



ZUE Capital Group

**CONSOLIDATED QUARTERLY REPORT
FOR 3 MONTHS ENDED 31 MARCH 2021**

Cracow, 25 May 2021

Content of the consolidated quarterly report:

- 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 31 March 2021.

Contents

I.	SELECTED FINANCIAL DATA OF THE CAPITAL GROUP	7
II.	SELECTED FINANCIAL DATA OF ZUE S.A.....	8
III.	CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP.....	11
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	11
	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	12
	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
	CONSOLIDATED STATEMENT OF CASH FLOWS	16
	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP	17
	1. General information	17
	1.1. Composition of the Capital Group	17
	1.2. Consolidated companies.....	18
	1.3. Changes to the Group's structure in 2021 and their consequences	18
	1.4. Activities of the Capital Group	18
	1.5. Functional and reporting currency	19
	2. Operational information	19
	2.1. Sales markets	19
	2.2. Backlog.....	21
	2.3. Issuer's major achievements or failures in the reporting period	22
	2.4. Unusual factors and events with significant influence on the Group's results.....	22
	2.5. Major events in the reporting period	22
	2.6. Major events after the end of the reporting period	23
	2.7. Bonds, guarantees, loans and credit limits.....	23
	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	24
	2.9. Factors believed by the Issuer to have an influence on the Group's development and future performance	24
	2.10. Risks believed by the Group to have an influence on its future performance	24
	2.11. Risks related to social and employee issues, natural environment, respect of human rights and counteracting corruption	25
	2.12. Impact of the coronavirus pandemic on the Group's operations	25
	2.13. Seasonal and cyclical nature of the Group's operations	26
	2.14. Strategic objectives	26
	3. Corporate information	28
	3.1. Governing bodies of the Parent Company.....	28
	3.2. Share capital structure	28
	3.3. Treasury shares	28
	3.4. Shareholders of the Parent Company.....	29
	3.5. Shares and powers held by members of the Issuer's management and supervisory bodies.....	29
	3.6. Other information significant for the assessment of the Issuer's position	29
	3.7. Issue and redemption of debt and equity securities	29
	3.8. Dividend.....	30
	4. Financial information	30
	4.1. Factors and events with significant influence on the Group's financial results for the first quarter of 2021	30
	4.2. Statement by the Management Board of ZUE on financial projections	32
	4.3. Notes to the statement of comprehensive income.....	32
	4.3.1. Revenue	32
	4.3.2. Operating expenses.....	33
	4.3.3. Other operating income	33
	4.3.4. Other operating expenses.....	34
	4.3.5. Financial income	34
	4.3.6. Financial expenses.....	34
	4.3.7. Corporate income tax.....	35
	4.3.8. Operating segments.....	37
	4.4. Contracts, retentions, provisions, advance payments and accruals	39
	4.4.1. Construction contracts	39
	4.4.2. Retentions on construction contracts	39
	4.4.3. Provisions	40
	4.4.4. Advance payments	41

4.4.5.	Accruals	41
4.5.	Trade and other receivables and payables	42
4.5.1.	Trade and other receivables	42
4.5.2.	Trade and other payables	42
4.6.	Debt and management of capital and liquidity.....	43
4.6.1.	Loans and bank credits.....	43
4.6.2.	Leases.....	46
4.6.3.	Management of capital.....	46
4.6.4.	Cash and cash equivalents.....	47
4.7.	Other notes to the financial statements	48
4.7.1.	Property, plant and equipment.....	48
4.7.2.	Investment property	50
4.7.3.	Intangible assets	52
4.7.4.	Right-of-use assets.....	53
4.7.5.	Assets held for sale.....	55
4.7.6.	Goodwill	57
4.7.7.	Purchase and sale of property, plant and equipment and intangible assets.....	57
4.7.8.	Advanced loans	57
4.7.9.	Inventories	58
4.7.10.	Financial instruments.....	58
4.7.11.	Transactions with related parties	59
4.7.12.	Major proceedings before court or administration or public administration authority at the date of preparation of this report	60
4.7.13.	Tax settlements.....	61
4.7.14.	Contingent assets and contingent liabilities	61
4.7.15.	Liabilities incurred to purchase property, plant and equipment	62
4.7.16.	Discontinued operations	62
4.8.	Other notes to the financial statements	62
4.8.1.	Use of the International Financial Reporting Standards.....	62
4.8.2.	Important accounting principles.....	63
4.8.3.	Sources of estimation uncertainty.....	64
IV.	CONDENSED SEPARATE FINANCIAL STATEMENTS OF ZUE S.A.	67
	SEPARATE STATEMENT OF COMPREHENSIVE INCOME.....	67
	SEPARATE STATEMENT OF FINANCIAL POSITION	68
	SEPARATE STATEMENT OF CHANGES IN EQUITY.....	70
	SEPARATE STATEMENT OF CASH FLOWS.....	71
	NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS OF ZUE.....	72
	1. General.....	72
	1.1. Information about the Company	72
	1.2. Core business of ZUE	73
	1.3. Functional and reporting currency	73
	2. Financial information	74
	2.1. Notes to the statement of comprehensive income.....	74
	2.1.1. Revenue	74
	2.1.2. Operating expenses.....	74
	2.1.3. Other operating income	75
	2.1.4. Other operating expenses.....	75
	2.1.5. Financial income	76
	2.1.6. Financial expenses.....	76
	2.1.7. Corporate income tax.....	76
	2.1.8. Operating segments.....	78
	2.2. Contracts, retentions, provisions, advance payments and accruals	78
	2.2.1. Construction contracts	78
	2.2.2. Retentions on construction contracts	79
	2.2.3. Provisions	80
	2.2.4. Advance payments.....	81
	2.2.5. Accruals	81
	2.3. Trade and other receivables and payables.....	81
	2.3.1. Trade and other receivables	81
	2.3.2. Trade and other payables	82
	2.4. Debt and management of capital and liquidity.....	82
	2.4.1. Loans and bank credits.....	82

2.4.2.	Leases.....	84
2.4.3.	Management of capital.....	85
2.4.4.	Cash and cash equivalents.....	86
2.5.	Other notes to the financial statements.....	87
2.5.1.	Property, plant and equipment.....	87
2.5.2.	Investment property.....	89
2.5.3.	Intangible assets.....	91
2.5.4.	Right-of-use assets.....	92
2.5.5.	Assets held for sale.....	94
2.5.6.	Goodwill.....	96
2.5.7.	Purchase and sale of property, plant and equipment and intangible assets.....	96
2.5.8.	Advanced loans.....	96
2.5.9.	Inventories.....	97
2.5.10.	Financial instruments.....	97
2.5.11.	Transactions with related parties.....	98
2.5.12.	Major proceedings before court or administration or public administration authority at the date of preparation of this report.....	99
2.5.13.	Tax settlements.....	99
2.5.14.	Contingent assets and contingent liabilities.....	99
2.5.15.	Liabilities incurred to purchase property, plant and equipment.....	100
2.5.16.	Discontinued operations.....	100
2.5.17.	Seasonal and cyclical nature of the Company's operations.....	100
2.5.18.	Issue and redemption of debt and equity securities.....	100
2.5.19.	Dividend.....	101
2.6.	Other notes to the financial statements.....	101
2.6.1.	Use of the International Financial Reporting Standards.....	101
2.6.2.	Important accounting principles.....	102
2.6.3.	Sources of estimation uncertainty.....	103
3.	Approval of the condensed consolidated and separate financial statements.....	103
4.	Signatures.....	103

I. Selected financial data of the Capital Group

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

	Balance at 31-03-2021		Balance at 31-12-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	168,249	36,103	168,539	36,521
Current assets	295,728	63,457	353,094	76,513
Assets held for sale	3,340	717	3,340	724
Total assets	467,317	100,277	524,973	113,758
Equity	153,895	33,023	154,649	33,512
Non-current liabilities	48,987	10,512	51,910	11,249
Current liabilities	264,086	56,667	318,048	68,918
Liabilities under lease	349	75	366	79
Total equity and liabilities	467,317	100,227	524,973	113,758

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

	Period ended 31-03-2021		Period ended 31-03-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	150,875	32,999	152,324	34,648
Cost of sales	145,525	31,829	146,653	33,358
Gross profit (loss) on sales	5,350	1,170	5,671	1,290
Operating profit (loss)	-287	-63	-163	-37
Gross profit (loss)	-599	-131	-628	-143
Net profit (loss) from continuing operations	-754	-165	-802	-182
Total comprehensive income	-754	-165	-802	-182

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

	Period ended 31-03-2021		Period ended 31-03-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-605	-132	-21,421	-4,873
Cash flows from investing activities	-1,458	-319	-1,076	-245
Cash flows from financing activities	-5,225	-1,143	-5,538	-1,260
Total net cash flows	-7,288	-1,594	-28,035	-6,378
Cash at the beginning of the period	23,487	5,089	30,378	7,133
Cash at the end of the period	16,336	3,505	2,357	518

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 31-03-2021	Exchange rate on 31-12-2020	Exchange rate on 31-03-2020
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6603	4.6148	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	4.5721	n/a	4.3963
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement	Mid exchange rate prevailing at the end of the reporting period	4.6603	4.6148	4.5523

of cash flows

II. Selected financial data of ZUE S.A.

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

	Balance at 31-03-2021		Balance at 31-12-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	167,441	35,929	167,782	36,357
Current assets	276,648	59,363	331,944	71,930
Assets held for sale	3,544	760	3,544	768
Total assets	447,633	96,052	503,270	109,055
Equity	153,603	32,960	153,596	33,283
Non-current liabilities	47,593	10,212	50,237	10,965
Current liabilities	246,088	52,805	299,071	64,886
Lease liabilities	349	75	366	79
Total equity and liabilities	447,633	96,052	503,270	109,055

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

	Period ended 31-03-2021		Period ended 31-03-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	141,222	30,888	143,712	32,689
Cost of sales	136,403	29,834	138,624	31,532
Gross profit (loss) on sales	4,819	1,054	5,088	1,157
Operating profit (loss)	317	69	347	79
Gross profit (loss)	165	36	194	44
Net profit (loss) from continuing operations	7	2	-11	-3
Total comprehensive income	7	2	-11	-3

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

	Period ended 31-03-2021		Period ended 31-03-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	902	197	-20,537	-4,671
Cash flows from investing activities	-1,436	-314	-1,746	-397
Cash flows from financing activities	-4,971	-1,087	-3,824	-870
Total net cash flows	-5,505	-1,204	-26,107	-5,938
Cash at the beginning of the period	20,230	4,384	27,979	6,570
Cash at the end of the period	14,862	3,189	1,886	414

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 31-03-2021	Exchange rate on 31-12-2020	Exchange rate on 31-03-2020
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6603	4.6148	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	4.5721	n/a	4.3963

	last day of each month of the period			
"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	4.6603	4.6148	4.5523



ZUE Capital Group

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2021

Cracow, 25 May 2021

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

Continuing operations	Note no.	3 months ended	3 months ended
		31-03-2021	31-03-2020
Sales revenue	4.3.1.	150,875	152,324
Cost of sales	4.3.2.	145,525	146,653
Gross profit (loss) on sales		5,350	5,671
General and administrative expenses	4.3.2.	6,199	6,148
Other operating income	4.3.3.	796	907
Other operating expenses	4.3.4.	234	593
Operating profit (loss)		-287	-163
Financial income	4.3.5.	50	227
Financial expenses	4.3.6.	362	692
Pre-tax profit (loss)		-599	-628
Corporate income tax	4.3.7.	155	174
Net profit (loss) from continuing operations		-754	-802
Net profit (loss)		-754	-802
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		0	0
Actuarial gains (losses) relating to specific benefit schemes		0	0
Other total net comprehensive income		0	0
Total comprehensive income		-754	-802
Number of shares		23,030,083	23,030,083
Consolidated net profit attributable to:			
Shareholders of the parent		-717	-730
Non-controlling interests		-37	-72
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		-0.03	-0.03
Total comprehensive income attributable to:			
Shareholders of the parent		-717	-730
Non-controlling interests		-37	-72
Total comprehensive income per share (PLN)		-0.03	-0.03

Consolidated statement of financial position

	Nota no.	Balance at 31-03-2021	Balance at 31-12-2020
ASSETS			
Non-current assets			
Property, plant and equipment	4.7.1.	63,829	63,601
Investment property	4.7.2.	6,402	6,497
Intangible assets	4.7.3.	2,069	2,073
Right-of-use assets	4.7.4.	40,752	41,900
Goodwill	4.7.6.	31,172	31,172
Retentions on construction contracts	4.4.2.	9,368	8,515
Deferred tax assets	4.3.7.	14,432	14,557
Other assets		225	224
Total non-current assets		168,249	168,539
Current assets			
Inventories	4.7.9.	33,740	25,306
Trade and other receivables	4.5.1.	96,545	149,222
Measurement of long-term construction contracts	4.4.1.	143,009	146,929
Retentions on construction contracts	4.4.2.	2,580	4,371
Advance payments	4.4.4.	2,284	3,123
Current tax assets	4.3.7.	0	0
Advanced loans	4.7.8.	10	10
Other assets		1,224	646
Cash and cash equivalents	4.6.4.	16,336	23,487
Current assets		295,728	353,094
Assets held for sale	4.7.5.	3,340	3,340
Total current assets		299,068	356,434
Total assets		467,317	554,637

EQUITY AND LIABILITIES

Equity

Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		56,777	57,589
Total equity attributable to shareholders of the parent company		153,777	154,494

Equity attributable to non-controlling interests		118	155
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Total equity		153,895	154,649
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Non-current liabilities

Long-term loans and bank credits	4.6.1.	2,221	4,443
Long-term lease liabilities	4.6.2.	10,279	12,020
Retentions on construction contracts	4.4.2.	19,347	18,821
Liabilities under employee benefits		1,411	1,411
Deferred tax liabilities	4.3.7.	159	129
Long-term provisions	4.4.3.	15,570	15,086
Total non-current liabilities		48,987	51,910

Current liabilities

Trade and other payables	4.5.2.	72,744	135,073
Accruals	4.4.5.	72,971	65,617
Measurement of long-term construction contracts	4.4.1.	12,918	3,659
Retentions on construction contracts	4.4.2.	19,351	19,393
Advance payments	4.4.4.	21,269	28,841
Short-term loans and bank credits	4.6.1.	12,909	13,108
Short-term lease liabilities	4.6.2.	8,461	9,130
Other financial liabilities		36	36
Liabilities under employee benefits		35,130	33,313
Current tax liabilities	4.3.7.	5	5
Short-term provisions	4.4.3.	8,292	9,873

Total current liabilities		264,086	318,048
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Lease liabilities relating to assets from sale		349	366
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Total liabilities		313,422	370,324
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Total equity and liabilities		467,317	524,973
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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
Balance at	1 January 2021	5,758	93,837	-2,690	57,589	154,494	155	154,649
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	-717	-717	-37	-754
Other net comprehensive income		0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0
Balance at	31 March 2021	5,758	93,837	-2,690	56,872	153,777	118	153,895
Balance at	1 January 2020	5,758	93,837	-2,690	53,386	150,291	150	150,441
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

		0	0	0	0	0	0	0
Profit (loss)		0	0	0	-730	-730	-72	-802
Other net comprehensive income		0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0
Balance at	31 March 2020	5,758	93,837	-2,690	52,656	149,561	78	149,639
Balance at	1 January 2020	5,758	93,837	-2,690	53,386	150,291	150	150,441
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	4,260	4,260	5	4,265
Other net comprehensive income		0	0	0	-57	-57	0	-57
Other		0	0	0	0	0	0	0
Balance at	31 December 2020	5,758	93,837	-2,690	57,589	154,494	155	154,649

Consolidated statement of cash flows

	3 months ended	3 months ended
	31-03-2021	31-03-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	-599	-628
Adjustments for:		
Depreciation and amortisation	3,058	3,345
Foreign exchange gains / (losses)	-137	-14
Interest and share in profit (dividends)	167	529
Gain / (loss) on disposal of investments	10	-34
Operating profit (loss) before changes in working capital	2,499	3,198
Change in receivables and retentions on construction contracts	53,627	78,497
Change in inventories	-8,434	-1,909
Change in provisions and liabilities under employee benefits	716	879
Change in payables and retentions on construction contracts	-62,344	-75,192
Change in measurement of construction contracts	13,179	-33,227
Change in accruals	7,354	5,505
Change in advance payments	-6,733	884
Change in other assets	-578	-56
Other adjustments	109	0
Income tax paid / tax refund	0	0
NET CASH FROM OPERATING ACTIVITIES	-605	-21,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	1	58
Purchase of property, plant and equipment and intangible assets	-1,459	-1,126
Advanced loans	0	-17
Repayment of advanced loans	0	0
Interest received	0	9
NET CASH FROM INVESTING ACTIVITIES	-1,458	-1,076
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	3,400	40
Repayment of loans and bank credits	-5,822	-1,583
Decrease in lease liabilities	-2,276	-3,563
Lease interest paid	-422	-128
Other interest paid	-105	-304
NET CASH FLOWS FROM FINANCING ACTIVITIES	-5,225	-5,538
TOTAL NET CASH FLOWS	-7,288	-28,035
Net foreign exchange gains / (losses)	137	14
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23,487	30,378
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	16,336	2,357
- of limited availability	2,082	523

Notes to the condensed consolidated financial statements of the Capital Group

1. General information

1.1. Composition of the Capital Group

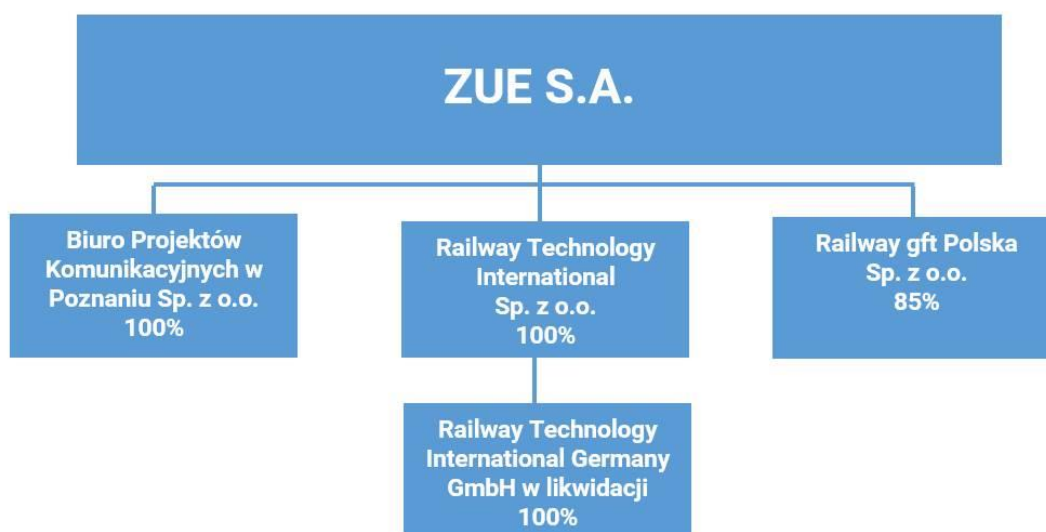
At the end of the reporting period, the Capital Group was composed of ZUE S.A. (the Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Railway Technology International Germany GmbH in liquidation (indirect 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 on 20 May 2002. Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow XI Commercial Division of the National Court Register under entry no. KRS 0000135388.

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

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



Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. has been established on 15 June 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 on 21 October 2014. Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000532311.

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

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH in liquidation has been established on 8 May 2012. Görlitz (Germany) is the company's registered office.

The companies within the Capital Group have been incorporated for indefinite period. RTI Germany GmbH is in liquidation. The financial statements of all the subordinates have been prepared for the same reporting period as 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 31 March 2021:

Company name	Registered office	Shares as at		Consolidation method
		31 March 2021	31 December 2020	
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 has the power to govern financial and operating policies of BPK Poznań and Railway gft because at 31 March 2021, it held a 100% and 85% interest, respectively, in these companies.

As at 31 March 2021, held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

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

1.3. Changes to the Group's structure in 2021 and their consequences

No changes to the Group's structure occurred between the beginning of 2021 and the date of approval of these financial statements.

1.4. Activities of the Capital Group

The Group operates in the three aggregate operating 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, power lines, stations and civil structures.

In 2021, the Group focused on the provision of rail and urban infrastructure construction services.

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.

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

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

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

The financial data of operating segments is presented in the note 4.3.8.

1.5. Functional and reporting currency

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

2. Operational information

2.1. Sales markets

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

Construction activities are carried out by ZUE mainly on the railway and urban infrastructure market. The table below sets out major construction contracts.

Contract	Contracting authority	Completed / in progress	Contract net value as at 31.03.2021 (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
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	385,345
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

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	361,845
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	290,897
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	204,657
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).	The City of Szczecin	In progress	141,813
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.	Completed	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
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	76,735
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	75,685
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	59,209
Maintenance and repair of tram tracks in Cracow in 2019-2022.	City of Cracow	In progress	56,046

"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	53,259
Reconstruction of the tramway track from the Wiejska Street to the OM Rząd tram terminus as part of the following project: "Reconstruction of tram infrastructure to improve public transport in Grudziądz."	City of Grudziądz	In progress	47,662
Works on the E59 railway line, the Dobięgniew – Słonice section – traction network.	Strabag Sp. z o.o.	In progress	45,157
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.	Completed	40,943
Provision of design services and completion of construction works in connection with the following project: "Construction of the Czarnca - Włoszczowa Pln. 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
Reconstruction of track and overhead contact system in the Wyszyńskiego hub and the Szarych Szeregów Square.	City of Szczecin	Completed	37,022
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.	Completed	35,460
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	34,219
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 tram tracks and switches in Wrocław.	Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o. in Wrocław	In progress	18,572
Maintenance of street lighting equipment and building illuminations in Cracow with a breakdown into four regions.	Zarząd Dróg Miasta Krakowa	In progress	16,422

* Contracts whose net value exceeds PLN 10m.

Design services relating to urban and rail transport systems are provided to both investors and companies which execute "design-build" projects. The biggest customers of BPK Poznań in the reporting period included Thales Polska Sp. z o.o., PKP Polskie Linie Kolejowe S.A. and MGGP S.A. Sales activities conducted by Railway gft included the sale of rails, track accessories, sleepers, rail fastening systems and aggregate. The major customers of Railway gft in the first quarter of 2021 included TORMEL Sp. z o.o. and Przedsiębiorstwo Usług Technicznych INTERCOR Sp. z o.o.

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 total value of the Group's backlog is PLN 1,413m including the contracted construction and assembly activities performed by ZUE with the total net value of PLN 1,379m. It provides the Group with an ability to carry out the works in the period 2020-2023. As for design services, the net

value of the signed contracts scheduled for performance in 2020-2023 is PLN 5.9m. The backlog relating to the supply of materials and equipment in 2021 is worth PLN 27.7m (net).

The Issuer participates in tenders on both urban and railway markets.

Due to the growing costs of labour, materials and services, a considerable number of submitted tenders exceed the amount investors intend to spend on the project as a result of which tender procedures are repeatedly cancelled according to the law. Railway tendering processes organised by PKP PLK S.A. are carried out electronically and tender prices are reduced due to a small number of orders.

2.3. Issuer's major achievements or failures in the reporting period

Revenue generated by the Group and the Company in the first quarter of 2021 amounted to PLN 150,875 thousand and PLN 141,222 thousand, respectively. Gross margin reported by the Group was 3.5% and gross margin reported by the Company was 3.4%.

By the date of publication of this report, the Company won the new contracts in 2021 with the total net value of approx. PLN 68m and continued to submit tenders on both railway and urban markets.

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 28 January 2021, the Company learnt about the conclusion by the other party of the contract between the Company and the City of Grudziądz – Zarząd Dróg Miejskich w Grudziądzu for the project named: "Reconstruction of the tramway track from the Wiejska Street to the OM Rząd tram terminus" as part of the following project: "Reconstruction of tram infrastructure to improve public transport in Grudziądz." The Company informed about the selection of the Company's offer as the most economically advantageous tender in the current report 33/2020. Contract net value: PLN 47.7m. Contract gross value: PLN 58.6m. Completion date: 31 October 2021. **(Current report 2/2021)**

On 3 February 2021, the Company learnt about the contract signed the Company and the City of Wrocław – Miejskie Przedsiębiorstwo Komunikacyjne sp. z o.o. for the project named: "Maintenance of tram tracks and switches in Wrocław, B region". Contract net value: Approx. PLN 18.5m. Contract gross value: Approx. PLN 22.8m. Project completion date: Between 3 February 2021 and 31 December 2023. **(Current report 3/2021)**

Financial agreements:

On 12 March 2021, the Company published preliminary financial results for 2020. **(Current report 4/2021)**

On 22 March 2021, the Company received the signed annex to premium multi-purpose credit line agreement entered into between the Company and BNP Paribas Bank Polska S.A. (BNP) whereby the credit limit granted to the Company was increased from PLN 30m to PLN 65m. On the same date, the Company received the signed annex to the bond line agreement with BNP whereby the line would be available until 21 March 2022. **(Current report 5/2021)**

On 25 March 2021, the Company received the signed annex to the master bond agreement with UNIQA TU S.A. of Łódź whereby the limit granted to the Company was raised from PLN 10m to PLN 30m. UNIQA may provide bid bonds, performance bonds or defects liability bonds to the Company within the said limit. The limit is valid until the end of 2021 and may be extended for another term. **(Current report 6/2021)**

2.6. Major events after the end of the reporting period

On 10 May 2021, 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 2020 of PLN 4,362 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 25 May 2021. **(Current 7/2021 and 10/2021)**

On 13 May 2021, the Company learnt about the Company's submission of the most economically advantageous tender in the tender procedure for the project named: "Reconstruction of the separate tram line along the Królowej Jadwigi Street and Piłsudskiego Street in Dąbrowa Górnicza, the Róż Avenue – the Kasprzaka Street section – task no. 2.6" as part of the following project: "Integrated tram infrastructure modernisation and development project in the Upper Silesia and Zagłębie region including the purchase of tram vehicles – stage II." Contracting Authority: Dąbrowa Górnicza, Tramwaje Śląskie S.A. Net value of the tender submitted by the Company: PLN 62m. Gross value of the tender submitted by the Company: PLN 76.2m. Project completion date: 31 December 2022. **(Current report 8/2021)**

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 31 March 2021:

- The amount of the bonds issued by the Group to third parties: PLN 551,418 thousand.
- The amount of the bonds issued by the Company to third parties: PLN 541,168 thousand.
- The amount of unused bond lines at the Group: PLN 218,800 thousand (including PLN 28,000 thousand which may be allocated to working capital credit).
- The amount of unused bond lines at the Company: PLN 217,327 thousand (including PLN 28,000 thousand which may be allocated to working capital credit).
- The amount of unused credits at the Group: PLN 38,000 thousand (including PLN 10,000 thousand with no ability of allocating to bonds).
- The amount of unused credits at the Company: PLN 38,000 thousand (including PLN 10,000 thousand with no ability of allocating to bonds).

In the reporting period:

- On 26 January 2021, a subsidiary and mBank S.A. signed an annex whereby the working capital credit repayment date was extended until 31 May 2021.
- On 26 January 2021, a subsidiary and mBank S.A. signed an annex to the Master Agreement whereby the term of the limit was extended until 31 May 2021.
- On 3 March 2021, the Company repaid the credit granted on 10 June 2020 before the deadline specified in the schedule.
- On 18 March 2021, the Company and UNIQA Towarzystwo Ubezpieczeń S.A. signed an annex to the master bond agreement whereby the limit granted to the Company was raised from PLN 10m to PLN 30m.
- On 22 March 2021, the Company received the signed annex to the premium multi-purpose credit line agreement between the Company and BNP Paribas S.A. whereby the credit limit granted to the Company was increased to PLN 65m and the security was changed accordingly. The tenor did not change.
- On 22 March 2021, the Company and BNP Paribas signed an annex to the multi-purpose credit line agreement whereby the limit could be used until 21 March 2022.

At the end of the reporting period, the amount of loans granted by ZUE (net of write-downs) was PLN 1,707 thousand. At the end of the reporting period, the amount of loans granted by the Group (net of write-downs) was 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 31 March 2021 was PLN 16,062 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:

- Master agreement for bond lines 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 first quarter of 2021 by the Parent Company or any subsidiary 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 or the related restrictions did not have any material influence on the Group's financial results achieved in the first quarter of 2021. Despite the restrictions, the Group continues to operate in all operating segments.

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

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; and
- Outcome of court proceedings.

The Management Board Report on the activities of the Parent Company and the Capital Group for the period 1 January 2020 – 31 December 2020 contains a detailed description of the factors.

In addition, the influence of the COVID_19 pandemic is discussed in item 2.12.

No significant changes have been identified when comparing the factors with the information contained in the annual report for 2020.

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 Parent Company and the Capital Group for the period 1 January 2020 – 31 December 2020 contains a detailed description of the factors.

No significant changes have been identified when comparing the risks with the information contained in the annual report for 2020.

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 the period 1 January 2020 – 31 December 2020 contains a detailed description of the factors.

No significant changes have been identified when comparing the risks with the information contained in the annual report for 2020.

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 pandemic situation in Poland. After the new restrictions had been announced by the Polish government on 10 October 2020 and 20 March 2021, 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 COVID-19 pandemic on the Group's activity and financial standing in the first quarter of 2021

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

c) Possible impact of the COVID-19 pandemic on the Group's 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. The construction works are carried out by the Company without obstacles but the restrictions and changes in the economy continue and it is hard to predict when the situation will return to the way it was before the pandemic.

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:

- 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 Group's principal objective in 2021-2023 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 systems design market;
- Development of sales services on the track materials manufacture and distribution market.

In 2021, the Issuer's focus was on winning new construction contracts and proper performance of previously signed contracts.

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:

The railway and urban infrastructure projects (especially tramway projects) are the main source of the Group's income. Construction works are carried out in the territory of Poland. Investments in tram infrastructure are made as part of decentralised revitalization plans drawn up for individual cities and urban areas. Railway undertakings, on the other hand, fall within the category of the long-term development and modernisation of the national railway network.

Rail infrastructure market

The EU released its Sustainable and Smart Mobility Strategy in December 2020. Its principal aim is to reduce transport-related emissions in the EU by 90% by 2050. The document should serve as a basis for ecological and digital transition in the EU. It should also make the EU transport system more resistant to future crises. The Strategy focusses on the ambitious development of the EU railway infrastructure. For instance, the high-speed train network is to double by 2030 and collective travel for journeys under 500 km should be carbon neutral. By 2050, rail freight traffic in the EU should double and the multimodal Trans-European Transport Network (TEN-T) equipped with sustainable and smart transport with high-speed connectivity should be fully operational.¹

Further considerable financial expenditure on rail infrastructure is required to pursue the goals of the European Green Deal.

In the 2021-2027 EU perspective, particular emphasis will be placed on the development of rail transport. It is a great opportunity for the Polish railway system which currently undergoes modernization and expansion. Apart from the main EU budget, rail projects will be financed, *inter alia*, under the new EU post-pandemic Recovery Fund. Another funding instrument is the Connecting Europe Facility.

Poland is now witnessing the execution of the biggest ever railway modernisation programme; i.e. the National Railway Programme until 2023 (the "NRP") with the total value of approx. PLN 76 billion. This long-term programme is designed to implement the strategies adopted by the Council of Ministers, including the "National Development Strategy 2020" and "Transport Development Strategy until 2020 with the perspective until 2030." The National Railway Programme ensures funding and effective project management with considerable use of the European Union funds. The National Railway Programme aims to implement 300 railway projects, divided into primary and secondary tasks, by 2023. The majority of tasks under the NRP are already carried out and the modernisation of railway network will continue in the same or different form.

In November 2020, PKP PLK said it planned to announce by the end of 2021 the tenders (mainly for "build" contracts) worth approximately PLN 17 billion to enable the completion of the final projects under the NRP and the projects under the new 2021-2027 EU perspective. This is to ensure the continuity of investments and the stability of prices, and prevent the occurrence of so-called peaks and decays between the perspectives, which exerted a negative impact on the industry in the past.²

One major project is the completion of the Central Communication Port (CPK). This concept envisages a transport hub based on integrated elements - air and rail connections. The central port (airport) itself will form the nucleus of an enhanced national railway system. One of the assumptions behind the project is to ensure that CPK can be reached by train from major Polish urban centres within 2-2.5 hours at a target speed of 250 km/h along key sections. Turning this vision into reality will entail constructing approximately 1,800 km of brand new railway lines and revamping of existing routes.³ The new sections under construction will serve as essential additions to the existing national network, which will be more capable of satisfying the nation's transport needs.

Urban infrastructure market

Urban rail transport is considered environmentally friendly. Accordingly, from the perspective of the 2021-2027 EU perspective, investments in such projects offer excellent potential in terms of financing. Cracow, Warsaw, Gdańsk,

¹ https://ec.europa.eu/commission/presscorner/detail/pl/ip_20_2329

² <https://www.plk-sa.pl/biuro-prasowe/informacje-prasowe/plk-gotowe-na-ogloszenie-przetargow-na-ponad-17-mld-zl-dokonca-2021-roku-4931/>

³ <https://www.cpk.pl/pl/inwestycja/kolej>

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 main path to diversify its backlog. ZUE intends to increase the share of the urban backlog by getting "build" and "maintain" orders.

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 preparation of these consolidated 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).

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 nominal 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 available, the Parent Company had the following shareholding structure at the date of approval of these consolidated financial statements:

Shareholder	Number of shares/votes at 25 May 2021	% of the share capital/total number of votes	Number of shares/votes at the date of publication of the last interim report ⁽¹⁾	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
MetLife OFE	1,460,000 ⁽²⁾	6.34%	1,460,000 ⁽²⁾	6.34%
PKO Bankowy OFE	1,778,681 ⁽³⁾	7.72%	1,778,681 ⁽³⁾	7.72%
Other	5,391,082 ⁽⁴⁾	23.41%	5,391,082 ⁽⁴⁾	23.41%
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (Consolidated Report of the Group for 2020): 25 March 2021.

(2) Shareholding on the basis of information provided by the Central Securities Depository of Poland for the purposes of the Ordinary General Meeting of ZUE held on 30 July 2020. According to the Company's best knowledge, the information is valid as the date of publication of this report.

(3) Shareholding on the basis of information provided by the Central Securities Depository of Poland for the purposes of the Ordinary General Meeting of ZUE held on 30 July 2020. According to the Company's best knowledge, the information is valid as the date of publication of this report.

(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 25 May 2021	% of the share capital/total number of votes	Changes in shareholding since the preparation of the last interim report; i.e. 25 March 2021
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 Boards 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 10 May 2021, 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 2020 of PLN 4,362 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 25 May 2021.

4. Financial information

4.1. Factors and events with significant influence on the Group's financial results for the first quarter of 2021

The Group's revenue is generated mainly from construction activities carried out by ZUE. In the first quarter of 2021 and in previous periods, the construction activity accounted for approx. 92% of the Group's revenue. The projects executed by ZUE are mainly railway infrastructure projects performed as part of the National Railway Programme until 2023 (the "NRP"). The Company is one the major general contractors of the NRP. It also deals with urban (tram) infrastructure projects in such cities as Szczecin, Gorzów Wlkp. or Grudziądz. ZUE also performs the Cracow tram and street lighting infrastructure maintenance contracts and the Wrocław tram infrastructure maintenance contracts. At present, the Company's aim is to expand its backlog, mainly on the urban market. In 2021, PKP PLK intends to announce a big number of tenders for railway contracts under the new EU financial perspective. ZUE's goal is to win new contracts.

The first quarter of a year is usually the weakest in terms of the Group's ability to generate revenue. It is typical of construction activities conducted by the Issuer and related, for instance, to weather conditions which prevent the completion of certain construction works.

Discussion of major items of the statement of profit or loss

In the first quarter of 2021, the Group generated sales revenue to the tune of PLN 150,875 thousand (y-o-y decrease by 1%). Sales revenue generated by ZUE stood at PLN 141,222 thousand (y-o-y decrease by 2%).

Comparison of the results reported by ZUE and the Group:

	ZUE		GROUP	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Sales revenue	141,222	143,712	150,875	152,324
Cost of sales	136,403	138,624	145,525	146,653
Gross profit (loss) on sales	4,819	5,088	5,350	5,671
<i>Gross margin</i>	3.4%	3.5%	3.5%	3.7%
General and administrative expenses	5,079	5,060	6,199	6,148
Other operating income	786	846	796	907
Other operating expenses	209	527	234	593
Operating profit (loss) (EBIT)**	317	347	-287	-163
<i>EBIT margin**</i>	0.2%	0.2%	-0.2%	-0.1%
<i>EBITDA***</i>	3,332	3,650	2,771	3,182
<i>EBITDA margin**</i>	2.4%	2.5%	1.8%	2.1%
Financial income	108	320	50	227
Financial expenses	260	473	362	692
Pre-tax profit (loss)	165	194	-599	-628
Income tax	158	205	155	174
Net profit (loss) from continuing operations	7	-11	-754	-802
Net profit (loss)	7	-11	-754	-802

net margin	0.0%	0.0%	-0.5%	-0.5%
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* Operating profit + depreciation / amortisation.

** EBIT, EBITDA measures unspecified by the IFRS.

Compared to the analogous period of 2020, both the Group and the Company maintained gross margin, EBIT, EBITDA and net margin on similar levels.

The Group's and the Company's general and administrative expenses remained similar when compared to the first quarter of 2020. The Group's financial expenses decreased over the year by 48%. (ZUE – y-o-y decrease by 0 45%).

Discussion of major balance sheet items

As at 31 March 2021, the Group's total assets and liabilities amounted to PLN 467,317 thousand and the Company's total assets and liabilities amounted to PLN 447,633 thousand.

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

Item	Change compared to 31-12-2020	Balance as at 31-03-2021	Description
Assets			
Inventories	8,434	33,740	Increase in inventories in connection with demand under contracts.
Trade and other receivables	-52,677	96,545	Accounting for certain completed construction works.
Cash and cash equivalents	-7,151	16,336	Use of funds to conduct operating activities.
Liabilities			
Trade and other payables	-62,329	72,744	Accounting for certain completed construction works.
Accruals	7,354	72,971	Greater provisions for subcontractors in connection with performed contracts.
Measurement of long-term construction contracts	9,259	12,918	More construction works under construction contracts.
Advance payments	-7,572	21,269	Accounting for certain advance payments in connection with works progressing under construction contracts.

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

The Group's cash flows from operating activities were mainly influenced by changes in receivables, payables, inventories, 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.

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

	ZUE		ZUE Group	
	Period ended 31-03-2021	Period ended 31-03-2020	Period ended 31-03-2021	Period ended 31-03-2020
Cash flows from operating activities	902	-20,537	-605	-21,421
Cash flows from investing activities	-1,436	-1,746	-1,458	-1,076
Cash flows from financing activities	-4,971	-3,824	-5,225	-5,538
Total net cash flows	-5,505	-26,107	-7,288	-28,035
Cash and cash equivalents at the	20,230	27,979	23,487	30,378

beginning of the period				
Cash and cash equivalents at the end of the period	14,862	1,886	16,336	2,357

Discussion of the results reported by segments

The total revenue generated by the Group amounted to PLN 150,875 thousand. 92% of the revenue was derived from construction activity.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	141,222	9,910	2,122	-2,379	150,875
Gross profit on sales	4,819	460	263	-192	5,350
Net profit/loss	7	-211	-415	-135	-754

In the first quarter of 2021, both Railway gft (sales activities) and BPK Poznań (design activities) reported positive gross profit on sales and negative net profit/loss. Railway gft's revenue accounted for 7% of the Group's revenue. The activity conducted by BPK Poznań produced 1% of the Group's revenue.

The note 4.3.8. contains more information about 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 2021.

4.3. Notes to the statement of comprehensive income

4.3.1. Revenue

	Period ended 31-03-2021	Period ended 31-03-2020
Revenue from construction contracts	138,843	143,513
Revenue from the rendering of services	1,317	1,952
Revenue from the sale of goods, raw and other materials	10,715	6,859
Total	150,875	152,324

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

The Group's sales revenue in the period from 1 January to 31 March 2021 amounted to PLN 150,875 thousand and decreased by 1% compared to the revenue reported in the analogous period of the previous year.

In 2021, the Group provided services in Poland.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	31-03-2021	31-03-2020
Counterparty A	137,852	106,627

4.3.2. Operating expenses

	Period ended 31-03-2021	Period ended 31-03-2020
Change in products	-2,879	-962
Depreciation and amortization	3,058	3,345
Consumption of materials and energy, including:	29,233	31,737
- consumption of materials	28,874	30,170
- consumption of energy	359	1,567
Contracted services	80,341	77,659
Costs of employee benefits	30,296	29,136
Taxes and charges	418	396
Other expenses	3,131	4,112
Value of goods and materials sold	8,126	7,378
Total	151,724	152,801

	Period ended 31-03-2021	Period ended 31-03-2020
Cost of sales	145,525	146,653
General and administrative expenses	6,199	6,148
Total	151,724	152,801

Depreciation and amortisation

	Period ended 31-03-2021	Period ended 31-03-2020
Depreciation of property, plant and equipment	2,129	1,960
Depreciation of right-of-use assets	821	1,262
Amortisation of intangible assets	13	28
Depreciation of investments in real property	95	95
Total	3,058	3,345

4.3.3. Other operating income

	Period ended 31-03-2021	Period ended 31-03-2020
Gain on disposal of assets	0	36
Gain on disposal of non-current assets	0	36
Other operating income	796	871
Damages and penalties	21	837
Release of allowances for receivables	535	0
Refund of the costs of court proceedings	0	1
Substitute performance	181	0
Release of write-downs of inventories	0	5
Other	59	28
Total	796	907

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).

4.3.4. Other operating expenses

	Period ended 31-03-2021	Period ended 31-03-2020
Loss on disposal of assets	10	2
Loss on disposal of non-current assets	10	2
Other operating expenses	224	591
Donations	0	0
Damages and penalties	4	0
Allowances for receivables	4	499
Costs of litigations	16	33
Substitute performance	181	0
Other	19	59
Total	234	593

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 31-03-2021	Period ended 31-03-2020
Interest income	48	108
Interest on bank deposits	36	29
Interest on loans	0	0
Interest on receivables	12	79
Other financial income	2	119
Discount of long-term items	0	105
Other	2	14
Total	50	227

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

4.3.6. Financial expenses

	Period ended 31-03-2021	Period ended 31-03-2020
Interest expenses	282	526
Interest on credits	36	106
Interest on loans	70	198
Interest on leases	170	214
Interest on trade and other payables	6	8
Other financial expenses	80	166
Foreign exchange losses	48	138
Discount of long-term items	27	5
Other	5	23
Total	362	692

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

4.3.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 31-03-2021	Period ended 31-03-2020
Current income tax	0	0
Deferred tax	155	174
Total tax expense/income	155	174

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.

Current income tax

	Period ended 31-03-2021	Period ended 31-03-2020
Gross profit (loss)	-599	-628
Difference between gross profit (loss) and income tax base:	-379	-20,183
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	9,091	-20,183
- other differences (including loss carried forward)	-9,470	0
Income/Loss	-978	-20,811
Income tax base	0	0
Income tax at the applicable rate of 19%	0	0
Current income tax	0	0

Income tax according to effective interest rate

	Period ended 31-03-2021	Period ended 31-03-2020
Gross profit (loss)	-599	-628
Income tax at the applicable rate of 19%	-114	-119
Effect of tax recognition of:	-104	-3,889
- Use of tax losses brought forward	-1,800	25
- Costs that are not tax-deductible under tax regulations	1,958	2,132
- Revenue not classified as revenue under tax regulations	-2,375	6,338
- Tax-deductible expenses not classified as balance sheet expenses	2,644	-237
- Taxable revenue not classified as balance sheet revenue	7	105
Revaluation of deferred tax assets (current year loss)	218	4,008
Deferred tax	155	174
Income tax according to effective tax rate	155	174
Effective tax rate	-26%	-28%

Current tax assets and liabilities

	Balance at	Balance at
	31-03-2021	31-12-2020
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	5	5

Deferred tax

	Period ended	Period ended
	31-03-2021	31-03-2020
Deferred tax balance at the beginning of the period	14,428	20,154
Temporary differences relating to deferred tax assets:	44,201	40,954
Provisions for expenses and accruals	22,692	22,015
Discount of receivables	142	159
Operating lease liabilities	1,942	2,259
Write-downs	933	1,381
Bonds and insurances accounted for over time	1,499	1,605
Tax work in progress	14,031	13,137
Measurement of long-term contracts	2,455	93
Other	507	305
Temporary differences relating to deferred tax liabilities:	40,305	39,818
Measurement of long-term contracts	27,172	26,794
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,421	12,407
Discount of payables	712	612
Other	0	5
Unused tax losses and other tax credits carried forward:	10,377	18,844
Tax losses	10,377	18,844
Total temporary differences relating to deferred tax assets:	54,578	59,798
Total temporary differences relating to deferred tax liabilities:	40,305	39,818
Deferred tax balance at the end of the period	14,273	19,980
Change in deferred tax, including:	-155	-174
- recognised in income	-155	-174
- recognised in equity	0	0

Deferred tax recognised in equity results from the calculation of tax on actuarial gains/losses presented in other 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 first quarter of 2021:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	141,222	9,910	2,122	-2,379	150,875
including:					
Revenue from external customers	141,066	8,100	1,471	238	150,875
Inter-segment revenues	156	1,810	651	-2,617	0
including:					
Revenue from construction contracts	137,134	0	2,122	-413	138,843
Revenue from the provision of services	1,420	53	0	-156	1,317
Revenue from the sale of goods, raw and other materials	2,668	9,857	0	-1,810	10,715
Gross profit	4,819	460	263	-192	5,350
Financial income / expenses	-152	-139	-28	7	-312
Interest received	1	0	0	-1	0
Interest paid	-489	-36	-2	0	-527
Pre-tax profit	165	-214	-383	-167	-599
Corporate income tax	158	-3	32	-32	155
Net profit	7	-211	-415	-135	-754
Depreciation and amortisation	3,015	3	40	0	3,058
Property, plant and equipment	63,619	26	143	41	63,829

Non-current assets	167,441	495	854	-541	168,249
Total assets	447,633	12,193	12,459	-4,968	467,317
Total liabilities	294,030	11,465	12,427	-4,500	313,422

The Group operated in Poland in the first quarter of 2021.

Operating segments' results for the first quarter of 2020:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	143,712	7,630	2,709	-1,727	152,324
including:					
Revenue from external customers	143,575	6,341	2,441	-33	152,324
Inter-segment revenues	137	1,289	268	-1,694	0
including:					
Revenue from construction contracts	141,105	0	2,709	-301	143,513
Revenue from the provision of services	2,089	0	0	-137	1,952
Revenue from the sale of goods, raw and other materials	518	7,630	0	-1,289	6,859
Gross profit	5,088	271	462	-150	5,671
Financial income / expenses	-153	-282	-33	3	-465
Interest received	11	0	0	-2	9
Interest paid	-345	-81	-9	3	-432
Pre-tax profit	194	-488	-180	-154	-628
Corporate income tax	205	17	-19	-29	174
Net profit	-11	-505	-161	-125	-802
Depreciation and amortisation	3,303	1	46	-5	3,345
Property, plant and equipment	52,825	4	221	2,572	55,622
Non-current assets	179,243	395	952	-580	180,010
Total assets	447,408	12,880	16,645	-3,630	473,303
Total liabilities	298,128	12,425	16,434	-3,323	323,664

The Group operated in Poland in the first quarter of 2020. In addition, the Group earned the revenue of PLN 1,168 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.

	Period ended 31-03-2021	Period ended 31-03-2020
Revenue from long-term construction contracts	133,988	135,634
Costs of long-term construction contracts*)	129,809	135,897
Gross profit (loss) on long-term contracts	4,179	-263
	Balance at 31-03-2021	Balance at 31-12-2020
Assets (selected items)	157,241	162,938
- Measurement of long-term construction contracts	143,009	146,929
- Advance payments made in connection with performed contracts	2,284	3,123
- Retentions on construction contracts retained by customers	11,948	12,886
Liabilities (selected items)	168,242	159,805
- Measurement of long-term construction contracts	12,918	3,659
- Provisions for contract costs	71,700	64,169
- Advance payments received in connection with performed contracts	21,098	28,841
- Retentions on construction contracts retained for suppliers	38,698	38,214
- Provisions for warranty claims	17,479	16,850
- Provisions for expected losses on contracts	6,349	8,072

*) The item does not contain any provision for contract losses or provision for warranty claims.

Pursuant to the Group's policy, construction contracts include construction and design activities.

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.

Advance payments were accounted for in the reporting period in connection with the progress of works.

4.4.2. Retentions on construction contracts

	Balance at 31-03-2021	Balance at 31-12-2020
Retained by customers – to be repaid after 12 months	9,368	8,515
Retained by customers – to be repaid within 12 months	2,580	4,371
Total retentions on construction contracts retained by customers	11,948	12,886
Retained for suppliers – to be repaid after 12 months	19,347	18,821
Retained for suppliers – to be repaid within 12 months	19,351	19,393
Total retentions on construction contracts retained for suppliers	38,698	38,214

The construction contracts and work-for-hire contracts entered into by the Group provide for an obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or

insurance companies. If the term of a bond provided by a bank is longer than 37 months, the bank establishes additional security in the form of cash deposit.

4.4.3. Provisions

Change in provisions

Provisions	01-01-2021	Created	Used	Released	Reclassified	31-03-2021	Item
Long-term provisions:	16,497	702	72	0	-146	16,981	
Provisions for employee benefits	1,411	0	0	0	0	1,411	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,086	702	72	0	-146	15,570	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	32,586	5,046	5,278	1,770	146	30,730	
Provisions for employee benefits	22,713	5,017	5,273	19	0	22,438	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,764	0	0	1	146	1,909	Short-term provisions
Provision for loss on contracts	8,072	27	0	1,750	0	6,349	Short-term provisions
Other provisions	37	2	5	0	0	34	Short-term provisions
Total provisions:	49,083	5,748	5,350	1,770	0	47,711	

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

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	01-01-2020	Created	Used	Released	Reclassified	31-12-2020	Item
Long-term provisions:	14,541	4,200	272	877	-1,095	16,497	
Provisions for employee benefits	2,092	196	0	877	0	1,411	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,449	4,004	272	0	-1,095	15,086	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	35,539	29,519	17,390	16,177	1,095	32,586	

Provisions for employee benefits	19,597	22,425	17,275	2,034	0	22,713	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,742	55	103	1,025	1,095	1,764	Short-term provisions
Provision for loss on contracts	14,193	6,997	0	13,118	0	8,072	Short-term provisions
Other provisions	7	42	12	0	0	37	Short-term provisions
Total provisions:	50,080	33,719	17,662	17,054	0	49,083	

4.4.4. Advance payments

	Balance at 31-03-2021	Balance at 31-12-2020
Advance payments transferred in connection with performed contracts	2,284	3,123
Other advance payments	47	47
Allowances for advance payments	-47	-47
Total advance payments due	2,284	3,123

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

	Balance at 31-03-2021	Balance at 31-12-2020
Advance payments received in connection with performed contracts	21,098	28,841
Other advance payments	171	0
Total advance payments received	21,269	28,841

The received advance payments are the prepayments received by the Group on the basis of relevant provisions of the contracts with PKP PLK to perform construction contracts.

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

Advance payments were accounted for in the reporting period in connection with the progress of works.

4.4.5. Accruals

	Balance at 31-03-2021	Balance at 31-12-2020
Provisions for contract costs	71,700	64,169
Other accruals	1,271	1,448
Total	72,971	65,617

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

	Balance at 31-03-2021	Balance at 31-12-2020
Trade receivables	120,974	170,035
Allowances for trade receivables in connection with the increase of credit risk	-28,358	-24,914
Allowances for trade receivables – initial for expected credit losses	-189	-189
Receivables from the state budget other than corporate income tax	15	0
Other receivables	4,103	4,290
Total trade and other receivables	96,545	149,222

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 28,358 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 535 thousand and the creation of allowances of PLN 4 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

	Balance at 31-03-2021	Balance at 31-12-2020
Counterparty A	67,892	109,457

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

	Balance at 31-03-2021	Balance at 31-12-2020
Trade payables	67,859	131,382
Liabilities to the state budget other than corporate income tax	4,558	3,475
Other payables	327	216

Total trade and other payables	72,744	135,073
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4.6. Debt and management of capital and liquidity

4.6.1. Loans and bank credits

	Balance at 31-03-2021	Balance at 31-12-2020
Long-term	2,221	4,443
Bank credits	0	0
Loans received	2,221	4,443
Short-term	12,909	13,108
Bank credits	3,750	3,950
Loans received	9,159	9,158
Total	15,130	17,551

Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2021	Amount of available loans/credits as at 31-03-2021	Use as at 31-03-2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		1,000	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	25,000	24,000	1,000		
		sublimit for non-revolving working capital credit	25,000	24,000	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	11,111	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000			1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	4,021	60,979		
		Overdraft	4,000	4,000	0		
5	mBank S.A.	Working capital credit	3,950	0	3,750	1M WIBOR + margin	May 2021
6	Magdalena Lis	Loan agreement	269	0	269	3M WIBOR + margin	Unspecified
Total amount of available loans and credits				38,000			
Total debt under loans and credits					15,130		
Total use for bonds					61,979		

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

Types of security and liabilities under loan and credit agreements:

1. Overdraft:

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

2. Master Agreement:

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

3. Loan Agreement:

- Contractual mortgage up to PLN 30,000 thousand on the real estate situated in Kościelisko,
- Registered pledge on non-current assets – machinery and equipment owned by the Company,
- Assignment of rights under insurance policy,
- Assignment of claims under contracts,
- Promissory note,
- Statement on submission to enforcement.

4. Premium multi-purpose line of credit agreement:

- a) Blank promissory note with declaration,
- 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 52m.

5. Working capital credit:

- a) ZUE's guarantees,
- 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 on cash kept on the company's bank accounts maintained by the Bank.

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

- mBank – Working capital credit (item 5) – on 26 January 2021, a subsidiary signed an annex to the Working capital credit agreement whereby the repayment date was extended until 31 May 2021 and a new repayment schedule was prepared.
- mBank – Master agreement (item 2) – on 3 March 2021, the Company repaid the credit granted on 10 June 2020 before the deadline specified in the schedule.
- BNP Paribas – Premium multi-purpose line of credit agreement (item 4) – on 22 March 2021, the Company received a signed annex to the premium multi-purpose line of credit agreement entered into with BNP Paribas S.A. Under the annex, the limit granted to the Company was raised to PLN 65m and the security was changed accordingly. The tenor did not change.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2020	Amount of available loans/credits as at 31-12-2020	Use as at 31-12-2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		0	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	21,600	21,600	0		
		sublimit for non-revolving working capital credit	3,400	3,400	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	13,333	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	30,000			1M WIBOR + margin	July 2022
	including:	sublimit for bonds	30,000	3,907	26 093		
		Overdraft	3,907	3,907	0		
5	mBank S.A.	Working capital credit	3,950	0	3,950	1M WIBOR + margin	January 2021
6	Magdalena Lis	Loan agreement	268	0	268	3M WIBOR + margin	Unspecified
Total amount of available loans and credits				17,307			
Total debt under loans and credits					17,551		

Total use for bonds	26,093
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(ii) ZUE is able to use the limit for both working capital credit and bank guarantees.

4.6.2. Leases

Lease liabilities

	Balance at 31-03-2021	Balance at 31-12-2020
Long-term lease liabilities	10,279	12,020
Short-term lease liabilities	8,461	9,130
Total	18,740	21,150

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

General terms of lease

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

Short-term and low value leases

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

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

The costs associated with short-term and low value leases amounted to PLN 1,172 thousand in the first quarter of 2021 and to PLN 824 thousand in the first quarter of 2020.

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

No.	Note	31-03-2021	31-03-2020
4.3.2.	Depreciation and amortisation	821	1,262
4.3.6.	Financial expenses – interest on leases	170	214

No.	Note	31-03-2021	31-12-2020
4.6.2.	Leases – lease liabilities	18,740	21,150
	Lease liabilities relating to assets from sale	349	366
4.7.4.	Right-of-use assets	40,752	41,900

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 financing, the cost of capital and the risks associated with each class of the capital.

	Balance at 31-03-2021	Balance at 31-12-2020
Long- and short-term loans and bank credits	15,130	17,551
Long- and short-term lease liabilities	18,740	21,150
Lease liabilities relating to assets from sale	349	366
Long- and short-term other financial liabilities	36	36
Total financial liabilities	34,255	39,103
Cash and cash equivalents	16,336	23,487
Net debt	17,919	15,616
Equity	153,895	154,649
Net debt to equity ratio	11.64%	10.10%

The Group uses own resources, loan, 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

	Balance at 31-03-2021	Balance at 31-12-2020
Cash on hand and at banks	16,336	23,487
Bank deposits up to three months	0	0
Total	16,336	23,487

The cash decreased at the end of the first quarter of 2021 after it had been used to conduct operating activities.

The cash does not include the cash on escrow accounts attributable to consortium members. The Group believes that the cash cannot be defined as an asset and is not presented in the balance sheet. There was no cash attributable to consortium members on escrow accounts as at 31 March 2021 or 31 December 2020.

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, inventories, 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 non-current assets and intangible assets.

Cash flows from financing activities were influenced by the repayment of loans and credits and the decrease in lease liabilities.

	Period ended 31-03-2021	Period ended 31-03-2020
Cash flows from operating activities	-605	-21,421
Cash flows from investing activities	-1,458	-1,076
Cash flows from financing activities	-5,225	-5,538
Total net cash flows	-7,288	-28,035
Cash at the beginning of the period	23,487	30,378
Cash at the end of the period	16,336	2,357

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
Balance at 1 January 2021	0	23,237	48,607	59,951	2,425	134,220	324	0	134,544
Additions	0	0	72	740	3	815	1,068	436	2,319
Reclassification – right-of-use*	0	0	0	887	0	887	0	0	887
Transfer to non-current assets	0	0	0	0	0	0	385	0	385
Sale/Liquidation	0	0	81	11	3	95	0	0	95
Balance at 31 March 2021	0	23,237	48,598	61,567	2,425	135,827	1,007	436	137,270

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2021	0	8,968	27,354	32,725	1,896	70,943	0	0	70,943
Elimination on disposal of assets	0	0	76	11	3	90	0	0	90
Reclassification – right-of-use* - depreciation expense	0	0	0	459	0	459	0	0	459
Depreciation expense	0	153	669	1,278	29	2,129	0	0	2,129
Balance at 31 March 2021	0	9,121	27,947	34,451	1,922	73,441	0	0	73,441
Carrying amount									
Balance at 1 January 2021	0	14,269	21,253	27,226	529	63,277	324	0	63,601
Balance at 31 March 2021	0	14,116	20,651	27,116	503	62,386	1,007	436	63,829

* Purchase at the end of the lease.

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

As at 31 March 2021, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 652 thousand.

As at 31 March 2021, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 16,808 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:

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2020	0	26,311	37,335	55,709	2,331	121,686	377	27	122,090
Additions	0	56	1,581	4,260	230	6,127	1,199	46	7,372
Adjustment	0	2,268	179	46	0	2,493	0	0	2,493
Reclassification – right-of-use*	0	0	10,457	4,827	0	15,284	0	0	15,284
Transfer to non-current assets	0	0	0	0	0	0	1,252	73	1,325
Sale/Liquidation	0	189	945	4,891	136	6,161	0	0	6,161
Reclassified to assets held for sale	0	-5,209	0	0	0	-5,209	0	0	-5,209
Balance at 31 December 2020	0	23,237	48,607	59,951	2,425	134,220	324	0	134,544

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2020	0	9,594	23,563	30,492	1,916	65,565	0	0	65,565
Elimination on disposal of assets	0	178	880	4,796	136	5,990	0	0	5,990
Reclassification – right-of-use* - depreciation expense	0	0	1,847	671	0	2,518	0	0	2,518
Depreciation expense	0	722	2,768	4,815	94	8,399	0	0	8,399
Adjustment	0	871	56	1,543	22	2,492	0	0	2,492
Reclassified to assets held for sale	0	-2,041	0	0	0	-2,041	0	0	-2,041
Balance at 31 December 2020	0	8,968	27,354	32,725	1,896	70,943	0	0	70,943

Carrying amount

Balance at 1 January 2020	0	16,717	13,772	25,217	415	56,121	377	27	56,525
Balance at 31 December 2020	0	14,269	21,253	27,226	529	63,277	324	0	63,601

* 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
Balance at 1 January 2021	126	6,713	4,124	0	0	0	10,963
Additions	0	0	0	0	0	0	0
Adjustment	0	-1,000	936	0	0	0	-64
Impairment	0	0	0	0	0	0	0
Sale/Liquidation	0	0	0	0	0	0	0
Balance at 31 March 2021	126	5,713	5,060	0	0	0	10,899

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2021	0	2,078	2,388	0	0	0	4,466
Elimination on disposal of assets	0	0	0	0	0	0	0
Adjustment	0	0	-64	0	0	0	-64
Depreciation expense	0	53	42	0	0	0	95
Balance at 31 March 2021	0	2,131	2,366	0	0	0	4,497

Carrying amount

Balance at 1 January 2021	126	4,635	1,736	0	0	0	6,497
Balance at 31 March 2021	126	3,582	2,694	0	0	0	6,402

As at 31 March 2021, the investment property included the real estate in Kościelisko. The investment property comprises buildings with land and leasehold land. The Group's investment property is held either as freehold or leasehold interests.

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

Assets pledged as security

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

Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	126	5,243	4,594	0	0	0	9,963
Additions	0	0	0	0	0	0	0
Adjustment	0	470	-470	0	0	0	0
Impairment	0	1,000	0	0	0	0	1,000
Sale/Liquidation	0	0	0	0	0	0	0
Balance at 31 December 2020	126	6,713	4,124	0	0	0	10,963

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	0	1,743	2,343	0	0	0	4,086
Elimination on disposal of assets	0	0	0	0	0	0	0
Adjustment	0	-183	183	0	0	0	0
Depreciation expense	0	152	228	0	0	0	380
Balance at 31 December 2020	0	2,078	2,388	0	0	0	4,466
Carrying amount							
Balance at 1 January 2020	126	3,500	2,251	0	0	0	5,877
Balance at 31 December 2020	126	4,635	1,736	0	0	0	6,497

4.7.3. Intangible assets

Structure of intangible assets

	Balance at 31-03-2021	Balance at 31-12-2020
Acquired concessions, patents, licenses and similar assets, including:	2,069	2,073
- software	2,069	2,073

Movements in intangible assets

	Balance at 31-03-2021	Balance at 31-12-2020
Intangible assets – software		
Gross value		
Balance at the beginning of the year	6,096	5,778
Additions	9	647
Sale/Liquidation	0	329
Balance at the end of the period	6,105	6,096
Amortisation and impairment		
Balance at the beginning of the year	4,023	4,257
Amortisation expense	13	93
Sale/Liquidation	0	327
Balance at the end of the period	4,036	4,023
Carrying amount		
Balance at the beginning of the year	2,073	1,521
Balance at the end of the period	2,069	2,073

No impairment losses were recognised by the Group in 2021 or 2020. As at 31 March 2021, the gross carrying amount of fully amortised intangible assets still in use was PLN 4,414 thousand.

4.7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	13,164	0	5,824	31,002	0	49,990
Conclusion of new contracts	0	0	0	0	101	0	101
Changes resulting from the amendments to contracts	0	0	0	0	0	0	0
Reclassification – right of use*	0	0	0	0	-887	0	-887
Changes resulting from the shortening of contract	0	0	0	0	0	0	0
Balance at 31 March 2021	0	13,164	0	5,824	30,216	0	49,204

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	1,445	0	1,211	5,434	0	8,090
Depreciation expense	0	42	0	143	636	0	821
Reclassification – right of use* - depreciation expense	0	0	0	0	-459	0	-459
Elimination on the shortening of contract	0	0	0	0	0	0	0
Balance at 31 March 2021	0	1,487	0	1,354	5,611	0	8,452

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	11,719	0	4,613	25,568	0	41,900
Balance at 31 March 2021	0	11,677	0	4,470	24,605	0	40,752

*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:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	1,239	13,844	1,157	15,592	33,857	0	65,689
Conclusion of new contracts	522	0	186	730	2,305	0	3,743
Changes resulting from the amendments to contracts	0	0	0	-41	-263	0	-304
Reclassification – right of use*	0	0	0	-10,457	-4,827	0	-15,284
Changes resulting from the shortening of contract	-1,761	0	-1,343	0	-70	0	-3,174
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-913	0	0	0	0	-913
Balance at 31 December 2020	0	13,164	0	5,824	31,002	0	49,990

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	535	1,128	618	2,282	4,034	0	8,597
Depreciation expense	518	176	550	810	2,380	0	4,434
Reclassification – right of use* - depreciation expense	0	0	0	-1,847	-671	0	-2,518
Elimination on the shortening of contract	1,053	0	1,168	34	309	0	2,564
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-92	0	0	0	0	-92
Balance at 31 December 2020	0	1,445	0	1,211	5,434	0	8,090
Carrying amount							
Balance at 1 January 2020	704	12,716	539	13,310	29,823	0	57,092
Balance at 31 December 2020	0	11,719	0	4,613	25,568	0	41,900

*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
Balance at 1 January 2021	0	913	3,850	0	0	0	4,763
Additions	0	0	0	0	0	0	0
Liquidations	0	0	0				0
Balance at 31 March 2021	0	913	3,850	0	0	0	4,763

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	92	1,331	0	0	0	1,423
Elimination on disposal of assets	0	0	0	0	0	0	0
Balance at 31 March 2021	0	92	1,331	0	0	0	1,423

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	821	2,519	0	0	0	3,340
Balance at 31 March 2021	0	821	2,519	0	0	0	3,340

As at 31 March 2021, assets held for sale included the real estate situated in Poznań.

As at 31 March 2021, the amount of lease liabilities on assets held for sale was PLN 349 thousand.

The Group intends to sell the real estate in Poznań and 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.

Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	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
Balance at 31 December 2020	0	913	3,850	0	0	0	4,763

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	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
Balance at 31 December 2020	0	92	1,331	0	0	0	1,423

Carrying amount							
Balance at 1 January 2020	0	0	0	0	0	0	0
Balance at 31 December 2020	0	821	2,519	0	0	0	3,340

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 accounted for on the basis of the information contained in the separate financial statements of PRK as at 31 December 2009 and was recognised for the first time in the Financial Statements of the Capital Group in 2010.

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

The goodwill of BPK Poznań is the result of the purchase of 830 shares in BPK Poznań and the control gained on 2012. The acquisition of BPK Poznań was accounted for on the basis of the information contained in the separate financial statements of BPK Poznań as at 31 March 2012 and was recognised for the first time in the Financial Statements of the Capital Group in 2012.

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

At cost	Balance at 31-03-2021	Balance at 31-12-2020
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
Balance at the end of the reporting period	31,172	31,172

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 31 December 2020 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 31 March 2021, the Group reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Group intends to carry out the test at the end of the year.

4.7.7. 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 1,459 thousand.

As at 31 March 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 652 thousand.

As at 31 March 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 884 thousand.

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

- Purchase of trucks – PLN 384 thousand;
- Complete overhauls of vehicles (mainly wagons) – PLN 355 thousand.

No property, plant and equipment or intangible assets were sold by the Group in the first quarter of 2021. In the first quarter of 2020, the Group sold the property, plant and equipment and intangible assets with total net carrying amount of PLN 23 thousand.

4.7.8. Advanced loans

	Balance at 31-03-2021	Balance at 31-12-2020
Loans advanced to related parties	56	165
Loans advanced to third parties	285	285
Impairment losses	-331	-440

Total	10	10
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Advanced loans include principal and interest charged at the end of the reporting period.

4.7.9. Inventories

	Balance at 31-03-2021	Balance at 31-12-2020
Goods, raw and other materials	30,697	24,893
Work-in-progress	3,043	205
Finished goods	0	208
Total	33,740	25,306

The security for liabilities created on inventories as at 31 March 2021 amounted to PLN 4,000 thousand.

No inventory write-downs were recorded in the reporting period. The total amount of write downs was PLN 191 thousand as at 31 March 2021.

4.7.10. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments with a breakdown into particular classes and categories of assets and liabilities as at 31 March 2021.

Balance at 31 March 2021

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)	12,694	0	0	0	40,711
Trade receivables	120,974	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	341	0	0	0	0
Cash and cash equivalents	16,336	0	0	0	0
Loans and bank credits	0	0	0	0	15,130
Lease liabilities	0	0	0	0	18,740
Lease liabilities relating to assets from sale	0	0	0	0	349
Trade payables	0	0	0	0	67,859
Total	150,345	0	0	0	142,825

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

Balance at 31 December 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)	13,569	0	0	0	40,197
Trade receivables	170,035	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	450	0	0	0	0

Cash and cash equivalents	23,487	0	0	0	0
Loans and bank credits	0	0	0	0	17,551
Lease liabilities	0	0	0	0	21,150
Lease liabilities relating to assets from sale	0	0	0	0	366
Trade payables	0	0	0	0	131,382
Total	207,541	0	0	0	210,682

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

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	0	0	0	0

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
RTI	1	1	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	1	1	0	0

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	31-03-2021	31-12-2020	31-03-2021	31-03-2020
RTI	10	10	0	0
RTI Germany	46	155	0	0
Wiesław Nowak	0	0	0	0
Total	56	165	0	0

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.

In the reporting period, ZUE and RTI Germany signed the agreement with an annex whereby the loans of EUR 25,000 would be partially cancelled and the repayment of the remaining balance would be extended until 20 December 2021.

Remuneration of key management personnel

	Period ended	Period ended
	31-03-2021	31-03-2020
Management Board	717	709
Proxy	113	75
Supervisory Board	67	67
Total	897	851

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

In 2020, the Company also presented the remuneration paid to the Supervisory Board Members under employment contracts. In order to make the financial statements clearer, the amount for the year 2020 was adjusted for the remuneration payable under an employment contract.

4.7.12. Major proceedings before court or administration 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 was prepared according to which the petitioner's claims are to a significant extent well-grounded. The date of the next trial was not 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 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 of 8 April 2021, the Court admitted the expert opinion. The date of the next trial was not set.

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 and the Plaintiff upheld the claim.

4.7.13. 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 Group as a result of such inspections.

No significant or countable tax risks were recognised by the Group at 31 March 2021 or 31 December 2020.

4.7.14. Contingent assets and contingent liabilities

Contingent assets

	Balance at 31-03-2021	Balance at 31-12-2020
Bonds	95,401	99,913
Guarantees	61	60
Promissory notes	822	822
Total	96,284	100,795

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

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

Contingent liabilities

	Balance at 31-03-2021	Balance at 31-12-2020
Bonds	551,418	547,326
Guarantees	16,062	15,056
Promissory notes	325,422	333,682
Mortgages	81,529	81,529
Pledges	170,521	171,161
Total	1,144,952	1,148,754

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.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A. and mBank S.A., and to secure the loan agreement entered into with ARP. 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.

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 31 March 2021 or 31 December 2020.

4.7.16. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the three months ended 31 March 2021 or the three months ended 31 March 2020.

4.8. Other notes to the financial statements

4.8.1. Use of the International Financial Reporting Standards

Statement of compliance

The condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 31 March 2021 as endorsed by the European Union.

The quarterly consolidated financial statements for the three months ended 31 March 2021 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 2021:

- **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 and IFRS 16 - IBOR reform** (effective for annual periods beginning on or after 1 January 2021 with earlier application permitted).

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

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

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

- **Amendments to IFRS 3 “Business Combinations”** – updated reference to Conceptual Framework (effective for reporting periods beginning after 1 January 2022 with earlier application permitted);
- **Amendments to IAS 16 “Property, Plant and Equipment”** – proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – clarification of costs considered in assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Annual improvements 2018-2020** – the improvements clarify the guidelines for recognition and measurement: IFRS 1 “First-time Adoption of International Financial Reporting Standards,” IFRS 9 “Financial Instruments,” IAS 41 “Agriculture” and illustrative examples of IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **IFRS 17 “Insurance Contracts” and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1: “Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current”** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 “Accounting Principles (Policies), Changes in Accounting Estimates and Errors”** (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1: “Presentation of Financial Statements” and IFRS 2 Code of Practice: Disclosure of Accounting Principles** (effective for annual periods effective on or after 1 January 2023).

4.8.2. Important accounting principles

4.8.2.1. Going concern

The consolidated financial statements have been prepared assuming that the Group will continue in operational existence for at least 12 months after the end of the reporting period.

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

In the three months ended 31 March 2021, the Group recognised the sales revenue of PLN 150.9m and the gross profit on sales of PLN 5.4m. As at 31 March 2021, the Group presented the total current assets of PLN 299.1m, including trade and other receivables of PLN 96.5m and the cash of approx. PLN 16.3m. At the end of the reporting period, the Group had the backlog worth approx. PLN 1,413m and was in the process of winning new contracts.

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

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 period.

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.

A separate item, namely “Lease liabilities relating to assets from sale,” was presented by the Company in the statement of financial position. Previously, the item was recognised in lease liabilities.

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

Restated	Approved
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	Balance at 31-12-2020	Balance at 31-12-2020	Effect of changes
ASSETS			
Non-current assets			
Total non-current assets	168,539	168,539	0
Current assets			
Current assets	353,094	353,094	0
Assets held for sale	3,340	3,340	0
Total current assets	356,434	356,434	0
Total assets	524,973	524,973	0
EQUITY AND LIABILITIES			
Equity			
Total equity	154,649	154,649	0
Non-current liabilities			
Non-current lease liabilities	12,020	12,386	-366
Total non-current liabilities	51,910	52,276	-366
Current liabilities			
Total current liabilities	318,048	318,048	0
Lease liabilities relating to assets from sale	366	0	366
Total liabilities	370,324	370,324	0
Total equity and liabilities	524,973	524,973	0

4.8.2.4. Applied accounting principles

These quarterly consolidated financial statements for the three months ended 31 March 2021 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 2020. The financial statements for the financial year ended 31 December 2020 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.)

No revisions to estimates occurred in the reporting period.



ZUE S.A.

**CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR 3 MONTHS ENDED 31 MARCH 2021**

Cracow, 25 May 2021

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

Separate statement of comprehensive income

Continuing operations	Note no.	3 months ended	3 months ended
		31-03-2021	31-03-2020
Sales revenue	2.2.1.	141,222	143,712
Cost of sales	2.1.2.	136,403	138,624
Gross profit (loss) on sales		4,819	5,088
General and administrative expenses	2.1.2.	5,079	5,060
Other operating income	2.1.3.	786	846
Other operating expenses	2.1.4.	209	527
Operating profit (loss)		317	347
Financial income	2.1.5.	108	320
Financial expenses	2.1.6.	260	473
Pre-tax profit (loss)		165	194
Corporate income tax	2.1.7.	158	205
Net profit (loss) from continuing operations		7	-11
Net profit (loss)		7	-11
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		0	0
Actuarial gains (losses) relating to specific benefit schemes		0	0
Other total net comprehensive income		0	0
Total comprehensive income		7	-11
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.00	0.00
Total comprehensive income per share (PLN)		0.00	0.00

Separate statement of financial position

	Note no.	Balance at 31-03-2021	Restated Balance at 31-12-2020
ASSETS			
Non-current assets			
Property, plant and equipment	2.5.1.	63,619	63,380
Investment property	2.5.2.	6,402	6,497
Intangible assets	2.5.3.	2,045	2,047
Right-of-use assets	2.5.4.	40,519	41,675
Goodwill	2.5.6.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts	2.2.2.	9,325	8,472
Deferred tax assets	2.1.7.	14,138	14,296
Advanced loans	2.5.8.	0	22
Total non-current assets		167,441	167,782
Current assets			
Inventories	2.5.9.	29,042	22,110
Trade and other receivables	2.3.1.	90,979	141,335
Measurement of long-term construction contracts	2.2.1.	134,014	138,371
Retentions on construction contracts	2.2.2.	2,254	4,042
Advance payments	2.2.4.	2,853	3,692
Current tax assets	2.1.7.	0	0
Advanced loans	2.5.8.	1,707	1,702
Other assets		937	462
Cash and cash equivalents	2.4.4.	14,862	20,230
Current assets		276,648	331,944
Assets held for sale	2.5.5.	3,544	3,544
Total current assets		280,192	335,488
Total assets		447,633	503,270

EQUITY AND LIABILITIES

Equity

Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		56,698	56,691
Total equity		153,603	153,596

Non-current liabilities

Long-term loans and bank credits	2.4.1.	2,221	4,443
Non-current lease liabilities	2.4.2.	10,178	11,925
Retentions on construction contracts	2.2.2.	18,695	17,841
Liabilities under employee benefits		1,358	1,358
Long-term provisions	2.3.3.	15,141	14,670
Total non-current liabilities		47,593	50,237

Current liabilities

Trade and other payables	2.3.2.	66,892	127,583
Accruals	2.2.5.	68,668	61,490
Measurement of long-term construction contracts	2.2.1.	12,697	3,310
Retentions on construction contracts	2.2.2.	18,546	18,911
Advance payments	2.2.4.	20,998	28,741
Short-term loans and bank credits	2.4.1.	8,890	8,890
Current lease liabilities	2.4.2.	8,381	9,051
Other financial liabilities		36	36
Liabilities under employee benefits		32,698	31,188
Current tax liabilities	2.1.7.	0	0
Short-term provisions	2.2.3.	8,282	9,871

Total current liabilities

Lease liabilities relating to assets from sale

		276,088	299,071
		349	366
Total liabilities		294,030	349,674
Total equity and liabilities		447,633	503,270

Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at	1 January 2021	5,758	93,837	-2,690	56,691	153,596
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	7	7
Other net comprehensive income		0	0	0	0	0
Balance at	31 March 2021	5,758	93,837	-2,690	56,698	153,603
Balance at	1 January 2020	5,758	93,837	-2,690	52,386	149,291
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	-11	-11
Other net comprehensive income		0	0	0	0	0
Balance at	31 March 2020	5,758	93,837	-2,690	52,375	149,280
Balance at	1 January 2020	5,758	93,837	-2,690	52,386	149,291
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	4,362	4,362
Other net comprehensive income		0	0	0	-57	-57
Balance at	31 December 2020	5,758	93,837	-2,690	56,691	153,596

Separate statement of cash flows

	3 months ended 31-03-2021	3 months ended 31-03-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	165	194
Adjustments for:		
Depreciation and amortisation	3,015	3,303
Foreign exchange gains / (losses)	-137	-14
Interest and share in profit (dividends)	124	437
Gain / (loss) on disposal of investments	10	2
Operating profit (loss) before changes in working capital	3,177	3,922
Change in receivables and retentions on construction contracts	51,291	72,662
Change in inventories	-6,932	232
Change in provisions and liabilities under employee benefits	390	426
Change in payables and retentions on construction contracts	-60,675	-72,362
Change in measurement of construction contracts	13,744	-31,829
Change in accruals	7,178	5,544
Change in advance payments	-6,904	885
Change in other assets	-476	-17
Other adjustments	109	0
Income tax paid / tax refund	0	0
NET CASH FROM OPERATING ACTIVITIES	902	-20,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	1	0
Purchase of property, plant and equipment and intangible assets	-1,459	-1,173
Advanced loans	0	-617
Repayment of advanced loans	21	33
Interest received	1	11
NET CASH FROM INVESTING ACTIVITIES	-1,436	-1,746
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	3,400	0
Repayment of loans and bank credits	-5,623	0
Decrease in lease liabilities	-2,259	-3,479
Lease interest paid	-420	-126
Other interest paid	-69	-219
NET CASH FLOWS FROM FINANCING ACTIVITIES	-4,971	-3,824
TOTAL NET CASH FLOWS	-5,505	-26,107
Net foreign exchange gains / (losses)	137	14
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	20,230	27,979
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	14,862	1,886
- of limited availability	2,075	487

Notes to the condensed separate financial statements of ZUE

1. General

1.1. Information about the Company

The Company has been incorporated on 1 June 1991 and operated in its current legal form since 20 May 2002. Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow XI Commercial Division of the National Court Register under entry no. KRS 0000135388.

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:

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 member or subcontractor, of multi-discipline projects including:

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

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

1.3. Functional and reporting currency

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

2. Financial information

2.1. Notes to the statement of comprehensive income

2.1.1. Revenue

	Period ended 31-03-2021	Period ended 31-03-2020
Revenue from construction contracts	137,134	141,105
Revenue from the rendering of services	1,420	2,089
Revenue from the sale of goods, raw and other materials	2,668	518
Total	141,222	143,712

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 delivered directly to customers after certain tasks have been completed.

The Company's sales revenue in the period from 1 January to 31 March 2021 amounted to PLN 141,222 thousand and decreased by approx. 2% compared to the revenue reported in the analogous period of the previous year.

The Company operated in the territory of Poland in the reporting period.

The biggest portion of revenue is derived from long-term construction contracts.

The Company presents the entire revenue in one reporting segment: construction activity.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	31-03-2021	31-03-2020
Counterparty A	137,654	106,424

2.1.2. Operating expenses

	Period ended 31-03-2021	Period ended 31-03-2020
Change in products	-2,838	-897
Depreciation and amortization	3,015	3,303
Consumption of materials and energy, including:	29,203	32,981
- <i>consumption of materials</i>	28,844	31,414
- <i>consumption of energy</i>	359	1,567
Contracted services	79,647	76,718
Costs of employee benefits	28,197	26,791
Taxes and charges	388	363
Other expenses	3,055	4,021
Value of goods and materials sold	815	404
Total	141,482	143,684

	Period ended 31-03-2021	Period ended 31-03-2020
Cost of sales	136,403	138,624
General and administrative expenses	5,079	5,060
Total	141,482	143,684

Depreciation and amortisation

	Period ended 31-03-2021	Period ended 31-03-2020
Depreciation of property, plant and equipment	2,104	1,912
Depreciation of right-of-use assets	805	1,241
Amortisation of intangible assets	11	22
Depreciation of investments in real property	95	128
Total	3,015	3,303

2.1.3. Other operating income

	Period ended 31-03-2021	Period ended 31-03-2020
Gain on disposal of assets	0	0
Gain on disposal of non-current assets	0	0
Other operating income	786	846
Damages and penalties	21	828
Release of allowances for receivables	535	0
Refund of the costs of court proceedings	0	1
Substitute performance	181	0
Release of write-downs of inventories	0	5
Other	49	12
Total	786	846

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 31-03-2021	Period ended 31-03-2020
Loss on disposal of assets	10	2
Loss on disposal of non-current assets	10	2
Other operating expenses	199	525
Allowances for receivables	2	499
Costs of litigations	16	25
Substitute performance	181	0
Other	0	1
Total	209	527

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 31-03-2021	Period ended 31-03-2020
Interest income	41	110
Interest on bank deposits	36	29
Interest on loans	5	2
Interest on receivables	0	79
Other financial income	67	210
Discount of long-term items	0	105
Guarantees	67	93
Other	0	12
Total	108	320

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 31-03-2021	Period ended 31-03-2020
Interest expenses	241	435
Interest on credits	0	20
Interest on loans	69	198
Interest on leases	169	212
Interest on trade and other payables	3	5
Other financial expenses	19	38
Foreign exchange losses	3	21
Discount of long-term items	16	0
Other	0	17
Total	260	473

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 31-03-2021	Period ended 31-03-2020
Current income tax	0	0
Deferred tax	158	205
Total tax expense/income	158	205

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.

Current income tax

	Period ended 31-03-2021	Period ended 31-03-2020
Gross profit (loss)	165	194
Difference between gross profit (loss) and income tax base:	-165	-20,431
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	9,305	-20,431
- other differences (including loss carried forward)	-9,470	0
Income/Loss	0	-20,237
Income tax base	0	0
Income tax at the applicable rate of 19%	0	0
Current income tax	0	0

Income tax according to effective interest rate

	Period ended 31-03-2021	Period ended 31-03-2020
Gross profit (loss)	165	194
Income tax at the applicable rate of 19%	31	37
Effect of tax recognition of:	-31	-3,882
- Use of tax losses brought forward	-1,799	0
- Costs that are not tax-deductible under tax regulations	1,839	1,999
- Revenue not classified as revenue under tax regulations	-2,497	6,066
- Tax-deductible expenses not classified as balance sheet expenses	2,575	-173
- Taxable revenue not classified as balance sheet revenue	7	12
Revaluation of deferred tax assets (current year loss)	0	3,845
Deferred tax	158	205
Income tax according to effective tax rate	158	205
Effective tax rate	96%	106%

Current tax assets and liabilities

	Balance at 31-03-2021	Balance at 31-12-2020
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	0

Deferred tax

	Period ended 31-03-2021	Period ended 31-03-2020
Deferred tax balance at the beginning of the period	14,296	19,954
Temporary differences relating to deferred tax assets:	42,438	38,507
Provisions for expenses and accruals	21,550	20,320
Discount of receivables	135	151
Operating lease liabilities	1,911	2,209
Write-downs	613	1,053
Bonds and insurances accounted for over time	1,499	1,601
Tax work in progress	13,776	12,637
Measurement of long-term contracts	2,413	35
Other	541	501
Temporary differences relating to deferred tax liabilities:	38,463	37,094
Measurement of long-term contracts	25,463	24,140
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,313	12,393
Discount of payables	687	556
Other	0	5
Unused tax losses and other tax credits carried forward:	10,163	18,336
Tax losses	10,163	18,336
Total temporary differences relating to deferred tax assets:	52,601	56,843
Total temporary differences relating to deferred tax liabilities:	38,463	37,094
Deferred tax balance at the end of the period	14,138	19,749
Change in deferred tax, including:	-158	-205
- recognised in income	-158	-205
- recognised in equity	0	0

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

2.1.8. Operating segments

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

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

2.2. 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.

	Period ended 31-03-2021	Period ended 31-03-2020
Revenue from long-term construction contracts	132,302	133,270
Costs of long-term construction contracts*)	128,424	134,009

Gross profit (loss) on long-term contracts **3,878** **-739**

	Balance at 31-03-2021	Balance at 31-12-2020
Assets (selected items)	148,446	154,577
- Measurement of long-term construction contracts	134,014	138,371
- Advance payments made in connection with performed contracts	2,853	3,692
- Retentions on construction contracts retained by customers	11,579	12,514
Liabilities (selected items)	161,928	153,610
- Measurement of long-term construction contracts	12,697	3,310
- Provisions for contract costs	67,569	60,266
- Advance payments received in connection with performed contracts	20,998	28,741
- Retentions on construction contracts retained for suppliers	37,241	36,752
- Provisions for warranty claims	16,979	16,366
- Provisions for expected losses on contracts	6,444	8,175

*) The item does not contain any provision for contract losses or provision for warranty claims.

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.

Advance payments were accounted for in the reporting period in connection with the progress of works.

2.2.2. Retentions on construction contracts

	Balance at 31-03-2021	Balance at 31-12-2020
Retained by customers – to be repaid after 12 months	9,325	8,472
Retained by customers – to be repaid within 12 months	2,254	4,042
Total retentions on construction contracts retained by customers	11,579	12,514
Retained for suppliers – to be repaid after 12 months	18,695	17,841
Retained for suppliers – to be repaid within 12 months	18,546	18,911
Total retentions on construction contracts retained for suppliers	37,241	36,752

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

2.2.3. Provisions

Change in provisions

Provisions	01-01-2021	Created	Used	Released	Reclassified	31-03-2021	Item
Long-term provisions:	16,028	686	72	0	-143	16,499	
Provisions for employee benefits	1,358	0	0	0	0	1,358	Liabilities under employee benefits (long-term)
Provisions for warranty claims	14,670	686	72	0	-143	15,141	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	31,567	4,776	5,117	1,778	143	29,591	
Provisions for employee benefits	21,696	4,749	5,117	19	0	21,309	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,696	0	0	1	143	1,838	Short-term provisions
Provision for loss on contracts	8,175	27	0	1,758	0	6,444	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	47,595	5,462	5,189	1,778	0	46,090	

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	01-01-2020	Created	Used	Released	Reclassified	31-12-2020	Item
Long-term provisions:	13,276	4,038	272	0	-1,014	16,028	
Provisions for employee benefits	1,200	158	0	0	0	1,358	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,076	3,880	272	0	-1,014	14,670	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	34,638	27,907	15,937	16,055	1,014	31,567	
Provisions for employee benefits	18,429	20,891	15,834	1,790	0	21,696	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,699	55	103	969	1,014	1,696	Short-term provisions

Provision for loss on contracts	14,510	6,961	0	13,296	0	8,175	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	47,914	31,945	16,209	16,055	0	47,595	

2.2.4. Advance payments

	Balance at 31-03-2021	Balance at 31-12-2020
Advance payments transferred in connection with performed contracts	2,853	3,692
Other advance payments	43	43
Allowances for advance payments	-43	-43
Total advance payments due	2,853	3,692

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

	Balance at 31-03-2021	Balance at 31-12-2020
Advance payments received in connection with performed contracts	20,998	28,741
Total advance payments received	20,998	28,741

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

Advance payments were accounted for in the reporting period in connection with the progress of works.

2.2.5. Accruals

	Balance at 31-03-2021	Balance at 31-12-2020
Provisions for contract costs	67,569	60,266
Other accruals	1,099	1,224
Total	68,668	61,490

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

	Balance at 31-03-2021	Balance at 31-12-2020
Trade receivables	114,302	161,016
Allowances for trade receivables in connection with the increase of credit risk	-27,277	-23,834
Allowances for trade receivables – initial for expected credit losses	-130	-130
Other receivables	4,084	4,283

Total trade and other receivables	90,979	141,335
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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 27,277 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 535 thousand and the creation of allowances of PLN 2 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	
	31-03-2021	31-12-2020
Counterparty A	67,892	109,388

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
	31-03-2021	31-12-2020
Trade payables	62,466	124,687
Liabilities to the state budget other than corporate income tax	4,111	2,680
Other payables	315	216
Total trade and other payables	66,892	127,583

2.4. Debt and management of capital and liquidity

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

In the reporting period, the Company used own resources, loans and credit limits to finance day-to-day operations. At 31 March 2021, the Company could use overdraft and working capital credit limits in the total amount of PLN 38,000 thousand. The bond limits provided by banks and insurance companies amounted to PLN 217,327 thousand.

2.4.1. Loans and bank credits

	Balance at	Balance at
	31-03-2021	31-12-2020
Long-term	2,221	4,443
Bank credits	0	0
Loans received	2,221	4,443

Short-term	8,890	8,890
Bank credits	0	0
Loans received	8,890	8,890
Total	11,111	13,333

Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2021	Amount of available loans/credits as at 31-03-2021	Use as at 31-03-2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		1,000	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	25,000	24,000	1,000		
		non-revolving working capital credit	25,000	24,000	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	11,111	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000			1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	4,021	60,979		
		Overdraft	4,000	4,000	0		
Total amount of available loans and credits				38,000			
Total debt under loans and credits					11,111		
Total use for bonds					61,979		

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

Types of security and liabilities under loan and credit agreements:

1. Overdraft:

- a) Promissory note,
- b) Financial pledge on cash kept on 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 established each time for the bond expiring after 36 months,
- c) Financial pledge on cash kept on 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 line of credit 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 52m.

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

- mBank – Master agreement (item 2) – on 3 March 2021, the Company repaid the credit granted on 10 June 2020 before the deadline specified in the schedule.
- BNP Paribas – *Premium* multi-purpose line of credit agreement (item 4) – on 22 March 2021, the Company received a signed annex to the *premium* multi-purpose line of credit agreement entered into with BNP Paribas S.A. Under the annex, the limit granted to the Company was raised to PLN 65m and the security was changed accordingly. The tenor did not change.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2020	Amount of available loans/credits as at 31-12-2020	Use as at 31-12-2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master agreement	25,000		0	1M WIBOR + margin	May 2021
	including:	sublimit for bonds	21,600	21,600	0		
		sublimit for non-revolving working capital credit	3,400	3,400	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	13,333	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	<i>Premium</i> multipurpose line of credit agreement	30,000			1M WIBOR + margin	July 2022
	including:	sublimit for bonds	30,000	3,907	26 093		
		Overdraft	3,907	3,907	0		
Total amount of available loans and credits				17,307			
Total debt under loans and credits					13,333		
Total use for bonds					26,093		

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

2.4.2. Leases

Lease liabilities

	Balance at 31-03-2021	Balance at 31-12-2020
Long-term lease liabilities	10,178	11,925
Short-term lease liabilities	8,381	9,051
Total	18,559	20,976

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

General terms of lease

The leases signed by the Company mainly concern vehicles. The term of the leases concerning manufacturing equipment and vehicles is from three to six years. The Company has an option to purchase the equipment at the

end of the lease for a price equal to their residual value. The Company's liabilities under finance leases are secured by the lessor's title to the leased assets and a blank promissory note. The leasehold land is used on the basis of administrative decisions and except for the investment property in Kościelisko where the term of lease is 39 years, leases have been concluded for 89 years.

Short-term and low value leases

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

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

The costs associated with short-term and low value leases amounted to PLN 1,079 thousand in the first quarter of 2021 and to PLN 737 thousand in the first quarter of 2020.

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

No.	Note	31-03-2021	31-03-2020
2.1.2.	Depreciation and amortisation	805	1,241
2.1.6.	Financial expenses – interest on leases	169	212

No.	Note	31-03-2021	31-12-2020
2.4.2.	Leases – lease liabilities	18,559	20,976
	Lease liabilities relating to assets from sale	349	366
2.5.4.	Right-of-use assets	40,519	41,675

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.

	Balance at 31-03-2021	Balance at 31-12-2020
Long- and short-term loans and bank credits	11,111	13,333
Long- and short-term lease liabilities	18,559	20,976
Lease liabilities relating to assets from sale	349	366
Long- and short-term other financial liabilities	36	36
Total financial liabilities	30,055	34,711
Cash and cash equivalents	14,862	20,230
Net debt	15,193	14,481
Equity	153,603	153,596
Net debt to equity ratio	9.89%	9.43%

The Company uses own resources, loan, 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

	Balance at 31-03-2021	Balance at 31-12-2020
Cash on hand and at banks	14,862	20,230
Bank deposits up to three months	0	0
Total	14,862	20,230

The cash decreased at the end of the first quarter of 2021 after it had been used to conduct operating activities.

The cash does not include the cash on escrow accounts attributable to consortium members. The Company believes that the cash cannot be defined as an asset and is not presented in the balance sheet. There was no cash attributable to consortium members on escrow accounts as at 31 March 2021 or 31 December 2020.

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, inventories, 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 non-current assets and intangible assets.

Cash flows from financing activities were influenced by the repayment of loans and credits and the decrease in lease liabilities.

	Period ended 31-03-2021	Period ended 31-03-2020
Cash flows from operating activities	902	-20,537
Cash flows from investing activities	-1,436	-1,746
Cash flows from financing activities	-4,971	-3,824
Total net cash flows	-5,505	-26,107
Cash at the beginning of the period	20,230	27,979
Cash at the end of the period	14,862	1,886

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
Balance at 1 January 2021	0	23,233	47,508	59,896	2,280	132,917	324	0	133,241
Additions	0	0	57	740	4	801	1,068	436	2,305
Reclassification – right-of-use*	0	0	0	887	0	887	0	0	887
Transfer to non-current assets	0	0	0	0	0	0	385	0	385
Sale/Liquidation	0	0	80	11	3	94	0	0	94
Balance at 31 March 2021	0	23,233	47,508	61,512	2,281	134,511	1,007	436	135,954

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2021	0	8,968	26,408	32,734	1,751	69,861	0	0	69,861
Elimination on disposal of assets	0	0	75	11	3	89	0	0	89
Reclassification – right-of-use* - depreciation expense	0	0	0	459	0	459	0	0	459
Depreciation expense	0	153	646	1,276	29	2,104	0	0	2,104
Balance at 31 March 2021	0	9,121	26,979	34,458	1,777	72,335	0	0	72,335
Carrying amount									
Balance at 1 January 2021	0	14,265	21,100	27,162	529	63,056	324	0	63,380
Balance at 31 March 2021	0	14,112	20,506	27,054	504	62,176	1,007	436	63,619

* Purchase at the end of the lease.

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

As at 31 March 2021, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 652 thousand.

As at 31 March 2021, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 15,886 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
Balance at 1 January 2020	0	24,725	36,342	55,586	2,187	118,840	377	27	119,244
Additions	0	56	1,560	4,236	229	6,081	1,199	46	7,326
Reclassification – right-of-use*	0	0	10,457	4,827	0	15,284			15,284
Transfer to non-current assets	0	0	0	0	0	0	1,252	73	1,325
Sale/Liquidation	0	189	851	4,753	136	5,929	0	0	5,929
Reclassified to assets held for sale	0	-1,359	0	0	0	-1,359	0	0	-1,359
Balance at 31 December 2020	0	23,233	47,508	59,896	2,280	132,917	324	0	133,241

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2020	0	9,215	22,676	31,864	1,794	65,549	0	0	65,549
Elimination on disposal of assets	0	178	786	4,658	135	5,757	0	0	5,757
Reclassification – right-of-use* - depreciation expense	0	0	1,847	671	0	2,518	0	0	2,518
Depreciation expense	0	641	2,671	4,857	92	8,261	0	0	8,261
Reclassified to assets held for sale	0	-710	0	0	0	-710	0	0	-710
Balance at 31 December 2020	0	8,968	26,408	32,734	1,751	69,861	0	0	69,861

Carrying amount

Balance at 1 January 2020	0	15,510	13,666	23,722	393	53,291	377	27	53,695
Balance at 31 December 2020	0	14,265	21,100	27,162	529	63,056	324	0	63,380

* Purchase at the end of the lease.

2.5.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2021	126	6,713	4,124	0	0	0	10,963
Additions	0	0	0	0	0	0	0
Adjustment	0	-1,000	936	0	0	0	-64
Impairment	0	0	0	0	0	0	0
Sale/Liquidation	0	0	0	0	0	0	0
Reclassification to assets held for sale	0	0	0	0	0	0	0
Balance at 31 March 2021	126	5,713	5,060	0	0	0	10,899
Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2021	0	2,078	2,388	0	0	0	4,466
Elimination on disposal of assets	0	0	0	0	0	0	0
Adjustment	0	0	-64	0	0	0	-64
Depreciation expense	0	53	42	0	0	0	95
Reclassification to assets held for sale	0	0	0	0	0	0	0
Balance at 31 March 2021	0	2,131	2,366	0	0	0	4,497
Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2021	126	4,635	1,736	0	0	0	6,497
Balance at 31 March 2021	126	3,582	2,694	0	0	0	6,402

As at 31 March 2021, the investment property included the real estate in Kościelisko. The investment property comprises buildings with land and leasehold land. The Company's investment property is held either as freehold or leasehold interests.

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

Assets pledged as security

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

Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	126	6,587	7,409	0	0	0	14,122
Additions	0	0	0	0	0	0	0
Impairment	0	1,000	0	0	0	0	1,000
Sale/Liquidation	0	0	0	0	0	0	0
Reclassification to assets held for sale	0	-874	-3,285	0	0	0	-4,159
Balance at 31 December 2020	126	6,713	4,124	0	0	0	10,963

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	0	1,898	2,737	0	0	0	4,635
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	218	228	0	0	0	446
Reclassification to assets held for sale	0	-38	-577	0	0	0	-615
Balance at 31 December 2020	0	2,078	2,388	0	0	0	4,466

Carrying amount							
Balance at 1 January 2020	126	4,689	4,672	0	0	0	9,487
Balance at 31 December 2020	126	4,635	1,736	0	0	0	6,497

2.5.3. Intangible assets

Structure of intangible assets:

	Balance at 31-03-2021	Balance at 31-12-2020
Acquired concessions, patents, licenses and similar assets, including:	2,045	2,047
- software	2,045	2,047

Movements in intangible assets:

	Balance at 31-03-2021	Balance at 31-12-2020
Intangible assets – software		
Gross value		
Balance at the beginning of the year	5,621	5,259
Additions	9	645
Sale/Liquidation	0	283
Balance at the end of the period	5,630	5,621
Amortisation and impairment		
Balance at the beginning of the year	3,574	3,775
Amortisation expense	11	81
Sale/Liquidation	0	282
Balance at the end of the period	3,585	3,574
Carrying amount		
Balance at the beginning of the year	2,047	1,484
Balance at the end of the period	2,045	2,047

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

As at 31 March 2021, the gross carrying amount of fully amortised intangible assets still in use was PLN 3,473 thousand.

2.5.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	13,164	0	5,823	30,683	0	49,670
Conclusion of new contracts	0	0	0	0	77	0	77
Changes resulting from the amendments to contracts	0	0	0	0	0	0	0
Reclassification – right of use*	0	0	0	0	-887	0	-887
Changes resulting from the shortening of contract	0	0	0	0	0	0	0
Balance at 31 March 2021	0	13,164	0	5,823	29,873	0	48,860

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	1,445	0	1,210	5,340	0	7,995
Depreciation expense	0	42	0	143	620	0	805
Reclassification – right of use* - depreciation expense	0	0	0	0	-459	0	-459
Elimination on the shortening of contract	0	0	0	0	0	0	0
Balance at 31 March 2021	0	1,487	0	1,353	5,501	0	8,341
Carrying amount							
Balance at 1 January 2021	0	11,719	0	4,613	25,343	0	41,675
Balance at 31 March 2021	0	11,677	0	4,470	24,372	0	40,519

*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
Balance at 1 January 2020	1,239	13,164	1,157	15,551	33,595	0	64,706
Conclusion of new contracts	522	0	186	730	2,177	0	3,615
Changes resulting from the amendments to contracts	0	0	0	0	-263	0	-263
Reclassification – right of use*	0	0	0	-10,457	-4,827	0	-15,284
Changes resulting from the shortening of contract	-1,761	0	-1,343	0	0	0	-3,104
Balance at 31 December 2020	0	13,164	0	5,824	30,682	0	49,670

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	535	1,276	618	2,263	3,955	0	8,647
Depreciation expense	518	169	550	794	2,318	0	4,349
Reclassification – right of use* - depreciation expense	0	0	0	-1,847	-671	0	-2,518
Elimination on the shortening of contract	1,053	0	1,168	0	262	0	2,483
Balance at 31 December 2020	0	1,445	0	1,210	5,340	0	7,995

Carrying amount

Balance at 1 January 2020	704	11,888	539	13,288	29,640	0	56,059
Balance at 31 December 2020	0	11,719	0	4,614	25,342	0	41,675

*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
Balance at 1 January 2021	0	874	3,285	0	0	0	4,159
Additions	0	0	0	0	0	0	0
Liquidations	0	0	0	0	0	0	0
Balance at 31 March 2021	0	874	3,285	0	0	0	4,159

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	38	577	0	0	0	615
Elimination on disposal of assets	0	0	0	0	0	0	0
Balance at 31 March 2021	0	38	577	0	0	0	615

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2021	0	836	2,708	0	0	0	3,544
Balance at 31 March 2021	0	836	2,708	0	0	0	3,544

As at 31 March 2021, assets held for sale included the real estate situated in Poznań.

As at 31 March 2021, the amount of lease liabilities on assets held for sale was PLN 349 thousand.

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.

Comparative information:

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	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
Balance at 31 December 2020	0	874	3,285	0	0	0	4,159

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	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
Balance at 31 December 2020	0	38	577	0	0	0	615

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	0	0	0	0	0	0	0
Balance at 31 December 2020	0	836	2,708	0	0	0	3,544

2.5.6. Goodwill

At cost	Balance at 31-03-2021	Balance at 31-12-2020
Goodwill of PRK	31,172	31,172
Balance at the end of the reporting period	31,172	31,172

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

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

Annual goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of the Company's assets. The impairment tests carried out at 31 December 2020 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 31 March 2021, the Company reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Company intends to carry out the test at the end of the year.

2.5.7. 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 1,459 thousand.

As at 31 March 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 652 thousand.

As at 31 March 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 869 thousand.

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

- Purchase of trucks – PLN 384 thousand;
- Complete overhauls of vehicles (mainly wagons) – PLN 355 thousand.

No property, plant and equipment or intangible assets were sold by the Company in the first quarter of 2021 or 2020.

2.5.8. Advanced loans

	Balance at 31-03-2021	Balance at 31-12-2020
Loans advanced to related parties	1,753	1,879
Loans advanced to third parties	285	285
Impairment losses	-331	-440
Total	1,707	1,724

2.5.9. Inventories

	Balance at 31-03-2021	Balance at 31-12-2020
Goods, raw and other materials	25,999	21,697
Work-in-progress	3,043	205
Finished goods	0	208
Total	29,042	22,110

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 inventory write-downs were recorded in the reporting period. The total amount of write downs was PLN 190 thousand as at 31 March 2021.

2.5.10. Financial instruments

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

Balance at 31 March 2021

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)	12,278	0	0	0	39,168
Trade receivables	114,302	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	2,038	0	0	0	0
Cash and cash equivalents	14,862	0	0	0	0
Loans and bank credits	0	0	0	0	11,111
Lease liabilities	0	0	0	0	18,559
Lease liabilities relating to assets from sale	0	0	0	0	349
Trade payables	0	0	0	0	62,466
Total	143,480	0	0	0	131,689

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

Balance at 31 December 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)	13,164	0	0	0	38,644
Trade receivables	161,016	0	0	0	0
Other financial liabilities	0	0	0	0	36

Advanced loans	2,164	0	0	0	0
Cash and cash equivalents	20,230	0	0	0	0
Loans and bank credits	0	0	0	0	13,333
Lease liabilities	0	0	0	0	20,976
Lease liabilities relating to assets from sale	0	0	0	0	366
Trade payables	0	0	0	0	124,687
Total	196,574	0	0	0	198,042

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

2.5.11. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2021	31-12-2020	31-03-2021	31-12-2020
Railway gft	77	70	535	73
BPK Poznań	885	2,369	1,215	996
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	962	2,439	1,750	1,069

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2021	31-03-2020	31-03-2021	31-03-2020
Railway gft	111	116	1,810	1,289
BPK Poznań	140	159	651	268
RTI	1	1	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	252	276	2,461	1,557

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	31-03-2021	31-12-2020	31-03-2021	31-03-2020
Railway gft	1,011	1,007	4	0
BPK Poznań	686	707	1	2
RTI	10	10	0	0
RTI Germany	46	155	0	0
Wiesław Nowak	0	0	0	0
Total	1,753	1,879	5	2

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

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

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

In the reporting period, ZUE bought the following services from the related parties:

- o Materials used to build and repair tracks; and
- o Design services.

On 29 January 2021, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the loan repayment date was extended until 30 April 2021. On 30 April 2021, another annex was signed whereby the loan repayment date was extended until 31 October 2021.

In the reporting period, ZUE and RTI Germany signed the agreement with an annex whereby the loans of EUR 25,000 would be partially cancelled and the repayment of the remaining balance would be extended until 20 December 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 the subsidiaries. The total amount of the guarantees as at 31 March 2021 is PLN 16,062 thousand.

Remuneration of key management personnel

	Period ended 31-03-2021	Period ended 31-03-2020
Management Board	717	709
Proxy	113	75
Supervisory Board	67	67
Total	897	851

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

In 2020, the Company also presented the remuneration paid to the Supervisory Board Members under employment contracts. In order to make the financial statements clearer, the amount for the year 2020 was adjusted for the remuneration payable under an employment contract.

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

The pending court proceedings are related to the Company's operating activities. Court cases are discussed 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 31 March 2021 or 31 December 2020.

2.5.14. Contingent assets and contingent liabilities

Contingent assets

	Balance at 31-03-2021	Balance at 31-12-2020
Bonds	94,146	98,658
Promissory notes	4,750	4,750
Pledges	300	300
Total	99,196	103,708

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

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

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 31-03-2021	Balance at 31-12-2020
Bonds	541,168	539,451
Guarantees	16,062	15,056
Promissory notes	310,021	321,888
Mortgages	81,529	81,529
Pledges	155,321	155,961
Total	1,104,101	1,113,885

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.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A. and mBank S.A., and to secure the loan agreement entered into with ARP. 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 31 March 2021 or 31 December 2020.

2.5.16. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the three months ended 31 March 2021 or the three months ended 31 March 2020.

2.5.17. Seasonal and cyclical nature of the Company's operations

Construction and assembly operations are marked by the seasonality of production and sales. The topic has been discussed in detail in the note III 2.13: 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 10 May 2021, 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 2020 of PLN 4,362 thousand to reserve funds. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 25 May 2021.

2.6. Other notes to the financial statements

2.6.1. Use of the International Financial Reporting Standards

Statement of compliance

The condensed separate financial statements have been drawn up in accordance with IAS 34 as at 31 March 2021 as endorsed by the European Union.

The quarterly separate financial statements for the three months ended 31 March 2021 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 2021:

- **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 and IFRS 16 - IBOR reform** (effective for annual periods beginning on or after 1 January 2021 with earlier application permitted).

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

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

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

- **Amendments to IFRS 3 "Business Combinations"** – updated reference to Conceptual Framework (effective for reporting periods beginning after 1 January 2022 with earlier application permitted);
- **Amendments to IAS 16 "Property, Plant and Equipment"** – proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – clarification of costs considered in assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Annual improvements 2018-2020** – the improvements clarify the guidelines for recognition and measurement: IFRS 1 "First-time Adoption of International Financial Reporting Standards," IFRS 9 "Financial Instruments," IAS 41 "Agriculture" and illustrative examples of IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1: "Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current"** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** (effective for annual periods beginning on or after 1 January 2023);

- **Amendments to IAS 1: "Presentation of Financial Statements" and IFRS 2 Code of Practice: Disclosure of Accounting Principles** (effective for annual periods effective on or after 1 January 2023).

2.6.2. Important accounting principles

2.6.2.1. Going concern

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

In the three months ended 31 March 2021, the Company recognised the sales revenue of PLN 141.2m and the gross profit on sales of PLN 4.8m. As at 31 March 2021, the Company presented the total current assets of PLN 280.2m, including trade and other receivables of PLN 91m and the cash of approx. PLN 14.9m. At the end of the reporting period, the Company had the backlog worth approx. PLN 1,379m and was in the process of winning new contracts.

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

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 period.

2.6.2.3. Comparability of financial information

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

A separate item, namely "Lease liabilities relating to assets from sale," was presented by the Company in the statement of financial position. Previously, the item was recognised in lease liabilities.

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

	Restated	Approved	
	Balance at	Balance at	Effect of
	31-12-2020	31-12-2020	changes
ASSETS			
Non-current assets			
Total non-current assets	167,782	167,782	0
Current assets			
Current assets	331,944	331,944	0
Assets held for sale	3,544	3,544	0
Total current assets	335,488	335,488	0
Total assets	503,270	503,270	0
EQUITY AND LIABILITIES			
Equity			
Total equity	153,596	153,596	0
Non-current liabilities			
Non-current lease liabilities	11,925	12,291	-366
Total non-current liabilities	50,237	50,603	-366

Current liabilities

Total current liabilities	299,071	299,071	0
Lease liabilities relating to assets from sale	366	0	366
Total liabilities	349,674	349,674	0
Total equity and liabilities	503,270	503,270	0

2.6.2.4. Applied accounting principles

These quarterly separate financial statements for the three months ended 31 March 2021 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 2020. The financial statements for the financial year ended 31 December 2020 contain a detailed description of the accounting principles applied by the Company.

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

No revisions to estimates occurred in the reporting period.

3. Approval of the condensed consolidated and separate financial statements

These condensed consolidated and separate financial statements for the three months ended 31 March 2021 were approved for publication by the Management Board of ZUE on 25 May 2021.

4. Signatures

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant

Signatures of the management personnel:

Wiesław Nowak – Management Board President

Anna Mroczek – Management Board Vice-President

Jerzy Czeremuga – Management Board Vice-President

Maciej Nowak – Management Board Vice-President

Marcin Wiśniewski – Management Board Vice-President

Cracow, 25 May 2021