts performed by the Group.

	<b>Period ended 30-09-2020</b>	<b>Period ended 30-09-2019</b>
Revenue from long-term construction contracts	534,817	677,280
Costs of long-term construction contracts*)	528,863	669,810
<b>Gross profit (loss) on long-term contracts</b>	<b>5,954</b>	<b>7,470</b>
	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
<b>Assets (selected items)</b>	<b>196,204</b>	<b>134,472</b>
- Measurement of long-term construction contracts	178,582	111,893
- Advance payments transferred in connection with performed contracts	3,690	9,764
- Retentions on construction contracts retained by customers	13,932	12,815
<b>Liabilities (selected items)</b>	<b>179,981</b>	<b>154,363</b>
- Measurement of long-term construction contracts	1,277	4,584
- Provisions for contract costs	81,051	60,755
- Advance payments received in connection with performed contracts	34,964	27,887
- Retentions on construction contracts retained for suppliers	36,161	32,753
- Provisions for warranty claims	16,425	14,191
- Provisions for expected losses on contracts	10,103	14,193

\*) The item does not include the provision for losses on contracts or the provision for warranty claims.

In line with the Group's policy, construction contracts include construction and design activities.

The increase in the measurement of long-term construction contracts was influenced by the greater progress of construction works.

A provision for a loss on contracts is made if the budgeted costs exceed the total revenue under a contract.

The provisions for contract costs increased mainly after subcontractors had become more involved in the performance of contracts.

##### 4.4.2. Retentions on construction contracts

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Retained by customers – to be repaid after 12 months	10,106	9,758
Retained by customers – to be repaid within 12 months	3,826	3,057
<b>Total retentions on construction contracts retained by customers</b>	<b>13,932</b>	<b>12,815</b>
Retained for suppliers – to be repaid after 12 months	14,682	12,946
Retained for suppliers – to be repaid within 12 months	21,479	19,807
<b>Total retentions on construction contracts retained for suppliers</b>	<b>36,161</b>	<b>32,753</b>

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

#### 4.4.3. Provisions

##### Change in provisions

Provisions	01-01-2020	Created	Used	Released	Reclassified	30-09-2020	Item
<b>Long-term provisions:</b>	<b>14,541</b>	<b>2,917</b>	<b>96</b>	<b>0</b>	<b>-464</b>	<b>16,898</b>	
Provisions for employee benefits	2,092	137	0	0	0	2,229	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,449	2,780	96	0	-464	14,669	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>35,539</b>	<b>21,636</b>	<b>14,080</b>	<b>11,842</b>	<b>464</b>	<b>31,717</b>	
Provisions for employee benefits	19,597	16,094	14,022	1,848	0	19,821	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,742	15	50	415	464	1,756	Short-term provisions
Provision for loss on contracts	14,193	5,489	0	9,579	0	10,103	Short-term provisions
Other provisions	7	38	8	0	0	37	Short-term provisions
<b>Total provisions:</b>	<b>50,080</b>	<b>24,553</b>	<b>14,176</b>	<b>11,842</b>	<b>0</b>	<b>48,615</b>	

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

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

(Long-term) liabilities under employee benefits include long-term liabilities under the company social benefits fund.

A provision for a loss on contracts is made if the budgeted costs exceed the total revenue under a contract.

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

##### Comparative information:

Provisions	01-01-2019	Created	Used	Released	Reclassified	31-12-2019	Item
<b>Long-term provisions:</b>	<b>10,146</b>	<b>5,816</b>	<b>357</b>	<b>2</b>	<b>-1,062</b>	<b>14,541</b>	
Provisions for employee benefits	1,994	217	0	2	-117	2,092	Liabilities under employee benefits (long-term)
Provisions for warranty claims	8,152	5,599	357	0	-945	12,449	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions

<b>Short-term provisions:</b>	<b>44,187</b>	<b>24,201</b>	<b>14,918</b>	<b>18,993</b>	<b>1,062</b>	<b>35,539</b>	
Provisions for employee benefits	14,448	21,353	14,112	2,209	117	19,597	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,970	0	281	892	945	1,742	Short-term provisions
Provision for loss on contracts	27,387	2,622	0	15,816	0	14,193	Short-term provisions
Other provisions	382	226	525	76	0	7	Short-term provisions
<b>Total provisions:</b>	<b>54,333</b>	<b>30,017</b>	<b>15,275</b>	<b>18,995</b>	<b>0</b>	<b>50,080</b>	

#### 4.4.4. Advance payments

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments transferred in connection with performed contracts	3,690	9,764
Other advance payments	4	4
Allowances for advance payments	-4	-46
<b>Total advance payments due</b>	<b>3,690</b>	<b>9,722</b>

The Group receives advance payments from Investors and transfers them also to subcontractors to ensure the timely performance of construction contracts.

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments received in connection with performed contracts	34,964	27,888
Other advance payments	0	2
<b>Total advance payments received</b>	<b>34,964</b>	<b>27,890</b>

Received advance payments are the prepayments received by the Group on the basis of contracts with PKP PLK so that construction contracts can be performed.

In the reporting period, an advance payment was received in connection with one railway contract and certain advance payments were accounted for following the progress in construction works.

#### 4.4.5. Accruals

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Provisions for contract costs	81,051	60,755
Other accruals	1,322	667
<b>Total</b>	<b>82,373</b>	<b>61,422</b>

Provisions for the costs of contracts comprise the provisions for the costs of subcontractors and the provisions for the risks associated with the settlement of contracts.

#### 4.5. Trade and other receivables and payables

##### 4.5.1. Trade and other receivables

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Trade receivables	140,027	200,544
Loss allowances for trade receivables in connection with the increase of credit risk	-24,796	-18,889
Loss allowances for trade receivables – initial for expected credit losses	-189	-189
Receivables from the state budget other than corporate income tax	186	0
Other receivables	4,450	4,306
<b>Total trade and other receivables</b>	<b>119,678</b>	<b>185,772</b>

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

Loss allowances in connection with the increase of credit risk of PLN 24,796 thousand include, in particular:

- Debit notes issued by the Group for penalties, damages and substitute performance. The amount is for presentation purposes only because the notes are not the Group's revenue at the date of issue.
- Receivables under court and enforcement cases.
- Doubtful debt.

##### Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 109 thousand and the creation of allowances of PLN 1,060 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

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

	<b>Balance at</b>	
	<b>30-09-2020</b>	<b>31-12-2019</b>
Counterparty A	93,028	149,831

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

##### 4.5.2. Trade and other payables

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Trade payables	113,869	148,615
Liabilities to the state budget other than corporate income tax	4,856	16,794
Other payables	229	222
<b>Total trade and other payables</b>	<b>118,954</b>	<b>165,631</b>

#### 4.6. Debt and management of capital and liquidity

##### 4.6.1. Loans and bank credits

	Balance at 30-09-2020	Balance at 31-12-2019
<b>Long-term</b>	<b>6,666</b>	<b>13,333</b>
Bank credits	0	0
Loans received	6,666	13,333
<b>Short-term</b>	<b>21,579</b>	<b>15,983</b>
Bank credits	12,422	9,053
Loans received	9,157	6,930
<b>Total</b>	<b>28,245</b>	<b>29,316</b>

##### Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 30-09- 2020	Amount of available loans/credits as at 30-09-2020	Use as at 30-09- 2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. including:	Master Agreement including: sublimit for bonds non-revolving working capital facility	25,000  3,700 21,300	  12,828	 8,472  0 8,472	1M WIBOR + margin	May 2021
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	15,556	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multi- purpose credit line agreement	30,000			1M WIBOR + margin	July 2022
5	mBank S.A.	Working capital facility	3,950	0	3,950	1M WIBOR + margin	November 2020
6	Magdalena Lis	Loan agreement	267	0	267	3M WIBOR + margin	Unspecified
<b>Total amount of available loans and credits</b>				<b>26,735</b>			
<b>Total debt under loans and credits</b>					<b>28,245</b>		
<b>Total use for bonds</b>					<b>26,093</b>		



Types of security and liabilities under loan and credit agreements:

1. **Overdraft:**
  - a) Promissory note;
  - b) Financial pledge over customer's bank accounts maintained by the Bank;
  - c) Registered pledge;
  - d) Statement on submission to enforcement;
  - e) Assignment of rights under insurance policy.
2. **Master agreement:**
  - a) Mortgage;
  - b) Security deposit for the benefit of the Bank established each time for the guarantees expiring after 36 months;
  - c) Financial pledge over customer's bank accounts maintained by the Bank;
  - d) Registered pledge;
  - e) Statement on submission to enforcement;
  - f) Assignment of rights under insurance policy.
3. **Loan agreement:**
  - a) Mortgage;
  - b) Registered pledge;
  - c) Assignment of rights under insurance policy;
  - d) Assignment of claims under contracts.
4. **Premium multi-purpose credit line agreement:**
  - a) Blank promissory note;
  - b) Assignment of claims under contract;
  - c) Credit repayment guarantee provided by BGK as part of *PLG FGP* guarantee line for 80% of the Credit; i.e. not more than PLN 24m.
5. **Working capital credit:**
  - a) Guarantees by ZUE;
  - b) Registered pledge on inventories;
  - c) Blank promissory note;
  - d) Statement on submission to enforcement;
  - e) Assignment of rights under insurance policy;
  - f) Financial pledge over customer's bank accounts maintained by the Bank.

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

- On 28 January 2020, the Company and BNP Paribas signed an annex to the Multipurpose Credit Line Agreement whereby the line was extended for another year and the available limit was reduced from PLN 170m to PLN 100m to be used exclusively for bonds. As the credit cannot be taken under the Agreement, the Agreement is not disclosed by the Company in the table of credit agreements and the amount of the limit is disclosed exclusively in the list of guarantee limits (item 3 of the comparative information).
- On 5 February 2020, the debt under the multipurpose credit line with BNP Paribas Bank was repaid in full and the limit expired (item 5 of the comparative information).
- BNP Paribas Bank – Revolving credit agreement – under the Annex of 6 March 2020, the amount of outstanding instalments was changed and the final repayment date remained unchanged (item 9 of the comparative information).
- mBank - Working capital credit for contract prefinancing (item 7 of the comparative information) – under the Annex of 19 May 2020, the amount of instalments was changed and the repayment date was extended until 31 July 2020. The credit was timely repaid and the limit expired.
- On 15 May 2020, the debt under the revolving credit agreement with BNP Paribas Bank was repaid in full and the limit expired (item 9 of the comparative information).
- mBank – Working capital credit (item 5) – on 22 May 2020, the security was changed through the establishment of a financial pledge over the borrower's bank accounts.
- mBank – Master Agreement (item 2) – on 26 May 2020, the Company signed the annex to the master agreement whereby the maturity date was extended by one year and the type of security was changed. The available limit was reduced.
- mBank – Master Agreement (item 2) – on 10 June 2020, the Company and mBank entered into the working capital credit agreement as part of the sublimit available under the abovementioned Master Agreement.
- mBank – Overdraft (item 1) – on 9 July 2020, the Company signed the annex to the overdraft agreement whereby the repayment date was extended by another year and the type of security was changed.
- BNP Paribas – Premium multipurpose credit line agreement – on 30 July 2020, the Company entered into the new agreement with BNP Paribas whereby the Company would be granted the credit limit of up to PLN 30m. The tenor was set until 30 July 2030.
- mBank - Working capital credit (item 5) – partial repayment of the credit of PLN 1,050 thousand on 6 August 2020.

- mBank – Working capital credit (item 5) – on 19 August 2020, a subsidiary signed the annex to the working capital credit agreement whereby the repayment date was extended until 30 November 2020 and the new repayment date was defined.

**Comparative information:**

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2019	Amount of available loans/credits as at 31-12-2019	Use as at 31-12-2019	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2020
2	mBank S.A. (i)	Master Agreement including: sublimit for bonds non-revolving working capital facility	50,000 50,000 40,000	10,000 0 40,000	0 0 0	1M WIBOR + margin	July 2020
3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement including: sublimit for bonds sublimit for working capital facilities	170,000 170,000 20,000	0 52,621 20,000	52,621 0	1M WIBOR + margin	January 2020
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	20,000	1M WIBOR + margin	June 2022
5	BNP Paribas Bank Polska S.A.	Multipurpose credit line	600	17	583	1M WIBOR + margin	January 2020
6	mBank S.A.	Overdraft	500	426	74	0	May 2020
7	mBank S.A.	Working capital facility for contract prefinancing	1,800	0	896	0	March 2020
8	mBank S.A.	Working capital facility	5,000	0	5,000	0	August 2020
9	BNP Paribas Bank Polska S.A.	Revolving credit agreement	2,500	0	2,500	0	May 2020
10	Magdalena Lis	Loan agreement	263	0	263	3M WIBOR + margin	Unspecified
<b>Total amount of available loans and credits</b>				<b>70,443</b>			
<b>Total debt under loans and credits</b>					<b>29,316</b>		
<b>Total use for bonds</b>					<b>52,621</b>		

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

#### 4.6.2. Leases

##### Lease liabilities

	Balance at 30-09-2020	Balance at 31-12-2019
Long-term lease liabilities	13,801	12,450
Short-term lease liabilities	10,028	10,016
<b>Total</b>	<b>23,829</b>	<b>22,466</b>

In the reporting period, the Group signed the leaseback for the wagons required to transport loose materials in the total amount of PLN 8,481 thousand.

##### General terms of lease

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

##### Short-term and low value leases

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

1. Not to recognise operating leases with a lease term less than 12 months – they 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 expenses associated with short-term and low value leases amounted to PLN 3,268 thousand in the three quarters of 2020 and PLN 2,773 thousand in the three quarters of 2019.

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

No.	Note	30-09-2020	30-09-2019
4.3.2	Depreciation and amortisation	2,789	2,548
4.3.6	Financial expenses – interest on leases	541	885

No.	Note	30-09-2020	31-12-2019
4.6.2	Leases – lease liabilities	23,829	22,466
4.7.4	Right-of-use assets	51,328	57,092

#### 4.6.3. Management of capital

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

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

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Long- and short-term loans and bank credits	28,245	29,316
Long- and short-term lease liabilities	23,829	22,466
Long- and short-term other financial liabilities	36	106
<b>Total financial liabilities</b>	<b>52,110</b>	<b>51,888</b>
Cash and cash equivalents	18,445	30,378
<b>Net debt</b>	<b>33,665</b>	<b>21,510</b>
Equity	153,292	150,441
<b>Net debt to equity ratio</b>	<b>21.96%</b>	<b>14.30%</b>

Positive net debt is due to the fact that total financial liabilities at the end of the third quarter of 2020 exceeded the amount of cash at the Group.

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

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

#### 4.6.4. Cash and cash equivalents

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Cash on hand and at banks	18,445	30,378
Bank deposits up to three months	0	0
<b>TOTAL</b>	<b>18,445</b>	<b>30,378</b>

The cash decreased at the end of the third quarter of 2020 after it had been used in operating activities.

#### Discussion of items of the statement of cash flows

The Group's cash flows from operating activities were mainly influenced by changes in receivables, payables, advance payments, measurement of long-term construction contracts and accruals in connection with the performance of construction contracts.

The Group's cash flows from investing activities were mainly influenced by the purchase of intangible assets and non-current assets financed by own resources.

Cash flows from financing activities were mainly influenced by greater financing with the use of credit and leaseback and the repayment of loans and credits as well as a decrease in lease liabilities.

	<b>Balance at 30-09-2020</b>	<b>Balance at 30-09-2019</b>
Cash flows from operating activities	-2,671	-84,785
Cash flows from investing activities	-5,585	-485
Cash flows from financing activities	-3,685	9,013
<b>Total net cash flows</b>	<b>-11,941</b>	<b>-76,257</b>
Cash and cash equivalents at the beginning of the period	30,378	81,723
Cash and cash equivalents at the end of the period	18,445	5,460

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

##### 4.7.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>26,311</b>	<b>37,335</b>	<b>55,709</b>	<b>2,331</b>	<b>121,686</b>	<b>377</b>	<b>27</b>	<b>122,090</b>
Additions	0	56	1,430	3,929	101	5,516	945	41	6,502
Adjustment	0	2,268	179	46	0	2,493	0	0	2,493
Reclassification – right-of-use*	0	0	0	4,827	0	4,827	0	0	4,827
Transfer to non-current assets	0	0	0	0	0	0	1,058	53	1,111
Sale/liquidation	0	0	291	4,002	98	4,391	0	0	4,391
Reclassification to assets held for sale	0	-5,209	0	0	0	-5,209	0	0	-5,209
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>23,426</b>	<b>38,653</b>	<b>60,509</b>	<b>2,334</b>	<b>124,922</b>	<b>264</b>	<b>15</b>	<b>125,201</b>

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>9,594</b>	<b>23,563</b>	<b>30,492</b>	<b>1,916</b>	<b>65,565</b>	<b>0</b>	<b>0</b>	<b>65,565</b>
Elimination on disposal of assets	0	0	283	3,911	97	4,291	0	0	4,291
Reclassification – right-of-use* - depreciation expense	0	0	0	643	0	643	0	0	643
Depreciation expense	0	568	1,989	3,575	67	6,199	0	0	6,199
Adjustment	0	872	56	1,543	22	2,493	0	0	2,493
Reclassification to assets held for sale	0	-2,041	0	0	0	-2,041	0	0	-2,041
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>8,993</b>	<b>25,325</b>	<b>32,342</b>	<b>1,908</b>	<b>68,568</b>	<b>0</b>	<b>0</b>	<b>68,568</b>

**Carrying amount**

<b>Balance at 1 January 2020</b>	<b>0</b>	<b>16,717</b>	<b>13,772</b>	<b>25,217</b>	<b>415</b>	<b>56,121</b>	<b>377</b>	<b>27</b>	<b>56,525</b>
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>14,433</b>	<b>13,328</b>	<b>28,167</b>	<b>426</b>	<b>56,354</b>	<b>264</b>	<b>15</b>	<b>56,633</b>

\*Purchase at the end of the lease.

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

As at 30 September 2020, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 86 thousand. As at 30 September 2020, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 16,624 thousand.

**Assets pledged as security**

Property, plant and equipment used as security for bank agreements are discussed in the note 4.7.14.

**Comparative information:**

<b>Gross value</b>	<b>Freehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total non-current assets</b>	<b>Non-current assets under construction</b>	<b>Prepaid non-current assets under construction</b>	<b>TOTAL</b>
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>26,220</b>	<b>52,061</b>	<b>85,735</b>	<b>2,291</b>	<b>166,307</b>	<b>302</b>	<b>0</b>	<b>166,609</b>
Opening balance adjustment	0	0	-19,437	-36,016	0	-55,453	0	0	-55,453
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>26,220</b>	<b>32,624</b>	<b>49,719</b>	<b>2,291</b>	<b>110,854</b>	<b>302</b>	<b>0</b>	<b>111,156</b>
Additions	0	91	1,545	2,791	103	<b>4,530</b>	738	27	5,295
Reclassification – right-of-use*	0	0	3,887	3,813	0	<b>7,700</b>	0	0	7,700
Transfer to non-current assets	0	0	0	0	0	<b>0</b>	663	0	663
Sale/liquidation	0	0	721	614	63	<b>1,398</b>	0	0	1,398
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>26,311</b>	<b>37,335</b>	<b>55,709</b>	<b>2,331</b>	<b>121,686</b>	<b>377</b>	<b>27</b>	<b>122,090</b>

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2019</b>	0	8,716	23,084	28,227	1,882	61,909	0	0	61,909
Opening balance adjustment	0	0	-1,964	-1,946	0	-3,910	0	0	-3,910
<b>Balance at 1 January 2019 after OB adjustment</b>	0	8,716	21,120	26,281	1,882	57,999	0	0	57,999
Elimination on disposal of assets	0	0	708	503	62	1,273	0	0	1,273
Reclassification – right-of-use* - depreciation expense	0	0	599	343	0	942	0	0	942
Depreciation expense	0	878	2,552	4,371	96	7,897	0	0	7,897
<b>Balance at 31 December 2019</b>	0	9,594	23,563	30,492	1,916	65,565	0	0	65,565
<b>Carrying amount</b>									
<b>Balance at 1 January 2019</b>	0	17,504	28,977	57,508	409	104,398	302	0	104,700
<b>Balance at 1 January 2019 after OB adjustment</b>	0	17,504	11,504	23,438	409	52,855	302	0	53,157
<b>Balance at 31 December 2019</b>	0	16,717	13,772	25,217	415	56,121	377	27	56,525

\*Purchase at the end of the lease.

#### 4.7.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>
Additions	0	0	0	0	0	0	0
Adjustment	0	470	-470	0	0	0	0
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0
<b>Balance at 30 September 2020</b>	<b>126</b>	<b>5,713</b>	<b>4,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>1,743</b>	<b>2,343</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,086</b>
Elimination on disposal of assets	0	0	0	0	0	0	0
Adjustment	0	-183	183	0	0	0	0
Depreciation expense	0	99	183	0	0	0	285
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>2,025</b>	<b>2,346</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,371</b>

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>3,500</b>	<b>2,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,877</b>
<b>Balance at 30 September 2020</b>	<b>126</b>	<b>3,688</b>	<b>1,778</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,592</b>

The investment property as at 30 June 2020 included the real property located in Kościelisko. The investment property included buildings with land and leasehold land. The Group's investment property is held as freehold and leasehold interests.



No impairment losses were released by the Group in the reporting period. The total amount of investment property impairment losses of prior years is PLN 1,770 thousand.

**Assets pledged as security**

The types of security for bank agreements relating to investment property are discussed in the note 4.7.14.

**Comparative information:**

<b>Gross value</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>
Additions	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0
<b>Balance at 31 December 2019</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>

<b>Depreciation</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>1,656</b>	<b>2,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,706</b>
Opening balance adjustment	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>1,656</b>	<b>2,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,706</b>
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	87	293	0	0	0	380
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>1,743</b>	<b>2,343</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,086</b>

<b>Carrying amount</b>							
<b>Balance at 1 January 2019</b>	<b>126</b>	<b>2,595</b>	<b>2,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,265</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>126</b>	<b>3,587</b>	<b>2,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,257</b>
<b>Balance at 31 December 2019</b>	<b>126</b>	<b>3,500</b>	<b>2,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,877</b>

#### 4.7.3. Intangible assets

##### Structure of intangible assets

	Balance at 30-09-2020	Balance at 31-12-2019
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>1,965</b>	<b>1,521</b>
- Software	1,965	1,521

##### Movements in intangible assets

	Other intangible assets – software
<b>Gross value</b>	
<b>Balance at 1 January 2020</b>	<b>5,778</b>
Additions	522
Sale/liquidation	51
<b>Balance at 30 September 2020</b>	<b>6,249</b>
<b>Amortisation and impairment</b>	
<b>Balance at 1 January 2020</b>	<b>4,257</b>
Amortisation expense	78
Sale/liquidation	51
<b>Balance at 30 September 2020</b>	<b>4,284</b>
<b>Carrying amount</b>	
<b>Balance at 1 January 2020</b>	<b>1,521</b>
<b>Balance at 30 September 2020</b>	<b>1,965</b>

No impairment losses were recognised by the Group in 2020 or 2019.

##### Comparative information:

	Leasehold	Other intangible assets – software	Total
<b>Gross value</b>			
<b>Balance at 1 January 2019</b>	<b>9,341</b>	<b>4,566</b>	<b>13,907</b>
<b>OB adjustment</b>	<b>-9,341</b>	<b>0</b>	<b>-9,341</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>4,566</b>	<b>4,566</b>
Additions	0	1,427	1,427
Sale/liquidation	0	57	57
Adjustment	0	-131	-131
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>5,805</b>	<b>5,805</b>
<b>Amortisation and impairment</b>			
<b>Balance at 1 January 2019</b>	<b>949</b>	<b>4,342</b>	<b>5,291</b>

<b>OB adjustment</b>	<b>-949</b>	<b>0</b>	<b>-949</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>4,342</b>	<b>4,342</b>
Amortisation expense	0	122	122
Sale/liquidation	0	57	57
Adjustment	0	-123	-123
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>4,284</b>	<b>4,284</b>
<b>Carrying amount</b>			
<b>Balance at 1 January 2019</b>	<b>8,392</b>	<b>224</b>	<b>8,616</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>224</b>	<b>224</b>
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>1,521</b>	<b>1,521</b>

#### 4.7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2020</b>	<b>1,239</b>	<b>13,844</b>	<b>1,157</b>	<b>15,592</b>	<b>33,857</b>	<b>0</b>	<b>65,689</b>
Conclusion of new contracts	418	0	186	0	2,246	0	2,850
Changes resulting from the amendments to contracts	0	0	0	-3	-231	0	-234
Reclassification – right-of-use*	0	0	0	0	-4,827	0	-4,827
Changes resulting from the shortening of contracts	-660	0	-412	0	-61	0	-1,133
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-913	0	0	0	0	-913
<b>Balance at 30 September 2020</b>	<b>997</b>	<b>13,164</b>	<b>931</b>	<b>15,589</b>	<b>30,984</b>	<b>0</b>	<b>61,665</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	<b>535</b>	<b>1,128</b>	<b>618</b>	<b>2,282</b>	<b>4,034</b>	<b>0</b>	<b>8,597</b>
Depreciation expense	439	134	480	688	1,691	0	3,432
Reclassification – right-of-use* - depreciation expense	0	0	0	0	-643	0	-643
Elimination on the shortening of contract	510	0	412	0	268	0	1,190
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-92	0	0	0	0	-92
<b>Balance at 30 September 2020</b>	<b>464</b>	<b>1,403</b>	<b>686</b>	<b>2,970</b>	<b>4,814</b>	<b>0</b>	<b>10,337</b>

**Carrying amount**

<b>Balance at 1 January 2020</b>	704	12,716	539	13,310	29,823	0	57,092
<b>Balance at 30 September 2020</b>	<b>533</b>	<b>11,761</b>	<b>245</b>	<b>12,619</b>	<b>26,170</b>	<b>0</b>	<b>51,328</b>

\* Purchase at the end of the lease.

**Assets pledged as security**

The Group's lease liabilities (note 4.6.2.) are secured with the lessor's title to the leased assets (vehicles, machines and equipment).

**Comparative information:**

<b>Gross value</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total right-of-use assets</b>
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening balance adjustment	812	13,835	932	19,475	36,699	0	71,753
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>13,835</b>	<b>932</b>	<b>19,475</b>	<b>36,699</b>	<b>0</b>	<b>71,753</b>
Conclusion of new contracts	510	0	406	4	995	0	1,915
Reclassification – right of use*	0	0	0	-3,887	-3,813	0	-7,700
Changes resulting from the shortening of contracts	-66	0	-181	0	0	0	-247
Adjustment	0	9	0	0	0	0	9
<b>Balance at 31 December 2019</b>	<b>1,239</b>	<b>13,844</b>	<b>1,157</b>	<b>15,592</b>	<b>33,857</b>	<b>0</b>	<b>65,689</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
Opening balance adjustment	0	948	0	1,964	1,947	0	4,859
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	948	0	1,964	1,947	0	4,859
Depreciation expense	570	180	674	917	2,430	0	4,771
Reclassification – right of use* - depreciation expense	0	0	0	-599	-343	0	-942
Elimination on the shortening of contract	35	0	56	0	0	0	91
<b>Balance at 31 December 2019</b>	535	1,128	618	2,282	4,034	0	8,597
<b>Carrying amount</b>							
<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	812	12,887	932	17,511	34,752	0	66,894
<b>Balance at 31 December 2019</b>	704	12,716	539	13,310	29,823	0	57,092

\* Purchase at the end of the lease.

#### 4.7.5. Assets held for sale

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
Liquidations	0	0	1,359	0	0	0	1,359
Reclassification from property, plant and equipment	0	0	5,209	0	0	0	5,209
Reclassification from right-of-use assets	0	913	0	0	0	0	913
<b>Balance at 30 September 2020</b>	0	913	3,850	0	0	0	4,763

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
Elimination on disposal of assets	0	0	710	0	0	0	710
Reclassification from property, plant and equipment	0	0	2,041	0	0	0	2,041
Reclassification from right-of-use assets	0	92	0	0	0	0	92
<b>Balance at 30 September 2020</b>	0	92	1,331	0	0	0	1,423

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
<b>Balance at 30 September 2020</b>	0	821	2,519	0	0	0	3,340



The real estate located in Magdalenka was sold on 4 August 2020. The transaction's result was positive.

The assets held for sale as at 30 September 2020 included the real estate situated in Poznań.

The Group intends to sell the real estate in Poznań and negotiates with the potential buyer. The Group expects the transaction to be at least equal to the carrying amount of assets. The sale is expected to take place within 12 months of the end of the reporting period.

#### 4.7.6. Goodwill

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

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

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

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

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

<b>At cost</b>	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

#### Annual impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Group carried out the tests for the impairment of the Company's assets. The impairment tests carried out at 30 June 2020 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 30 September 2020, the Group reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period.

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

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 6,685 thousand.

At 30 September 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 86 thousand.

At 31 December 2019, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,043 thousand.

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

- Complete overhauls of vehicles (mainly wagons) – PLN 3,452 thousand;
- Purchase of trucks – PLN 685 thousand;
- Implementation of a new ERP system – PLN 444 thousand;
- Purchase of lifting devices – PLN 245 thousand;
- Purchase of excavator – PLN 240 thousand.

In the three quarters of 2020, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 740 thousand. In the three quarters of 2019, the Group sold the property, plant and equipment and intangible assets with total net carrying amount of PLN 111 thousand.

#### 4.7.8. Advanced loans

<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
----------------------------------	----------------------------------

Loans advanced to related parties	103	76
Loans advanced to third parties	285	285
Impairment losses	-378	-361
<b>Total</b>	<b>10</b>	<b>0</b>

Advanced loans include principal and interest charged at the end of the reporting period. In the reporting period, the Group granted a special-purpose loan of PLN 27 thousand to the subsidiary.

#### 4.7.9. Inventories

	Balance at 30-09-2020	Balance at 31-12-2019
Goods, raw and other materials	32,490	29,542
Work-in-progress	2,076	612
Finished goods	204	199
<b>Total</b>	<b>34,770</b>	<b>30,353</b>

The security for liabilities relating to inventories as at 30 September 2020 and 31 December 2019 amounted to PLN 4,000 thousand. No write-downs on inventories were recognised in the reporting period.

#### 4.7.10. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments classified as assets and liabilities as at 30 September 2020.

##### Balance at 30 September 2020

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	14,716	0	0	0	37,877
Trade receivables	140,027	0	0	0	0
Other financial liabilities	0	0	0	0	106
Advanced loans	388	0	0	0	0
Cash and cash equivalents	18,445	0	0	0	0
Loans and bank credits	0	0	0	0	28,245
Lease liabilities	0	0	0	0	23,829
Trade payables	0	0	0	0	113,869
<b>Total</b>	<b>173,576</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>203,926</b>

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

##### Balance at 31 December 2019

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	13,687	0	0	0	34,254

Trade receivables	200,544	0	0	0	0
Other financial liabilities	0	0	0	0	106
Advanced loans	361	0	0	0	0
Write-downs of advanced loans	-361	0	0	0	0
Cash and cash equivalents	30,378	0	0	0	0
Loans and bank credits	0	0	0	0	29,316
Lease liabilities	0	0	0	0	22,466
Trade payables	0	0	0	0	148,615
<b>Total</b>	<b>244,609</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>234,757</b>

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

#### 4.7.11. Transactions with related parties

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

	<b>Receivables</b>		<b>Payables</b>	
	<b>Balance at</b>		<b>Balance at</b>	
	<b>30-09-2020</b>	<b>31-12-2019</b>	<b>30-09-2020</b>	<b>31-12-2019</b>
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	<b>Revenue</b>		<b>Purchases</b>	
	<b>Period ended</b>		<b>Period ended</b>	
	<b>30-09-2020</b>	<b>30-09-2019</b>	<b>30-09-2020</b>	<b>30-09-2019</b>
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	48	0	0
<b>Total</b>	<b>3</b>	<b>51</b>	<b>0</b>	<b>0</b>

	<b>Advanced loans</b>		<b>Financial income (interest)</b>	
	<b>Balance at</b>		<b>Period ended</b>	
	<b>30-09-2020</b>	<b>31-12-2019</b>	<b>30-09-2020</b>	<b>30-09-2019</b>
RTI	10	0	0	0
RTI Germany	93	76	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>103</b>	<b>76</b>	<b>0</b>	<b>0</b>

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

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

On 21 February 2020, ZUE and RTI Germany signed the special-purpose loan agreement. The loan of EUR 7000 would be repaid by 20 December 2020. EUR 4000 was disbursed on the date of the agreement and the remaining amount of EUR 3000 was disbursed on 17 November 2020.

On 22 July 2020, ZUE and RTI signed the special-purpose loan agreement. The loan of PLN 10,000 would be repaid by 22 July 2021. The loan was disbursed on 23 July 2020.

## Remuneration of key management personnel

	Period ended 30-09-2020	Period ended 30-09-2019
Management Board	3,695	3,133
Supervisory Board	322	236
<b>Total</b>	<b>4,017</b>	<b>3,369</b>

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

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

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

#### Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

#### Major pending court proceedings concerning claims:

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

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

An expert opinion is being prepared. The date of the next trial has not been set.

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

On 30 December 2016, the consortium of:

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

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

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

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

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

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

On 11 March 2019, the Court delivered the partial judgment whereby it ordered that PKP Polskie Linie Kolejowe S.A. pay ZUE S.A. PLN 347 thousand plus statutory default interest from 21 December 2016 to the date of payment and dismissed ZUE's claim concerning the payment of PLN 283 thousand plus statutory interest from 21 December 2016. The Parties appealed against this judgment. The Petitioner appealed against the dismissal of the claim of PLN 283 thousand plus statutory interest and the Defendant appealed against the order to pay PLN 347 thousand plus statutory interest. The appeal hearing referring to the partial judgment was held on 13 February 2020. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding. After the trial held on 15 October 2020, the Court ordered that the Parties' pleadings be exchanged and the next meeting to discuss the plan of the proceedings before the Court was scheduled to take place on 13 January 2021.

#### Court case relating to contractual claims

The Group previously declared its intention to make contractual claims relating to railway projects in order to increase the amount of remuneration payable to the contractor for the performance of the railway contracts in case of any risks beyond the contractor's control. On 28 April 2020, the claim of approx. PLN 34.8m was lodged against PKP PLK S.A. with the District Court in Warsaw to increase/pay the remuneration for the performance of the following contract: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The case is pending. The Parties exchange the pleadings The Defendant (PKP PLK S.A.), represented by the General Counsel to the Republic of Poland, responded to the claim and applied for the dismissal thereof.

#### **4.7.13. Tax settlement**

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

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

No significant or countable tax risks were recognised by the Group at 30 September 2020 or 31 December 2019.

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

##### **Contingent assets**

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Bonds	96,140	77,381
Guarantees	59	55
Promissory notes	1,497	1,772
<b>Total</b>	<b>97,696</b>	<b>79,208</b>

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

The Company has also received promissory notes from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

#### Contingent liabilities

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Bonds	542,558	518,569
Guarantees	15,268	24,530
Promissory notes	341,918	407,825
Mortgages*	81,529	91,159
Pledges	171,876	22,016
<b>Total</b>	<b>1,153,149</b>	<b>1,064,099</b>

\*Change in the balance as at 31.12.2019 explained in 4.8.2.3.

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

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

The liabilities to banks and strategic clients are secured by promissory notes.

Mortgages are additional security for the credit agreement with mBank S.A., the insurance agreement with PZU S.A. and the loan agreement with ARP. In the reporting period, the Court of Poznań considered the applications to remove the mortgage established for the benefit of the State Treasury and the mortgages established to secure the credit agreements between the subsidiaries and BNP Paribas Bank Polska S.A. Consequently, the mortgages were removed from the land and mortgage registers for the real estate in Poznań.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A. and to secure the loan agreement entered into with Agencja Rozwoju Przemysłu S.A. The pledged assets include wagons, pile driver, maintenance train, engine and profiling machine.

In addition, a registered pledge has been established in connection with the credit agreement with mBank S.A. entered into by a subsidiary. The pledge is on inventories.

Apart from the registered pledges, there is a financial pledge over the borrower's bank accounts to secure the agreements between the Company and a subsidiary, and mBank S.A.

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

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 September 2020 or 31 December 2019.

#### 4.7.16. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the nine months ended 30 September 2020 or the nine months ended 30 September 2019.

### 4.8. Other notes to the financial statements

#### 4.8.1. Adoption of the International Financial Reporting Standards

##### Statement of compliance

The condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 30 September 2020 as endorsed by the European Union (EU).

The quarterly consolidated financial statements for the nine months ended 30 September 2020 have been

prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2020:

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 3 “Business Combinations”** – definition of business (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8: “Accounting Policies, Changes in Accounting Estimates and Errors”** – definition of material (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - “Interest Rate Benchmark Reform”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 16 “Leases”** – relief for lessees in connection with COVID-19 (effective for annual periods beginning on or after 1 June 2020).

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

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

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the standards not yet approved for use in the EU at the date of preparation of this report:

- **Amendments to IFRS 4 “Insurance Contracts”** – Deferral of effective date of IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - IBOR reform – Phase 2** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 3 “Business Combinations,” IAS 16 “Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – annual improvements process for the 2018-2020 cycle (effective for annual periods beginning on or after 1 January 2022);
- **Annual improvements 2018-2020** – the amendments clarify the guidelines for recognition and measurement: IFRS 1 “First-time Adoption of International Financial Reporting Standards,” IFRS 9 “Financial Instruments,” IAS 41 “Agriculture” and illustrative examples of IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 17 “Insurance Contracts” and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 “Presentation of Financial Statements”** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023).

## 4.8.2. Important accounting principles

### 4.8.2.1. Going concern

The quarterly condensed financial statements of the Group have been prepared assuming that the companies within the Group will continue in operational existence for at least 12 months after the end of the reporting period; i.e. after 30 September 2020.

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



The following facts should be considered when analysing the financial standing of the Group: In the nine months ended 30 September 2020, the Group recognised sales revenue of PLN 610.8m and gross profit on sales of PLN 22.9m. As at 30 September 2020, the Group presented total current assets of PLN 363.3m, including trade receivables of PLN 119.7m and cash of approx. PLN 18.4m. At the end of the reporting period, the Group had the backlog worth approx. PLN 1,565m and was in the process of obtaining 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 quarterly condensed financial statements have been prepared assuming that the Group will continue in operational existence in the foreseeable future.

#### 4.8.2.2. Preparation basis

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

#### 4.8.2.3. Comparability of financial information

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

In order to make the consolidated statement of cash flows clearer, the Group presented the following separate items:

- Change in the measurement of construction contracts;
- Change in accruals;
- Change in advance payments.

The table below presents the influence of changes on the consolidated statement of cash flows:

	Restated	Approved	
	9 months ended	9 months ended	Effect of changes
	30-09-2019	30-09-2019	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit / (loss) before tax</b>	<b>6,729</b>	<b>6,729</b>	<b>0</b>
<b>Operating profit (loss) before changes in working capital</b>	<b>17,404</b>	<b>17,404</b>	<b>0</b>
Change in receivables, measurement of contracts and retentions on construction contracts, advance payments	0	-47,920	47,920
Change in receivables and retentions on construction contracts	-2,038	0	-2,038
Change in inventories	12,434	12,434	0
Change in provisions and liabilities under employee benefits	-6,706	-6,706	0
Change in payables, measurement of contracts and retentions on construction contracts, advance payments, accruals excluding loans and bank credits and lease liabilities	0	-59,815	59,815
Change in payables and retentions on construction contracts	-57,755	0	-57,755
Change in measurement of construction contracts	-46,067	0	-46,067
Change in accruals	38,242	0	38,242
Change in advance payments	-40,117	0	-40,117
Change in other assets	52	52	0
Income tax paid / (tax refund)	-234	-234	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-84,785</b>	<b>-84,785</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-485</b>	<b>-485</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			

<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>9,013</b>	<b>9,013</b>	<b>0</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-76,257</b>	<b>-76,257</b>	<b>0</b>
Net foreign exchange gains / (losses)	-6	-6	0
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>81,723</b>	<b>81,723</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>5,460</b>	<b>5,460</b>	<b>0</b>
- of limited availability	40	40	0

The additional inspection revealed a technical error in the note Contingent liabilities as at 31 December 2019.

The table below sets out the effect of changes:

	<b>Corrected Balance at 31-12-2019</b>	<b>Approved Balance at 31-12-2019</b>	<b>Effect of changes</b>
Bonds	518,569	518,569	0
Guarantees	24,530	24,530	0
Promissory notes	407,825	407,825	0
Mortgages	91,159	30,000	61,159
Pledges	22,016	22,016	0
<b>Total</b>	<b>1,064,099</b>	<b>1,002,940</b>	<b>61,159</b>

#### 4.8.2.4. Applied accounting principles

These quarterly consolidated financial statements for the nine months ended 30 September 2020 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Group as at 31 December 2019. The financial statements for the financial year ended 31 December 2019 contain a detailed description of the accounting principles applied by the Group.

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

#### 4.8.3. Sources of estimation uncertainty

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

Impairment of goodwill (note no. 4.7.6.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 4.5.1.)

Provisions (note no. 4.4.3.)

Measurement of long-term construction contracts (note no. 4.4.1.)

Deferred income tax (note no. 4.3.7.)

Contingent assets and contingent liabilities (note no. 4.7.14.)

Uncertainty over tax settlements (note no. 4.7.13.)

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



**ZUE S.A.**

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**CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR 9 MONTHS ENDED 30 SEPTEMBER 2020**

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**Cracow, 18 November 2020**

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

##### Separate statement of comprehensive income

	Note no.	9 months ended	3 months ended	9 months ended	3 months ended
		30-09-2020	30-09-2020	30-09-2019	30-09-2019
<b>Continuing operations</b>					
Sales revenue	2.1.1.	573,291	215,504	707,422	251,682
Cost of sales	2.1.2.	533,024	208,283	687,588	243,202
<b>Gross profit (loss) on sales</b>		<b>20,267</b>	<b>7,221</b>	<b>19,834</b>	<b>8,480</b>
General and administrative expenses	2.1.2.	14,384	4,958	13,315	4,759
Other operating income	2.1.3.	658	359	214	60
Other operating expenses	2.1.4.	1,452	65	475	232
<b>Operating profit (loss)</b>		<b>5,089</b>	<b>2,557</b>	<b>6,258</b>	<b>3,549</b>
Financial income	2.1.5.	826	330	1,314	244
Financial expenses	2.1.6.	1,098	290	1,231	494
<b>Pre-tax profit (loss)</b>		<b>4,817</b>	<b>2,597</b>	<b>6,341</b>	<b>3,299</b>
Corporate income tax	2.1.7.	1,401	675	2,641	1,268
<b>Net profit (loss) from continuing operations</b>		<b>3,416</b>	<b>1,922</b>	<b>3,700</b>	<b>2,031</b>
<b>Net profit (loss)</b>		<b>3,416</b>	<b>1,922</b>	<b>3,700</b>	<b>2,031</b>
<b>Other net comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>-60</b>	<b>0</b>	<b>-23</b>	<b>0</b>
Actuarial gains (losses) relating to specific benefit schemes		-60	0	-23	0
<b>Other total net comprehensive income</b>		<b>-60</b>	<b>0</b>	<b>-23</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>3,356</b>	<b>1,922</b>	<b>3,677</b>	<b>2,031</b>
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.15	0.09	0.16	0.09
Total comprehensive income per share (PLN)		0.15	0.09	0.16	0.09

## Separate statement of financial position

	Note no.	Balance at 30-09-2020	Balance at 31-12-2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.5.1.	56,387	53,695
Investment property	2.5.2.	5,592	9,487
Intangible assets	2.5.3.	1,937	1,484
Right-of-use assets	2.5.4.	51,082	56,059
Goodwill	2.5.6.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts	2.2.2.	9,742	9,455
Deferred tax assets	2.1.7.	18,569	19,954
Advanced loans	2.5.8.	44	107
<b>Total non-current assets</b>		<b>174,746</b>	<b>181,634</b>
<b>Current assets</b>			
Inventories	2.5.9.	31,119	25,114
Trade and other receivables	2.3.1.	111,619	175,133
Measurement of long-term construction contracts	2.2.1.	169,120	99,287
Retentions on construction contracts	2.2.2.	3,568	2,984
Advance payments	2.2.4.	4,259	10,291
Current tax assets	2.1.7.	0	0
Advanced loans	2.5.8.	1,697	95
Other assets		671	814
Cash and cash equivalents	2.4.4.	17,346	27,979
<b>Current assets</b>		<b>339,399</b>	<b>341,697</b>
<b>Assets held for sale</b>	2.5.5.	<b>3,544</b>	<b>0</b>
<b>Total current assets</b>		<b>342,943</b>	<b>341,697</b>
<b>Total assets</b>		<b>517,689</b>	<b>523,331</b>

	Note no.	Balance at 30-09-2020	Balance at 31-12-2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		55,742	52,386
<b>Total equity</b>		<b>152,647</b>	<b>149,291</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	2.4.1.	6,666	13,333
Non-current lease liabilities	2.4.2.	13,689	12,385
Retentions on construction contracts	2.2.2.	14,116	12,505
Liabilities under employee benefits		1,306	1,200
Long-term provisions	2.2.3.	14,228	12,076
<b>Total non-current liabilities</b>		<b>50,005</b>	<b>51,499</b>
<b>Current liabilities</b>			
Trade and other payables	2.3.2.	111,776	156,784
Accruals	2.2.5.	78,596	54,041
Measurement of long-term construction contracts	2.2.1.	953	4,247
Retentions on construction contracts	2.2.2.	20,670	19,167
Advance payments	2.2.4.	34,864	27,788
Short-term loans and bank credits	2.4.1.	17,362	6,667
Current lease liabilities	2.4.2.	9,939	9,931
Other financial liabilities		36	36
Liabilities under employee benefits		28,701	27,671
Current tax liabilities	2.1.7.	0	0
Short-term provisions	2.2.3.	12,140	16,209
<b>Total current liabilities</b>		<b>315,037</b>	<b>322,541</b>
<b>Total liabilities</b>		<b>365,042</b>	<b>374,040</b>
<b>Total equity and liabilities</b>		<b>517,689</b>	<b>523,331</b>

## Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
<b>Balance at</b>	<b>1 January 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>52,386</b>	<b>149,291</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	3,416	3,416
Other net comprehensive income		0	0	0	-60	-60
<b>Balance at</b>	<b>30 September 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>55,742</b>	<b>152,647</b>
<b>Balance at</b>	<b>1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,337</b>	<b>146,242</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	3,700	3,700
Other net comprehensive income		0	0	0	-23	-23
<b>Balance at</b>	<b>30 September 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,014</b>	<b>149,919</b>
<b>Balance at</b>	<b>1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,337</b>	<b>146,242</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	3,135	3,135
Other net comprehensive income		0	0	0	-86	-86
<b>Balance at</b>	<b>31 December 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>52,386</b>	<b>149,291</b>



## Separate statement of cash flows

	9 months ended 30-09-2020	Restated 9 months ended 30-09-2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit / (loss) before tax</b>	<b>4,817</b>	<b>6,341</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	9,873	9,652
Foreign exchange gains / (losses)	-8	6
Interest and share in profit (dividends)	994	860
Gain / (loss) on disposal of investments	-378	-92
<b>Operating profit (loss) before changes in working capital</b>	<b>15,298</b>	<b>16,767</b>
Change in receivables and retentions on construction contracts	62,724	-2,595
Change in inventories	-6,004	9,279
Change in provisions and liabilities under employee benefits	-854	-7,135
Change in payables and retentions on construction contracts	-41,086	-52,975
Change in measurement of construction contracts	-73,127	-45,011
Change in accruals	24,555	39,138
Change in advance payments	13,108	-38,823
Change in other assets	141	84
Income tax paid / tax refund	-2	-234
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-5,247</b>	<b>-81,505</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	1,058	193
Purchase of property, plant and equipment and intangible assets	-6,687	-3,633
Sale / (purchase) of financial assets in related entities	0	-35
Advanced loans	-1,627	-317
Repayment of advanced loans	74	2,785
Interest received	24	180
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-7,158</b>	<b>-827</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	16,953	47,581
Repayment of loans and bank credits	-4,445	-27,902
Decrease in lease liabilities	-9,654	-11,696
Lease interest paid	-619	-710
Other interest paid	-471	-26
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>1,764</b>	<b>7,247</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-10,641</b>	<b>-75,085</b>
Net foreign exchange gains / (losses)	8	-6
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>27,979</b>	<b>79,404</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>17,346</b>	<b>4,313</b>
- of limited availability	2,029	4

## Notes to the condensed separate financial statements of ZUE

### 1. General information

#### 1.1. Information about the Company

ZUE Spółka Akcyjna has been incorporated under the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). 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, under entry no. KRS 0000135388.

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

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

#### Management Board:

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

#### Supervisory Board:

Mariusz Szubra	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
Bogusław Lipiński	Supervisory Board Member
Piotr Korzeniowski	Supervisory Board Member
Michał Lis	Supervisory Board Member

#### Audit Committee:

Mariusz Szubra	Audit Committee Chairperson
Barbara Nowak	Audit Committee Member
Piotr Korzeniowski	Audit Committee Member

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

## 1.2. Core business of ZUE

ZUE's core business is the execution, as a general contractor or consortium leader or subcontractor, of multi-discipline 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, 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 zlotys, unless specific circumstances require greater detail.

## 2. Financial information

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

#### 2.1.1. Revenue

	<b>Period ended</b> <b>30-09-2020</b>	<b>Period ended</b> <b>30-09-2019</b>
Revenue from construction contracts	560,295	692,457
Revenue from the rendering of services	11,010	12,048
Revenue from the sale of goods, raw and other materials	1,986	2,917
<b>Total</b>	<b>573,291</b>	<b>707,422</b>

Revenue from construction activities 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 passed directly to customers as the time passes by.

ZUE's sales revenue in the period from 1 January to 30 September 2020 amounted to PLN 573,291 thousand and decreased by 19% compared to the revenue reported in the analogous period of 2019. The decrease is a consequence of the performance of subsequent stages of contracts. In 2020, a share of the supply of materials in sales revenue decreased as a consequence of contractual clauses whereby contractors were obliged to sell the materials in advance. The materials supplied in previous years are currently used in building processes as a result of which the reporting period saw an increase in expenses associated with the services provided by contractors.

The Company operated in the territory of Poland in the three quarters of 2020. The largest portion of revenue was generated by long-term construction contracts.

In addition, the Group generated sales revenue of PLN 449 thousand from the sale of materials to Russia and Germany.

The entire revenue is presented by the Company in one reporting segment, namely: construction activity.

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

	Period ended	
	30-09-2020	30-09-2019
Counterparty A	416,759	398,226
Counterparty B		77,959
Counterparty C		74,652

### 2.1.2. Operating expenses

	Period ended 30-09-2020	Period ended 30-09-2019
Change in products	-1,464	-1,822
Depreciation and amortization	9,873	9,652
Consumption of materials and energy, including:	121,037	219,527
- consumption of materials	116,338	213,996
- consumption of energy	4,699	5,531
Contracted services	341,059	373,600
Costs of employee benefits	82,086	78,942
Taxes and charges	1,151	992
Other expenses	12,218	17,812
Value of goods and materials sold	1,448	2,200
<b>Total</b>	<b>567,408</b>	<b>700,903</b>

	Period ended 30-09-2020	Period ended 30-09-2019
Cost of sales	553,024	687,588
General and administrative expenses	14,384	13,315
<b>Total</b>	<b>567,408</b>	<b>700,903</b>

The Company's general and administrative expenses in the period 1 January – 30 September 2020 amounted to PLN 14,384 thousand and increased by 8% when compared with the Company's general and administrative expenses reported in the analogous period of 2019.

### Depreciation and amortisation

	Period ended 30-09-2020	Period ended 30-09-2019
Depreciation of property, plant and equipment	6,733	6,705
Depreciation of right-of-use assets	2,722	2,485
Amortisation of intangible assets	67	78
Depreciation of investments in real property	351	384
<b>Total</b>	<b>9,873</b>	<b>9,652</b>

The foregoing table sets out the information on the depreciation and amortisation of assets according to the use and purpose thereof as at 30 September 2020. The reclassification of assets presented in the item Right-of-use assets to the item Property, plant and equipment in connection with the purchase at the end of the lease caused (Note 2.5.1 and 2.5.4) a change in the presentation of depreciation expense and a shift among items.

### 2.1.3. Other operating income

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Gain on disposal of assets:</b>	<b>362</b>	<b>92</b>
Gain on disposal of non-current assets	362	92

<b>Other operating income:</b>	<b>296</b>	<b>122</b>
Damages and penalties	116	20
Release of allowances for receivables	104	7
Refund of the costs of court proceedings	56	32
Release of write-downs of inventories	5	25
Other	15	38
<b>Total</b>	<b>658</b>	<b>214</b>

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by the Company (income and expenses according to their netted balance).

#### 2.1.4. Other operating expenses

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Loss on disposal of assets:</b>	<b>0</b>	<b>0</b>
Loss on disposal of non-current assets	0	0
<b>Other operating expenses:</b>	<b>1,452</b>	<b>475</b>
Donations	3	2
Allowances for receivables	1,042	334
Costs of litigations	406	137
Other	1	2
<b>Total</b>	<b>1,452</b>	<b>475</b>

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by the Company (income and expenses according to their netted balance).

#### 2.1.5. Financial income

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Interest income</b>	<b>176</b>	<b>198</b>
Interest on bank deposits	60	138
Interest on loans	17	40
Interest on receivables	99	20
<b>Other financial income</b>	<b>650</b>	<b>1,116</b>
Discount of long-term items	396	939
Financial guarantees	242	177
Other	12	0
<b>Total</b>	<b>826</b>	<b>1,314</b>

In order to make the financial statements clearer, reinvoices have been jointly presented by the Company (income and expenses according to their netted balance).

#### 2.1.6. Financial expenses

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Interest expenses</b>	<b>1,045</b>	<b>1,073</b>
Interest on bank credits	49	26
Interest on loans	422	0
Interest on leases	533	877
Interest on trade and other payables	41	170

<b>Other financial expenses</b>	<b>53</b>	<b>158</b>
Foreign exchange losses	36	65
Write-down of investments in related parties	0	35
Other	17	58
<b>Total</b>	<b>1,098</b>	<b>1,231</b>

In order to make the financial statements clearer, reinvoices have been jointly presented by the Company (income and expenses according to their netted balance).

### 2.1.7. Corporate income tax

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

	Period ended 30-09-2020	Period ended 30-09-2019
Current income tax	2	234
Deferred tax	1,399	2,407
<b>Total tax expense/income</b>	<b>1,401</b>	<b>2,641</b>

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes the 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 tax liability is calculated using 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.

#### Income tax according to effective interest rate

	Period ended 30-09-2020	Period ended 30-09-2019
<b>Gross profit (loss)</b>	<b>4,817</b>	<b>6,341</b>
Income tax at the applicable rate of 19%	915	1,205
<b>Effect of tax recognition of:</b>	<b>-4,489</b>	<b>-1,205</b>
- Use of tax losses brought forward	0	1,282
- Costs that are not tax-deductible under tax regulations	7,244	9,032
- Revenue not classified as revenue under tax regulations	13,980	8,683
- Tax-deductible expenses not classified as balance sheet expenses	-588	308
- Taxable revenue not classified as balance sheet revenue	1,659	36
Revaluation of deferred tax assets (current year loss)	3,576	0
Deferred tax	1,399	2,407
Income tax adjustments	0	234
<b>Income tax according to effective tax rate</b>	<b>1,401</b>	<b>2,641</b>
Effective tax rate	29%	42%

#### Current tax assets and liabilities

	<b>Balance at</b>	<b>Balance at</b>
	<b>30-09-2020</b>	<b>31-12-2019</b>
<b>Current tax assets</b>		
Tax refundable	0	0
<b>Current tax liabilities</b>		
Tax payable	0	0

#### Deferred tax

	<b>Period ended</b>	<b>Period ended</b>
	<b>30-09-2020</b>	<b>30-09-2019</b>
<b>Deferred tax balance at the beginning of the period</b>	<b>19,954</b>	<b>22,485</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>45,658</b>	<b>48,426</b>
Provisions for expenses and accruals	23,504	26,179
Discount of receivables	143	216
Operating lease liabilities	2,273	2,628
Write-downs	1,137	1,186
Bonds and insurances accounted for over time	1,829	1,523
Tax work in progress	16,188	14,063
Measurement of long-term contracts	181	2,158
Other	403	473
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>45,154</b>	<b>42,395</b>
Measurement of long-term contracts	32,133	29,030
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,408	12,725
Discount of payables	603	635
Other	10	5
<b>Unused tax losses and other tax credits carried forward:</b>	<b>18,065</b>	<b>14,052</b>
Tax losses	18,065	14,052
<b>Total temporary differences relating to deferred tax assets:</b>	<b>63,723</b>	<b>62,478</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>45,154</b>	<b>42,395</b>
<b>Deferred tax balance at the end of the period</b>	<b>18,569</b>	<b>20,083</b>
<b>Change in deferred tax, including:</b>	<b>-1,385</b>	<b>-2,402</b>
- recognised in income	-1,399	-2,407
- recognised in equity	14	5

The recognition of deferred tax in equity is a result of calculating tax on actuarial gains/losses presented in comprehensive income.

#### 2.1.8. Operating segments

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

The Company is organised and managed within the abovementioned segment. The Company applies a uniform

accounting policy to all operating areas within the segment of engineering construction and assembly services.

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

### 2.2.1. Construction contracts

The following details relate to long-term construction contracts performed by the Company.

	<b>Period ended 30-09-2020</b>	<b>Period ended 30-09-2019</b>
Revenue from long-term construction contracts	531,241	671,515
Costs of long-term construction contracts*)	526,435	665,762
<b>Gross profit (loss) on long-term contracts</b>	<b>4,806</b>	<b>5,753</b>
	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
<b>Assets (selected items)</b>	<b>186,689</b>	<b>122,059</b>
- Measurement of long-term construction contracts	169,120	99,287
- Advance payments made in connection with performed contracts	4,259	10,333
- Retentions on construction contracts retained by customers	13,310	12,439
<b>Liabilities (selected items)</b>	<b>174,485</b>	<b>145,670</b>
- Measurement of long-term construction contracts	953	4,247
- Provisions for contract costs	77,514	53,678
- Advance payments received in connection with performed contracts	34,864	27,788
- Retentions on construction contracts retained for suppliers	34,786	31,672
- Provisions for warranty claims	15,914	13,775
- Provisions for expected losses on contracts	10,454	14,510

\*) The item does not include any provision for losses on contracts or any provision for warranty claims.

The increase in the measurement of long-term construction contracts was influenced by the greater progress of construction works.

The provision for a loss on contracts is created if the budgeted costs exceed the total revenue under the contract.

The provisions for contract costs increased mainly after more subcontractors had been involved in the performance of contracts.

### 2.2.2. Retentions on construction contracts

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Retained by customers – to be repaid after 12 months	9,742	9,455
Retained by customers – to be repaid within 12 months	3,568	2,984
<b>Total retentions on construction contracts retained by customers</b>	<b>13,310</b>	<b>12,439</b>
Retained for suppliers – to be repaid after 12 months	14,116	12,505
Retained for suppliers – to be repaid within 12 months	20,670	19,167
<b>Total retentions on construction contracts retained for suppliers</b>	<b>34,786</b>	<b>31,672</b>

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



### 2.2.3. Provisions

#### Change in provisions

Provisions	01-01-2020	Created	Used	Released	Reclassified	30-09-2020	Item
<b>Long-term provisions:</b>	<b>13,276</b>	<b>2,791</b>	<b>96</b>	<b>0</b>	<b>-437</b>	<b>15,534</b>	
Provisions for employee benefits	1,200	106	0	0	0	1,306	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,076	2,685	96	0	-437	14,228	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>34,638</b>	<b>20,379</b>	<b>13,037</b>	<b>11,681</b>	<b>437</b>	<b>30,736</b>	
Provisions for employee benefits	18,429	14,875	12,987	1,721	0	18,596	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,699	15	50	415	437	1,686	Short-term provisions
Provision for loss on contracts	14,510	5,489	0	9,545	0	10,454	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>47,914</b>	<b>23,170</b>	<b>13,133</b>	<b>11,681</b>	<b>0</b>	<b>46,270</b>	

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

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

A provision for a loss on contracts is made if the budgeted costs exceed the total revenue under a contract.

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

#### Comparative information:

Provisions	01-01-2019	Created	Used	Released	Reclassified	31-12-2019	Item
<b>Long-term provisions:</b>	<b>8,908</b>	<b>5,634</b>	<b>357</b>	<b>0</b>	<b>-909</b>	<b>13,276</b>	
Provisions for employee benefits	1,036	164	0	0	0	1,200	Liabilities under employee benefits (long-term)
Provisions for warranty claims	7,872	5,470	357	0	-909	12,076	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>43,504</b>	<b>22,553</b>	<b>13,398</b>	<b>18,930</b>	<b>909</b>	<b>34,638</b>	

Provisions for employee benefits	13,672	19,937	13,117	2,063	0	18,429	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,944	0	281	873	909	1,699	Short-term provisions
Provision for loss on contracts	27,888	2,616	0	15,994	0	14,510	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>52,412</b>	<b>28,187</b>	<b>13,755</b>	<b>18,930</b>	<b>0</b>	<b>47,914</b>	

#### 2.2.4. Advance payments

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments transferred in connection with performed contracts	4,259	10,333
Allowances for advance payments	0	-42
<b>Total advance payments due</b>	<b>4,259</b>	<b>10,291</b>

ZUE receives advance payments from Investors and transfers them also to subcontractors to ensure the timely performance of construction contracts.

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments received in connection with performed contracts	34,864	27,788
Other advance payments	0	0
<b>Total advance payments received</b>	<b>34,864</b>	<b>27,788</b>

The received advance payments are the prepayments received by the Company on the basis of relevant provisions of the contracts with PKP PLK.

In the reporting period, an advance payment was received in connection with one railway contract and certain advance payments were accounted for following the progress in construction works.

#### 2.2.5. Accruals

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Provisions for contract costs	77,514	53,678
Other accruals	1,082	363
<b>Total</b>	<b>78,596</b>	<b>54,041</b>

Provisions for the costs of contracts comprise the provisions for the costs of subcontractors and the provisions for the risks associated with the settlement of contracts.

### 2.3. Trade and other receivables and payables

#### 2.3.1. Trade and other receivables

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Trade receivables	131,031	188,796
Allowances for trade receivables in connection with the increase of credit risk	-23,699	-17,805

Allowances for trade receivables – initial for expected credit losses	-130	-130
Other receivables	4,417	4,272
<b>Total trade and other receivables</b>	<b>111,619</b>	<b>175,133</b>

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

Allowances in connection with the increase of credit risk of PLN 23,699 thousand include, in particular:

- Debit notes issued by the Company for penalties, damages and substitute performance. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue.
- Receivables under court and enforcement cases.
- Doubtful debt.

### 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 measurement of allowances of PLN 1,042 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Company for the penalties and damages that are not the Company's revenue at the date of issue.

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

	Balance at	
	30-09-2020	31-12-2019
Counterparty A	92,910	149,093

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

### 2.3.2. Trade and other payables

	Balance at	Balance at
	30-09-2020	31-12-2019
Trade payables	107,085	140,722
Liabilities to the state budget other than corporate income tax	4,463	15,848
Other payables	228	214
<b>Total trade and other payables</b>	<b>111,776</b>	<b>156,784</b>

### 2.4. Debt and management of capital and liquidity

ZUE cooperates with banks to ensure the proper financing of its day-to-day operations and to obtain the bonds enabling the Company to carry out the scheduled projects.

In the reporting period, ZUE used own resources and credit limits to finance its day-to-day operations. As at 30 September 2020, the Company could use overdraft and working capital credit limits in the total amount of PLN 26,735 thousand. The available bond limits provided by banks and insurance companies amounted to PLN 163,834 thousand.

#### 2.4.1. Loans and bank credits

	Balance at	Balance at
	30-09-2020	31-12-2019
<b>Long-term</b>	<b>6,666</b>	<b>13,333</b>
Bank credits	0	0

Loans received	6,666	13,333
<b>Short-term</b>	<b>17,362</b>	<b>6,667</b>
Bank credits	8,472	0
Loans received	8,890	6,667
<b>Total</b>	<b>24,028</b>	<b>20,000</b>

### Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 30-09-2020	Amount of available loans/credits as at 30-09-2020	Use as at 30-09-2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. including:	Master Agreement including: submit for bonds non-revolving working capital facility	25,000 3,700 21,300	10,000 12,828	8,472 0 8,472	1M WIBOR + margin	May 2021
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	15,556	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A. including:	Premium multi-purpose credit line agreement submit for bonds Overdraft	30,000 30,000 3,907	3,907 3,907	26,093 0	1M WIBOR + margin	July 2022
<b>Total amount of available loans and credits</b>				<b>26,735</b>			
<b>Total debt under loans and credits</b>					<b>24,028</b>		
<b>Total use for bonds</b>					<b>26,093</b>		

Types of security and liabilities under loan and credit agreements:

**1. Overdraft:**

- f) Promissory note;
- g) Financial pledge over customer's bank accounts maintained by the Bank;
- h) Registered pledge;
- i) Statement on submission to enforcement;
- j) Assignment of rights under insurance policy.

**2. Master agreement:**

- g) Mortgage;
- h) Security deposit for the benefit of the Bank established each time for the guarantees expiring after 36 months;
- i) Financial pledge over customer's bank accounts maintained by the Bank;
- j) Registered pledge;
- k) Statement on submission to enforcement;
- l) Assignment of rights under insurance policy.

**3. Loan agreement:**

- e) Mortgage;
- f) Registered pledge;

- g) Assignment of rights under insurance policy;  
h) Assignment of claims under contracts.

**4. Premium multi-purpose credit line agreement:**

- b) Blank promissory note;  
b) Assignment of claims under contract;  
c) Credit repayment guarantee provided by BGK as part of *PLG FGP* guarantee line for 80% of the Credit; i.e. not more than PLN 24m.

In the reporting period:

- On 28 January 2020, the Company and BNP Paribas signed an annex to the Multipurpose Credit Line Agreement whereby the line was extended for another year and the available limit was reduced from PLN 170m to PLN 100m to be used exclusively for bonds. As the credit cannot be taken under the Agreement, the Agreement is not disclosed by the Company in the table of credit agreements and the amount of the limit is disclosed exclusively in the list of guarantee limits (item 3 of the comparative information).
- mBank – Master Agreement (item 2) – on 26 May 2020, the Company signed the annex to the master agreement whereby the maturity date was extended by one year and the type of security was changed. The available limit was reduced.
- mBank – Master Agreement (item 2) – on 10 June 2020, the Company and mBank entered into the working capital credit agreement as part of the sublimit available under the abovementioned Master Agreement.
- mBank – Overdraft (item 1) – on 9 July 2020, the Company signed the annex to the overdraft agreement whereby the repayment date was extended by another year and the type of security was changed.
- BNP Paribas – Premium multipurpose credit line agreement (item 4) – on 30 July 2020, the Company entered into the new agreement with BNP Paribas whereby the Company would be granted the credit limit of up to PLN 30m. The tenor was set until 30 July 2030.

**Comparative information:**

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2019	Amount of available loans/credits as at 31-12-2019	Use as at 31-12-2019	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2020
2	mBank S.A. (i)	Master Agreement	50,000		0	1M WIBOR + margin	July 2020
		including:					
		sublimit for bonds	50,000		0		
		non-revolving working capital credit	40,000	40,000	0		
3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement	170,000		52,621	1M WIBOR + margin	January 2020
		including:					
		sublimit for bonds	170,000		52,621		
		sublimit for working capital credit	20,000	20,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	20,000	1M WIBOR + margin	June 2022
<b>Total amount of available loans and credits</b>				<b>70,000</b>			

<b>Total debt under loans and credits</b>	<b>20,000</b>
<b>Total use for bonds</b>	<b>52,621</b>

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

#### 2.4.2. Leases

##### Leases liabilities

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Long-term lease liabilities	13,689	12,385
Short-term lease liabilities	9,939	9,931
<b>Total</b>	<b>23,628</b>	<b>22,316</b>

In the reporting period, the Company signed the leaseback for the wagons required to transport loose materials in the total amount of PLN 8,481 thousand.

##### General terms of lease

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

##### Short-term and low value leases

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

1. Not to recognise operating leases with a lease term less than 12 months – they 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 expenses associated with short-term and low value leases amounted to PLN 3,005 thousand in the three quarters of 2020 and to PLN 2,510 thousand in the three quarters of 2019.

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

<b>No.</b>	<b>Note</b>	<b>30-09-2020</b>	<b>30-09-2019</b>
2.1.2.	Depreciation and amortisation	2,722	2,485
2.1.6.	Financial expenses – interest on leases	533	877

<b>No.</b>	<b>Note</b>	<b>30-09-2020</b>	<b>31-12-2019</b>
2.4.2.	Leases – lease liabilities	23,628	22,316
2.5.4.	Right-of-use assets	51,082	56,059

#### 2.4.3. 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.

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Long- and short-term loans and bank credits	24,028	20,000
Long- and short-term lease liabilities	23,628	22,316
Long- and short-term other financial liabilities	36	36
<b>Total financial liabilities</b>	<b>47,692</b>	<b>42,352</b>
Cash and cash equivalents	17,346	27,979
<b>Net debt</b>	<b>30,346</b>	<b>14,373</b>
Equity	152,647	149,291
<b>Net debt to equity ratio</b>	<b>19.88%</b>	<b>9.63%</b>

Positive net debt is due to the fact that total financial liabilities at the end of the third quarter of 2020 exceeded the amount of cash at the Company.

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

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

#### 2.4.4. Cash and cash equivalents

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Cash on hand and at banks	17,346	27,979
Bank deposits up to three months	0	0
<b>TOTAL</b>	<b>17,346</b>	<b>27,979</b>

The cash decreased at the end of the reporting period after it had been used in operating activities.

#### Discussion of items of the statement of cash flows

The Company's cash flows from operating activities were mainly influenced by changes in receivables, payables, advance payments, measurement of long-term construction contracts and accruals in connection with the performance of construction contracts.

The Company's cash flows from investing activities were mainly influenced by the purchase of intangible assets and non-current assets and the advanced loans.

Cash flows from financing activities were mainly influenced by greater financing with the use of credit and leaseback and the repayment of loans and credits as well as a decrease in lease liabilities.

	<b>Balance at 30-09-2020</b>	<b>Balance at 30-09-2019</b>
Cash flows from operating activities	-5,247	-81,505
Cash flows from investing activities	-7,158	-827
Cash flows from financing activities	1,764	7,247
<b>Total net cash flows</b>	<b>-10,641</b>	<b>-75,085</b>
Cash and cash equivalents at the beginning of the period	27,979	79,404
Cash and cash equivalents at the end of the period	17,346	4,313





## 2.5. Other notes to the financial statements

### 2.5.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	0	24,725	36,342	55,586	2,187	118,840	377	27	119,244
Additions	0	56	1,411	3,905	100	5,472	945	41	6,458
Reclassification – right-of-use*	0	0	0	4,827	0	4,827			4,827
Transfer to non-current assets	0	0	0	0	0	0	1,058	53	1,111
Sale/liquidation	0	0	291	3,936	98	4,325	0	0	4,325
Reclassification to assets held for sale	0	-1,359	0	0	0	-1,359	0	0	-1,359
<b>Balance at 30 September 2020</b>	0	23,422	37,462	60,382	2,189	123,455	264	15	123,734

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	0	9,215	22,676	31,864	1,794	65,549	0	0	65,549
Elimination on disposal of assets	0	0	283	3,845	97	4,225	0	0	4,225
Reclassification – right-of-use* - depreciation expense	0	0	0	643	0	643	0	0	643
Depreciation expense	0	487	1,918	3,619	66	6,090	0	0	6,090
Reclassification to assets held for sale	0	-710	0	0	0	-710	0	0	-710
<b>Balance at 30 September 2020</b>	0	8,992	24,311	32,281	1,763	67,347	0	0	67,347

Carrying amount	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	0	15,510	13,666	23,722	393	53,291	377	27	53,695

<b>Balance at 30 September 2020</b>	<b>0</b>	<b>14,430</b>	<b>13,151</b>	<b>28,101</b>	<b>426</b>	<b>56,108</b>	<b>264</b>	<b>15</b>	<b>56,387</b>
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\*Purchase at the end of the lease.

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

As at 30 September 2020, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 86 thousand. As at 30 September 2020, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 15,626 thousand.

### Assets pledged as security

Property, plant and equipment used as security for bank agreements are discussed in the note 2.5.14.

### Comparative information:

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>24,634</b>	<b>51,268</b>	<b>85,378</b>	<b>2,147</b>	<b>163,427</b>	<b>302</b>	<b>0</b>	<b>163,729</b>
<b>Opening balance adjustment</b>		<b>0</b>	<b>-19,437</b>	<b>-35,890</b>	<b>0</b>	<b>-55,327</b>	<b>0</b>	<b>0</b>	<b>-55,327</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>24,634</b>	<b>31,831</b>	<b>49,488</b>	<b>2,147</b>	<b>108,100</b>	<b>302</b>	<b>0</b>	<b>108,402</b>
Additions	0	91	1,286	2,791	103	4,271	738	27	5,036
Reclassification – right-of-use*	0	0	3,887	3,813	0	7,700			7,700
Transfer to non-current assets	0	0	0	0	0	0	663	0	663
Sale/liquidation	0	0	662	506	63	1,231	0	0	1,231
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>24,725</b>	<b>36,342</b>	<b>55,586</b>	<b>2,187</b>	<b>118,840</b>	<b>377</b>	<b>27</b>	<b>119,244</b>

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>8,498</b>	<b>22,207</b>	<b>29,445</b>	<b>1,764</b>	<b>61,914</b>	<b>0</b>	<b>0</b>	<b>61,914</b>
<b>Opening balance adjustment</b>	<b>0</b>	<b>0</b>	<b>-1,964</b>	<b>-1,919</b>	<b>0</b>	<b>-3,883</b>			<b>-3,883</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>8,498</b>	<b>20,243</b>	<b>27,526</b>	<b>1,764</b>	<b>58,031</b>	<b>0</b>	<b>0</b>	<b>58,031</b>
Elimination on disposal of assets	0	0	649	425	62	1,136	0	0	1,136

Reclassification – right-of-use* - depreciation expense	0	0	599	343	0	942	0	0	942
Depreciation expense	0	717	2,483	4,420	92	7,712	0	0	7,712
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>9,215</b>	<b>22,676</b>	<b>31,864</b>	<b>1,794</b>	<b>65,549</b>	<b>0</b>	<b>0</b>	<b>65,549</b>
<b>Carrying amount</b>									
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>16,136</b>	<b>29,061</b>	<b>55,933</b>	<b>383</b>	<b>101,513</b>	<b>302</b>	<b>0</b>	<b>101,815</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>		<b>16,136</b>	<b>11,588</b>	<b>21,962</b>	<b>383</b>	<b>50,069</b>	<b>302</b>	<b>0</b>	<b>50,371</b>
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>15,510</b>	<b>13,666</b>	<b>23,722</b>	<b>393</b>	<b>53,291</b>	<b>377</b>	<b>27</b>	<b>53,695</b>

## 2.5.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>6,587</b>	<b>7,409</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,122</b>
Additions	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0
Reclassification to assets held for sale	0	-874	-3,285	0	0	0	-4,159
<b>Balance at 30 September 2020</b>	<b>126</b>	<b>5,713</b>	<b>4,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>
Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>1,898</b>	<b>2,737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,635</b>
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	165	186	0	0	0	351
Reclassification to assets held for sale	0	-38	-577	0	0	0	-615
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>2,025</b>	<b>2,346</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,371</b>
Carrying amount							
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>4,689</b>	<b>4,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,487</b>
<b>Balance at 30 September 2020</b>	<b>126</b>	<b>3,688</b>	<b>1,778</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,592</b>

The investment property as at 30 June 2020 included the real property located in Kościelisko. The investment property included buildings with land and leasehold land. The Company's investment property is held as freehold or leasehold interests.

No impairment losses were released by the Company in the reporting period. The total amount of investment property impairment losses of prior years is PLN 1,770 thousand.

### Assets pledged as security

The types of security for bank agreements relating to investment property are discussed in the note 2.5.14.

**Comparative information:**

Gross value	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2019</b>	126	5,228	7,409	0	0	0	12,763
Opening balance adjustment	0	1,359	0	0	0	0	1,359
<b>Balance at 1 January 2019 after opening balance adjustment</b>	126	6,587	7,409	0	0	0	14,122
Additions	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0
<b>Balance at 31 December 2019</b>	126	6,587	7,409	0	0	0	14,122

Depreciation	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2019</b>	0	1,677	2,444	0	0	0	4,121
Opening balance adjustment	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	1,677	2,444	0	0	0	4,121
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	221	293	0	0	0	514
<b>Balance at 31 December 2019</b>	0	1,898	2,737	0	0	0	4,635

Carrying amount	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2019</b>	126	3,551	4,965	0	0	0	8,642
<b>Balance at 1 January 2019 after opening balance adjustment</b>	126	4,910	4,965	0	0	0	10,001

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<b>Balance at 31 December 2019</b>	<b>126</b>	<b>4,689</b>	<b>4,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,487</b>
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### 2.5.3. Intangible assets

#### Structure of intangible assets:

	Balance at 30-09-2020	Balance at 31-12-2019
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>1,937</b>	<b>1,484</b>
- Software	1,937	1,484

#### Movements in intangible assets

	Other intangible assets – software
<b>Gross value</b>	
<b>Balance at 1 January 2020</b>	<b>5,259</b>
Additions	520
Sale/liquidation	51
<b>Balance at 30 September 2020</b>	<b>5,728</b>
<b>Amortisation and impairment</b>	
<b>Balance at 1 January 2020</b>	<b>3,775</b>
Amortisation expense	67
Sale/liquidation	51
<b>Balance at 30 September 2020</b>	<b>3,791</b>
<b>Carrying amount</b>	
<b>Balance at 1 January 2020</b>	<b>1,484</b>
<b>Balance at 30 September 2020</b>	<b>1,937</b>

No impairment losses were recognised by the Company in 2020 or 2019.

**Comparative information:**

	Leasehold	Other intangible assets – software	Total
<b>Gross value</b>			
<b>Balance at 1 January 2019</b>	9,038	3,920	12,958
Opening balance adjustment	-9,038	0	-9,038
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	3,920	3,920
Additions	0	1,395	1,395
Sale/liquidation	0	56	56
<b>Balance at 31 December 2019</b>	0	5,259	5,259
<b>Amortisation and impairment</b>			
<b>Balance at 1 January 2019</b>	1,113	3,730	4,843
Opening balance adjustment	-1,113	0	-1,113
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	3,730	3,730
Amortisation expense	0	101	101
Sale/liquidation	0	56	56
<b>Balance at 31 December 2019</b>	0	3,775	3,775
<b>Carrying amount</b>			
<b>Balance at 1 January 2019</b>	7,925	190	8,115
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	190	190
<b>Balance at 31 December 2019</b>	0	1,484	1,484



#### 2.5.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	<b>1,239</b>	<b>13,164</b>	<b>1,157</b>	<b>15,551</b>	<b>33,595</b>	<b>0</b>	<b>64,706</b>
Conclusion of new contracts	418	0	186	0	2,119	0	2,723
Changes resulting from the amendments to contracts	0	0	0	0	-231	0	-231
Reclassification – right-of-use*	0	0	0	0	-4,827	0	-4,827
Changes resulting from the shortening of contracts	-660	0	-412	0	0	0	-1,072
<b>Balance at 30 September 2020</b>	<b>997</b>	<b>13,164</b>	<b>931</b>	<b>15,551</b>	<b>30,656</b>	<b>0</b>	<b>61,299</b>
Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	<b>535</b>	<b>1,276</b>	<b>618</b>	<b>2,263</b>	<b>3,955</b>	<b>0</b>	<b>8,647</b>
Depreciation expense	439	127	480	674	1,645	0	3,365
Reclassification – right-of-use* - depreciation expense	0	0	0	0	-643	0	-643
Elimination on the shortening of contract	510	0	412	0	230	0	1,152
<b>Balance at 30 September 2020</b>	<b>464</b>	<b>1,403</b>	<b>686</b>	<b>2,937</b>	<b>4,727</b>	<b>0</b>	<b>10,217</b>
Carrying amount							
<b>Balance at 1 January 2020</b>	<b>704</b>	<b>11,888</b>	<b>539</b>	<b>13,288</b>	<b>29,640</b>	<b>0</b>	<b>56,059</b>
<b>Balance at 30 September 2020</b>	<b>533</b>	<b>11,761</b>	<b>245</b>	<b>12,614</b>	<b>25,929</b>	<b>0</b>	<b>51,082</b>

\* Purchase at the end of the lease.

### Assets pledged as security

The Company's lease liabilities (note 2.4.2.) are secured with the lessor's title to the leased assets (vehicles, machines and equipment).

### Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
Opening balance adjustment	812	13,164	932	19,438	36,564	0	70,910
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>13,164</b>	<b>932</b>	<b>19,438</b>	<b>36,564</b>	<b>0</b>	<b>70,910</b>
Conclusion of new contracts	510	0	406	0	868	0	1,784
Changes resulting from the amendments to contracts	-17	0	0	0	-24	0	-41
Reclassification – right of use*	0	0	0	-3,887	-3,813	0	-7,700
Changes resulting from the shortening of contracts	-66	0	-181	0	0	0	-247
<b>Balance at 31 December 2019</b>	<b>1,239</b>	<b>13,164</b>	<b>1,157</b>	<b>15,551</b>	<b>33,595</b>	<b>0</b>	<b>64,706</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
Opening balance adjustment	0	1,112	0	1,964	1,920	0	4,996
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>1,112</b>	<b>0</b>	<b>1,964</b>	<b>1,920</b>	<b>0</b>	<b>4,996</b>
Depreciation expense	570	164	674	898	2,378	0	4,684
Reclassification – right of use* - depreciation expense	0	0	0	-599	-343	0	-942
Elimination on the shortening of contract	35	0	56	0	0	0	91

<b>Balance at 31 December 2019</b>	<b>535</b>	<b>1,276</b>	<b>618</b>	<b>2,263</b>	<b>3,955</b>	<b>0</b>	<b>8,647</b>
<b>Carrying amount</b>							
<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>12,052</b>	<b>932</b>	<b>17,474</b>	<b>34,644</b>	<b>0</b>	<b>65,914</b>
<b>Balance at 31 December 2019</b>	<b>704</b>	<b>11,888</b>	<b>539</b>	<b>13,288</b>	<b>29,640</b>	<b>0</b>	<b>56,059</b>

\* Purchase at the end of the lease.

### 2.5.5. Assets held for sale

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
Liquidations	0	0	1,359	0	0	0	1,359
Reclassification from property, plant and equipment	0	0	1,359	0	0	0	1,359
Reclassification from investment property	0	874	3,285	0	0	0	4,159
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>874</b>	<b>3,285</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,159</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
<b>Balance at 1 January 2020</b>	0	0	0	0	0	0	0
Elimination on disposal of assets	0	0	710	0	0	0	710
Reclassification from property, plant and equipment	0	0	710	0	0	0	710
Reclassification from investment property	0	38	577	0	0	0	615
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>38</b>	<b>577</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>615</b>

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**Carrying amount**

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<b>Balance at 1 January 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 30 September 2020</b>	<b>0</b>	<b>836</b>	<b>2,708</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,544</b>

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The real estate located in Magdalenka was sold on 4 August 2020. The transaction's result was positive.

The assets held for sale as at 30 September 2020 included the real estate situated in Poznań.

The Company intends to sell the real estate in Poznań and negotiates with the potential buyer. The Company expects the transaction to be at least equal to the carrying amount of assets. The sale is expected to take place within 12 months of the end of the reporting period.

### 2.5.6. Goodwill

<b>At cost</b>	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Goodwill of PRK	31,172	31,172
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

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

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

### Impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of the Company's assets. The impairment tests carried out at 30 June 2020 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 30 September 2020, the Company reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period.

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

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 6,687 thousand.

At 30 September 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 86 thousand.

At 31 December 2019, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,043 thousand.

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

- Complete overhauls of vehicles (mainly wagons) – PLN 3,452 thousand;
- Purchase of trucks – PLN 685 thousand;
- Implementation of a new ERP system – PLN 444 thousand;
- Purchase of lifting devices – PLN 245 thousand;
- Purchase of excavator – PLN 240 thousand.

In the three quarters of 2020, the Company sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 740 thousand. In the three quarters of 2019, the Company sold the property, plant and equipment and intangible assets with total net carrying amount of PLN 81 thousand.

### 2.5.8. Advanced loans

	<b>Balance at 30-09-2020</b>	<b>Balance at 31-12-2019</b>
Loans advanced to related parties	1,834	278
Loans advanced to third parties	285	285
Impairment losses	-378	-361

<b>Total</b>	<b>1,741</b>	<b>202</b>
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Advanced loans include principal and interest charged at the end of the reporting period. In the reporting period, the Company granted special-purpose loans of PLN 1,627 thousand to subsidiaries.

### 2.5.9. Inventories

	Balance at 30-09-2020	Balance at 31-12-2019
Goods, raw and other materials	28,839	24,303
Work-in-progress	2,076	612
Finished goods	204	199
<b>Total</b>	<b>31,119</b>	<b>25,114</b>

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 recognised in the reporting period.

### 2.5.10. Financial instruments

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

#### Balance at 30 September 2020

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	14,050	0	0	0	36,431
Trade receivables	131,031	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	2,119	0	0	0	0
Cash and cash equivalents	17,346	0	0	0	0
Loans and bank credits	0	0	0	0	24,028
Lease liabilities	0	0	0	0	23,628
Trade payables	0	0	0	0	107,085
<b>Total</b>	<b>164,546</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>191,208</b>

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

#### Balance at 31 December 2019

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	13,260	0	0	0	33,102
Trade receivables	188,796	0	0	0	0

Other financial liabilities	0	0	0	0	36
Advanced loans	563	0	0	0	0
Impairment losses on advanced loans	-361	0	0	0	0
Cash and cash equivalents	27,979	0	0	0	0
Loans and bank credits	0	0	0	0	20,000
Lease liabilities	0	0	0	0	22,316
Trade payables	0	0	0	0	140,722
<b>Total</b>	<b>230,237</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>216,176</b>

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

#### 2.5.11. Transactions with related parties

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

	<b>Receivables</b>		<b>Payables</b>	
	<b>Balance at</b>		<b>Balance at</b>	
	<b>30-09-2020</b>	<b>31-12-2019</b>	<b>30-09-2020</b>	<b>31-12-2019</b>
Railway gft	58	0	439	1,196
BPK Poznań	3,234	1,222	615	1,503
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>3,292</b>	<b>1,222</b>	<b>1,054</b>	<b>2,699</b>

	<b>Revenues</b>		<b>Purchases</b>	
	<b>Period ended</b>		<b>Period ended</b>	
	<b>30-09-2020</b>	<b>30-09-2019</b>	<b>30-09-2020</b>	<b>30-09-2019</b>
Railway gft	316	361	5,476	8,766
BPK Poznań	4,324	409	872	5,793
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	48	0	0
<b>Total</b>	<b>4,643</b>	<b>821</b>	<b>6,348</b>	<b>14,559</b>

	<b>Advanced loans</b>		<b>Financial income (interest)</b>	
	<b>Balance at</b>		<b>Period ended</b>	
	<b>30-09-2020</b>	<b>31-12-2019</b>	<b>30-09-2020</b>	<b>30-09-2019</b>
Railway gft	1,003	0	3	35
BPK Poznań	728	202	14	5
RTI	10	0	0	0
RTI Germany	93	76	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>1,834</b>	<b>278</b>	<b>17</b>	<b>40</b>

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

In the reporting period, ZUE entered into the following sales transactions with the related parties:

- o Design services;

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

In the reporting period, ZUE imposed the contractual penalties in the total amount of PLN 209 thousand on the consortium with BPK Poznań as the leader. The penalty was not recognised by the Company in revenue.

In the reporting period, ZUE entered into the following purchase transactions with the related parties:

- o Purchase of materials used in connection with the construction and repair of tracks;
- o Design services; and
- o Printing services.

On 11 February 2020, ZUE and BPK Poznań signed the loan agreement whereby BPK Poznań was granted the special-purpose loan of PLN 600,000 to be repaid by 21 June 2021. The loan was disbursed on 21 February 2020.

On 21 February 2020, ZUE and RTI Germany signed the special-purpose loan agreement. The loan of EUR 7000 would be repaid by 20 December 2020. EUR 4000 was disbursed on the date of the agreement and the remaining amount of EUR 3000 was disbursed on 17 November 2020.

On 22 July 2020, ZUE and RTI signed the special-purpose loan agreement. The loan of PLN 10,000 would be repaid by 22 July 2021. The loan was disbursed on 23 July 2020.

On 6 August 2020, ZUE and Railway gft signed the special-purpose loan agreement. The loan of PLN 1m would be repaid by 31 January 2021.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 30 September 2020 is PLN 15,268 thousand.

#### Remuneration of key management personnel

	Period ended 30-09-2020	Period ended 30-09-2019
Management Board	3,695	3,133
Supervisory Board	322	236
<b>Total</b>	<b>4,017</b>	<b>3,369</b>

#### 2.5.12. Major 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.

The court cases are presented in detail in the note III 4.7.12 of the consolidated financial statements.

#### 2.5.13. Tax settlements

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

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

No significant or countable tax risks were recognised by the Company at 30 September 2020 or 31 December 2019.

#### 2.5.14. Contingent assets and contingent liabilities



### Contingent assets

	Balance at 30-09-2020	Balance at 31-12-2019
Bonds	94,885	76,049
Promissory notes	5,425	4,254
Pledges	300	300
<b>Total</b>	<b>100,610</b>	<b>80,603</b>

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

The Company has also received promissory notes from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

Apart from the bonds and promissory notes, ZUE is the pledgee in connection with the pledge on movables established by a subsidiary.

### Contingent liabilities

	Balance at 30-09-2020	Balance at 31-12-2019
Bonds	534,164	508,375
Guarantees	15,268	24,530
Promissory notes	329,911	388,745
Mortgages*	81,529	91,159
Pledges	156,676	18,016
<b>Total</b>	<b>1,117,548</b>	<b>1,030,825</b>

\* Change in the balance as at 31.12.2019 explained in 2.6.2.3.

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

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

The liabilities to banks and strategic clients are secured by promissory notes.

Mortgages are additional security for the credit agreement with mBank S.A., the insurance agreement with PZU S.A. and the loan agreement with ARP. In the reporting period, the Court of Poznań considered the applications to remove the mortgage established for the benefit of the State Treasury and the mortgages established to secure the credit agreements between the subsidiaries and BNP Paribas Bank Polska S.A. Consequently, the mortgages were removed from the land and mortgage registers for the real estate in Poznań.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A. and to secure the loan agreement entered into with Agencja Rozwoju Przemysłu S.A. The pledged assets include wagons, pile driver, maintenance train, engine and profiling machine.

Apart from the registered pledges, there is a financial pledge over the borrower's bank accounts to secure the agreements between the Company and mBank S.A.

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

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 September 2020 or 31 December 2019.

#### 2.5.16. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the nine months ended 30 September 2020 or the nine months ended 30 September 2019.

#### 2.5.17. Cyclical and seasonal nature of the Company's operations

Construction and assembly operations are marked by the seasonality of production and sales. The topic has been discussed in detail in the note III 2.13: Seasonal and cyclical nature of the Group's operations.

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

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

#### 2.5.19. Dividend

No dividend was paid the Company in the reporting period.

On 22 April 2020, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 18 June 2020.

On 30 July 2020, the Company's Ordinary General Meeting resolved to allocate the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds.

### 2.6. Other notes to the financial statements

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

##### Statement of compliance

The condensed separate financial statements have been drawn up in accordance with IAS 34 as at 30 September 2020 as endorsed by the European Union (EU).

The separate financial statements for the nine months ended 30 September 2020 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2020:

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 3 "Business Combinations"** – definition of business (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors"** – definition of material (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 16 "Leases"** – relief for lessees in connection with COVID-19 (effective for annual periods beginning on or after 1 June 2020).

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

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

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) except for the following new

standards and amendments to the standards not yet approved for use in the EU at the date of preparation of this report:

- **Amendments to IFRS 4 “Insurance Contracts”** – Deferral of effective date of IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** - IBOR reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 3 “Business Combinations,” IAS 16 “Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – annual improvements process for the 2018-2020 cycle (effective for annual periods beginning on or after 1 January 2022);
- **Annual improvements 2018-2020** – the amendments clarify the guidelines for recognition and measurement: IFRS 1 “First-time Adoption of International Financial Reporting Standards,” IFRS 9 “Financial Instruments,” IAS 41 “Agriculture” and illustrative examples of IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 17 “Insurance Contracts” and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 “Presentation of Financial Statements** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023).

## 2.6.2. Important accounting principles

### 2.6.2.1. Going concern

The quarterly separate financial statements of the Company have been prepared assuming that the Company will continue in operational existence for at least 12 months after the end of the reporting period; i.e. after 30 September 2020. The financial condition of ZUE is the most important factor influencing the Company's ability to continue in operational existence. The key factors with an impact on the Company's ability to continue its operations include liquidity, proper backlog and market situation.

The following facts should be considered when analysing the financial standing of the Company: In the nine months ended 30 September 2020, the Company recognised sales revenue of PLN 573.3m and gross profit on sales of PLN 20.3m. As at 30 September 2020, the Company presented total current assets of PLN 342.9m, including trade receivables of PLN 111.6m and cash of approx. PLN 17.3m. At the end of the reporting period, the Company had the backlog worth approx. PLN 1,540m and was in the process of obtaining 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 quarterly condensed financial statements have been prepared assuming that the Company will continue in operational existence in the foreseeable future.

### 2.6.2.2. Preparation basis

The Company has prepared these quarterly separate financial statements according to the regulations set out in IAS 34 “Interim Financial Reporting” and used the same principles for the current and comparative periods.

### 2.6.2.3. Comparability of financial information

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

In order to make the statement of cash flows clearer, the Company presented the following separate items:

- Change in the measurement of construction contracts;
- Change in accruals;
- Change in advance payments.

The table below presents the influence of changes on the consolidated statement of cash flows:

	<u>Restated</u>	<u>Approved</u>
--	-----------------	-----------------

	9 months ended 30-09-2019	9 months ended 30-09-2019	Effect of changes
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit / (loss) before tax</b>	<b>6,341</b>	<b>6,341</b>	<b>0</b>
<b>Operating profit (loss) before changes in working capital</b>	<b>16,767</b>	<b>16,767</b>	<b>0</b>
Change in receivables, measurement of contracts and retentions on construction contracts, advance payments	0	-47,429	47,429
Change in receivables and retentions on construction contracts	-2,595	0	-2,595
Change in inventories	9,279	9,279	0
Change in provisions and liabilities under employee benefits	-7,135	-7,135	0
Change in payables, measurement of contracts and retentions on construction contracts, advance payments, accruals excluding loans and bank credits and lease liabilities	0	-52,837	52,837
Change in payables and retentions on construction contracts	-52,975	0	-52,975
Change in measurement of construction contracts	-45,011	0	-45,011
Change in accruals	39,138	0	39,138
Change in advance payments	-38,823	0	-38,823
Change in other assets	84	84	0
Income tax paid / (tax refund)	-234	-234	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-81,505</b>	<b>-81,505</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-827</b>	<b>-827</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>7,247</b>	<b>7,247</b>	<b>0</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-75,085</b>	<b>-75,085</b>	<b>0</b>
Net foreign exchange gains / (losses)	-6	-6	0
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>79,404</b>	<b>79,404</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>4,313</b>	<b>4,313</b>	<b>0</b>
- of limited availability	4	40	0

The additional inspection revealed a technical error in the note Contingent liabilities as at 31 December 2019.

The table below sets out the effect of changes:

	<b>Corrected</b>	<b>Approved</b>	
	<b>Balance at</b>	<b>Balance at</b>	<b>Effect of</b>
	<b>31-12-2019</b>	<b>31-12-2019</b>	<b>changes</b>
Bonds	508,375	508,375	0
Guarantees	24,530	24,530	0
Promissory notes	388,745	388,745	0
Mortgages	91,159	30,000	61,159
Pledges	18,016	18,016	0
<b>Total</b>	<b>1,030,825</b>	<b>969,666</b>	<b>61,159</b>

#### 2.6.2.4. Applied accounting principles

These quarterly financial statements for the nine months ended 30 September 2020 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Company as at 31 December 2019. The financial statements for the financial year ended 31 December 2019 contain a detailed description of the accounting principles applied by the Company.

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

#### 2.6.3. Sources of estimation uncertainty

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

Impairment of goodwill (note no. 2.5.6.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 2.3.1.)

Provisions (note no. 2.2.3.)

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

Deferred income tax (note no. 2.1.7.)

Contingent assets and contingent liabilities (note no. 2.5.14.)

Uncertainty over tax settlements (note no. 2.5.13.)

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

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

These condensed consolidated and separate financial statements for the nine months ended 30 September 2020 were approved for publication by the Management Board of ZUE on 18 November 2020.

### 4. Signatures

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant

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#### Signatures of the management personnel:

Wiesław Nowak – Management Board President

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Anna Mroczek – Management Board Vice-President

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Jerzy Czeremuga – Management Board Vice-President

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Maciej Nowak – Management Board Vice-President

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Marcin Wiśniewski – Management Board Vice-President

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Cracow, 18 November 2020