



ZUE Capital Group

**CONSOLIDATED QUARTERLY REPORT
FOR 9 MONTHS ENDED 30 SEPTEMBER 2021**

Cracow, 17 November 2021

Contents 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 280,000 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. The company was removed from the register on 14 July 2021. 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 and RTI.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Uniform Text, Journal of Laws of 2020, item 1526).

Share capital details as at 30 September 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	10
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	10
	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 in the Group's structure in 2021 and their consequences	18
	1.4. Core business 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	21
	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	24
	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	25
	2.9. Factors believed by the Issuer to have an influence on the Group's development and future performance	25
	2.10. Risks believed by the Group to have an influence on its future performance	25
	2.11. Risks related to social and employee issues, natural environment, respect of human rights and counteracting corruption	26
	2.12. Impact of the coronavirus pandemic on the Group's operations	26
	2.13. Seasonal and cyclical nature of the Group's operations	27
	2.14. Strategic objectives	27
	3. Corporate information	29
	3.1. Governing bodies of ZUE	29
	3.2. Share capital structure	29
	3.3. Treasury shares	30
	3.4. Shareholders of the Parent Company	30
	3.5. Shares and powers held by members of the Issuer's management and supervisory bodies	30
	3.6. Other information significant for the assessment of the Issuer's position	31
	3.7. Issue and redemption of debt and equity instruments	31
	3.8. Dividend	31
	4. Financial information	31
	4.1. Statement by the Management Board of ZUE on financial projections	31
	4.2. Factors and events with significant influence on the Group's results for the three quarters of 2021	31
	4.3. Notes to the statement of comprehensive income	33
	4.3.1. Revenue	33
	4.3.2. Operating expenses	34
	4.3.3. Other operating income	34
	4.3.4. Other operating expenses	35
	4.3.5. Financial income	35
	4.3.6. Financial expenses	35
	4.3.7. Corporate income tax	36
	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.	Provisions	40
4.4.3.	Write-downs	41
4.4.4.	Accruals	42
4.5.	Trade and other receivables and payables	42
4.5.1.	Trade and other receivables	42
4.5.2.	Trade and other payables	43
4.6.	Credits, loans and leases	43
4.6.1.	Loans and bank credits	43
4.6.2.	Leases	45
4.7.	Other notes to the financial statements	46
4.7.1.	Goodwill	46
4.7.2.	Purchase and sale of property, plant and equipment and intangible assets	46
4.7.3.	Financial instruments	47
4.7.4.	Transactions with related parties	48
4.7.5.	Major proceedings before court or administration or public administration authority at the date of preparation of this report	49
4.7.6.	Tax settlements	50
4.7.7.	Contingent assets and contingent liabilities	50
4.7.8.	Liabilities incurred to purchase property, plant and equipment	51
4.7.9.	Discontinued operations	51
4.8.	Other notes to the financial statements	51
4.8.1.	Use of the International Financial Reporting Standards	51
4.8.2.	Important accounting principles	52
4.8.3.	Sources of estimation uncertainty	54
IV.	CONDENSED SEPARATE FINANCIAL STATEMENTS OF ZUE S.A.	56
	SEPARATE STATEMENT OF COMPREHENSIVE INCOME	56
	SEPARATE STATEMENT OF FINANCIAL POSITION	57
	SEPARATE STATEMENT OF CHANGES IN EQUITY	59
	SEPARATE STATEMENT OF CASH FLOWS	60
	NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS OF THE COMPANY	61
	1. General information	61
	1.1. Core business of ZUE	61
	1.2. Functional and reporting currency	61
	2. Financial information	61
	2.1. Notes to the statement of comprehensive income	61
	2.1.1. Revenue	61
	2.1.2. Operating expenses	62
	2.1.3. Other operating income	62
	2.1.4. Other operating expenses	63
	2.1.5. Financial income	63
	2.1.6. Financial expenses	63
	2.1.7. Corporate income tax	63
	2.1.8. Operating segments	65
	2.2. Contracts, retentions, provisions, advance payments and accruals	66
	2.2.1. Construction contracts	66
	2.2.2. Provisions	66
	2.2.3. Write-downs	67
	2.2.4. Accruals	68
	2.3. Trade and other receivables and payables	68
	2.3.1. Trade and other receivables	68
	2.3.2. Trade and other payables	69
	2.4. Credits, loans and leases	69
	2.4.1. Loans and bank credits	69
	2.4.2. Leases	71
	2.5. Other notes to the financial statements	72
	2.5.1. Goodwill	72
	2.5.2. Purchase and sale of property, plant and equipment and intangible assets	72
	2.5.3. Financial instruments	72
	2.5.4. Transactions with related parties	73
	2.5.5. Major proceedings before court or administration or public administration authority at the date of preparation of this report	75
	2.5.6. Tax settlements	75

2.5.7.	Contingent assets and contingent liabilities	75
2.5.8.	Liabilities incurred to purchase property, plant and equipment	76
2.5.9.	Discontinued operations	76
2.5.10.	Seasonal and cyclical nature of the Company's operations	76
2.5.11.	Issue and redemption of debt and equity securities.....	76
2.5.12.	Dividend	76
2.6.	Other notes to the financial statements	77
2.6.1.	Use of the International Financial Reporting Standards	77
2.6.2.	Important accounting principles.....	78
2.6.3.	Sources of estimation uncertainty.....	79
3.	Approval of the condensed consolidated and separate financial statements	81
4.	Signatures	81

I. Selected financial data of the Capital Group

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

	Balance at 30-09-2021		Balance at 31-12-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	175,959	37,980	168,539	36,521
Current assets	354,372	76,490	353,094	76,513
Assets held for sale	3,340	722	3,340	724
Total assets	533,671	115,192	524,973	113,758
Equity	158,732	34,262	154,649	33,512
Non-current liabilities	54,213	11,702	51,910	11,249
Current liabilities	320,365	69,150	318,048	68,918
Lease liabilities relating to assets held for sale	361	78	366	79
Total equity and liabilities	533,671	115,192	524,973	113,758

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

	Period ended 30-09-2021		Period ended 30-09-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	593,027	130,093	610,764	137,498
Cost of sales	572,750	125,644	587,824	132,334
Gross profit (loss) on sales	20,277	4,449	22,940	5,164
Operating profit (loss)	6,541	1,435	5,140	1,157
Gross profit (loss)	5,969	1,309	4,268	961
Net profit (loss) from continuing operations	4,022	882	2,911	655
Total comprehensive income	4,083	896	2,851	642

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

	Period ended 30-09-2021		Period ended 30-09-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	8,046	1,765	-2,671	-601
Cash flows from investing activities	-2,723	-597	-5,585	-1,257
Cash flows from financing activities	-16,282	-3,572	-3,685	-830
Total net cash flows	-10,959	-2,404	-11,941	-2,688
Cash at the beginning of the period	23,487	5,089	30,378	7,133
Cash at the end of the period	12,582	2,716	18,445	4,075

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30-09-2021	Exchange rate on 31-12-2020	Exchange rate on 30-09-2020
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6329	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	4.5585	n/a	4.4420
"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	4.6329	4.6148	4.5268

II. Selected financial data of ZUE S.A.

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

	Balance at 30-09-2021		Balance at 31-12-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	175,353	37,850	167,782	36,357
Current assets	331,083	71,463	331,944	71,930
Assets held for sale	3,544	765	3,544	768
Total assets	509,980	110,078	503,270	109,055
Equity	157,932	34,089	153,596	33,283
Non-current liabilities	52,661	11,367	50,237	10,886
Current liabilities	299,026	64,544	299,071	64,807
Lease liabilities relating to assets held for sale	361	78	366	79
Total equity and liabilities	509,980	110,078	503,270	109,055

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

	Period ended 30-09-2021		Period ended 30-09-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	544,154	119,372	573,291	129,061
Cost of sales	527,663	115,754	553,024	124,499
Gross profit (loss) on sales	16,491	3,618	20,267	4,562
Operating profit (loss)	6,126	1,344	5,089	1,146
Gross profit (loss)	5,968	1,309	4,817	1,084
Net profit (loss) from continuing operations	4,275	938	3,416	769
Total comprehensive income	4,336	851	3,356	756

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

	Period ended 30-09-2021		Period ended 30-09-2020	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	10,872	2,385	-5,247	-1,181
Cash flows from investing activities	-4,626	-1,015	-7,158	-1,611
Cash flows from financing activities	-15,551	-3,411	1,764	397
Total net cash flows	-9,305	-2,041	-10,641	-2,395
Cash at the beginning of the period	20,230	4,384	27,979	6,570
Cash at the end of the period	10,979	2,370	17,346	3,832

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 30-09-2021	Exchange rate on 31-12-2020	Exchange rate on 30-09-2020
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6329	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	4.5585	n/a	4.4420
"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	4.6329	4.6148	4.5268



ZUE Capital Group

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED 30 SEPTEMBER 2021

Cracow, 17 November 2021

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

	Note no.	9 months	3 months	9 months	3 months
		ended 30-09-2021	ended 30-09-2021	ended 30-09-2020	ended 30-09-2020
Continuing operations					
Sales revenue	4.3.1.	593,027	230,612	610,764	228,345
Cost of sales	4.3.2.	572,750	220,379	587,824	220,164
Gross profit (loss) on sales		20,277	10,233	22,940	8,181
General and administrative expenses	4.3.2.	18,078	6,398	17,356	5,816
Other operating income	4.3.3.	4,922	1,004	1,135	502
Other operating expenses	4.3.4.	580	169	1,579	112
Operating profit (loss)		6,541	4,670	5,140	2,755
Financial income	4.3.5.	443	159	571	256
Financial expenses	4.3.6.	1,015	404	1,443	363
Pre-tax profit (loss)		5,969	4,425	4,268	2,648
Corporate income tax	4.3.7.	1,947	1,135	1,357	656
Net profit (loss) from continuing operations		4,022	3,290	2,911	1,992
Net profit (loss)		4,022	3,290	2,911	1,992
Other net comprehensive income					
Items that will not be reclassified subsequently to profit or loss:		61	0	-60	0
Actuarial gains (losses) relating to specific benefit schemes		61	0	-60	0
Other total net comprehensive income		61	0	-60	0
Total comprehensive income		4,083	3,290	2,851	1,992
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
Consolidated net profit attributable to:					
Shareholders of the parent		3,999	3,271	2,928	1,977
Non-controlling interests		23	19	-17	15
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		0.17	0.14	0.13	0.09
Total comprehensive income attributable to:					
Shareholders of the parent		4,060	3,271	2,868	1,977

Non-controlling interests	23	19	-17	15
Total comprehensive income per share (PLN)	0.18	0.15	0.12	0.08

Consolidated statement of financial position

	Note no.	Balance at 30-09-2021	Restated Balance at 31-12-2020
ASSETS			
Non-current assets			
Property, plant and equipment		65,891	63,601
Investment property		6,221	6,497
Intangible assets		2,872	2,073
Right-of-use assets		41,680	41,900
Goodwill	4.7.1.	31,172	31,172
Retentions on construction contracts		9,694	8,515
Deferred tax assets	4.3.7.	18,257	14,557
Other assets		172	224
Total non-current assets		175,959	168,539
Current assets			
Inventories		33,681	25,306
Trade and other receivables	4.5.1.	145,127	149,222
Measurement of long-term construction contracts	4.4.1.	156,799	146,929
Retentions on construction contracts		2,260	4,371
Advance payments		2,954	3,123
Current tax assets	4.3.7.	0	0
Advanced loans		0	10
Other assets		969	646
Cash and cash equivalents		12,582	23,487
Current assets		354,372	353,094
Assets held for sale		3,340	3,340
Total current assets		357,712	356,434
Total assets		533,671	524,973

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		61,649	57,589

Total equity attributable to shareholders of the parent company

158,554 **154,494**

Equity attributable to non-controlling interests

178 155

Total equity

158,732 **154,649**

Non-current liabilities

Long-term loans and bank credits	4.6.1.	0	4,443
Non-current lease liabilities	4.6.2.	14,033	12,020
Retentions on construction contracts		20,798	18,821
Liabilities under employee benefits		1,770	1,411
Deferred tax liability	4.3.7.	356	129
Long-term provisions	4.4.2.	17,256	15,086

Total non-current liabilities

54,213 **51,910**

Current liabilities

Trade and other payables	4.5.2.	78,956	135,073
Accruals	4.4.4.	92,396	65,617
Measurement of long-term construction contracts	4.4.1.	51,412	3,659
Retentions on construction contracts		18,467	19,393
Advance payments		13,803	28,841
Short-term loans and bank credits	4.6.1.	10,336	13,108
Current lease liabilities	4.6.2.	6,738	9,130
Other financial liabilities		36	36
Liabilities under employee benefits		35,994	33,313
Current tax liabilities	4.3.7.	1,756	5
Short-term provisions	4.4.2.	10,471	9,873

Total current liabilities

320,365 **318,048**

Lease liabilities relating to assets held for sale

361 **366**

Total liabilities

374,939 **370,324**

Total equity and liabilities

533,671 **524,973**

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	3,999	3,999	23	4,022
Other net comprehensive income		0	0	0	61	61	0	61
Other		0	0	0	0	0	0	0
Balance at	30 September 2021	5,758	93,837	-2,690	61,649	158,554	178	158,732
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	2,928	2,928	-17	2,911
Other net comprehensive income		0	0	0	-60	-60	0	-60
Other		0	0	0	0	0	0	0
Balance at	30 September 2020	5,758	93,837	-2,690	56,254	153,159	133	153,292

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

	9 months ended 30-09-2021	9 months ended 30-09-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	5,969	4,268
Adjustments for:		
Depreciation and amortisation	9,439	9,994
Foreign exchange gains / (losses)	-54	-8
Interest and share in profit (dividends)	730	1,218
Gain / (loss) on disposal of investments	-414	-413
Operating profit (loss) before changes in working capital	15,670	15,059
Change in receivables and retentions on construction contracts	5,084	65,104
Change in inventories	-8,375	-4,417
Change in provisions and liabilities under employee benefits	5,856	-67
Change in payables and retentions on construction contracts	-56,095	-42,621
Change in measurement of construction contracts	37,883	-69,996
Change in accruals	26,779	20,951
Change in advance payments	-14,869	13,106
Change in other assets	-324	212
Other adjustments	95	0
Income tax paid / tax (refund)	-3,658	-2
NET CASH FROM OPERATING ACTIVITIES	8,046	-2,671
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	1,122	1,117
Purchase of property, plant and equipment and intangible assets	-3,901	-6,685
Advanced loans	0	-27
Repayment of advanced loans	49	0
Interest received	7	10
NET CASH FROM INVESTING ACTIVITIES	-2,723	-5,585
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	3,400	16,953
Repayment of loans and bank credits	-10,618	-9,548
Decrease in lease liabilities	-8,196	-9,797
Lease interest paid	-581	-626
Other interest paid	-287	-667
NET CASH FLOWS FROM FINANCING ACTIVITIES	-16,282	-3,685
TOTAL NET CASH FLOWS	-10,959	-11,941
Net foreign exchange gains / (losses)	54	8
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:	12,582	18,445
- of limited availability	815	2,038

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 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. and Railway gft Polska Sp. z o.o.

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

ZUE S.A. is the company was 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, under entry no. KRS 0000135388.

Apart from being the provider of construction services, ZUE is the parent company responsible for coordinating the operation of the subsidiaries and optimising the Capital Group's operating expenses through, *inter alia*, the coordination of investment and borrowing policy as well as the management of finances and human resources and the supply of materials.

Structure of the Capital Group at this report preparation date:



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.

The companies within the Capital Group have been incorporated for indefinite period. 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 30 September 2021:

Company name	Registered office	Interests as at		Consolidation method
		30 September 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 is entitled to manage the financial and operating policy of BPK Poznań and Railway gft because as at 30 September 2021, it held a 100% and an 85% interest, respectively, in the companies.

As at 30 September 2021, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

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

No major changes to the Group's structure occurred between the beginning of 2021 and the date of approval of this report, except for the following changes.

On 12 July 2021, the Extraordinary Shareholders Meeting of RTI resolved to increase the share capital of RTI from PLN 260 thousand to PLN 280 thousand through the creation of 400 new shares with the nominal value of PLN 50 each. All the new shares with the total nominal value of PLN 20 thousand were acquired by the existing shareholder, namely ZUE.

On 14 July 2021, an entry was made in the District Court in Dresden to complete the liquidation process and remove RTI Germany from the register. Accordingly, the company is no longer within the structure of the Group.

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

Design activities relating to urban and rail transport systems 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, "Ypsilon" 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 zloty, 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 in progress.

Contract*	Contracting authority	Contract net value [PLNm] attributable to ZUE S.A.
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 PLK S.A.	583
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 PLK S.A.	382
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 PLK S.A.	381
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 PLK S.A.	367
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 PLK S.A.	340
Works on the railway line no. 93 of the Trzebinia – Oświęcim – Czechowice Dziedzice section, Infrastructure and Environment Operational Programme (IEOP) 5.1-12.	PKP PLK S.A.	303
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	PKP PLK S.A.	295

the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section” executed as part of the Connecting Europe Facility (CEF).		
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 PLK S.A.	205
Reconstruction of the tram line with traction in the Nabrzeże Wieleckie, Nowa, Dworcowa, Kolumba, Chmielewskiego and Smolańska Streets, and the Powstańców Wlkp. Avenue and extension of the Pomorzany terminus in Szczecin.	City of Szczecin	213
Reconstruction of the tram line 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).	City of Szczecin	142
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 PLK S.A.	96
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 PLK S.A.	92
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 PLK S.A.	77
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	77
Restoration of railway infrastructure on the Dorota - Sosnowiec Dańdówka section, line no. 171, as part of the following investment project: “Works on the south eastern part of the Upper Silesian Industrial Region ring road and adjacent sections.”	PKP PLK S.A.	69
Provision of bicycle lanes and reconstruction of road infrastructure along the Królowej Jadwigi and Piłsudskiego Streets (country road) in Dąbrowa Górnicza as part of the following project: “Promotion of green transport in Dąbrowa Górnicza – Stage III.” Construction works for the project named: “Reconstruction of the separate tramway track along the Królowej Jadwigi Street and Piłsudskiego Street in Dąbrowa Górnicza, the Róż Avenue – the Kasprzaka Street section.”	Dąbrowa Górnicza/Tramwaje Śląskie	62
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 PLK S.A.	58
Maintenance and repair of tram lines in Cracow in 2019-2022.	City of Cracow	56
Reconstruction of the road and the tram line 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	53
Reconstruction of the tram line from the Wiejska Street to the OM Rządź tram terminus as part of the following project: “Reconstruction of tram infrastructure to improve public transport in Grudziądz.”	City of Grudziądz	47

Works on the E59 railway line, the Dobięgniew – Słonice section – traction network.	Strabag Sp. z o.o.	45
Provision of design services and completion of construction works in connection with the following project: "Construction of the Czarnca - Włoszczowa Płn. railway line no. 582."	PKP PLK S.A.	42
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.	41
Maintenance and repair of tram infrastructure (traction electrical power engineering services) in Cracow in 2019-2022.	City of Cracow	41
Reconstruction of track and overhead contact system in the Wyszyńskiego hub and the Szarych Szeregów Square.	City of Szczecin	37
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 PLK S.A.	35
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.	35
Reconstruction of the tram line along the Jana Pawła II Street, from the Plac Centralny to the Ptaszyckiego Street and from the Ptaszyckiego Street to the Bardosa Street, including the reconstruction of OCL network, dehydration and reconstruction of colliding technical infrastructure as part of the investment project named: "Upgrade of tram line and associated infrastructure."	City of Cracow	27
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 PLK S.A.	24
Maintenance of tram lines and switches in Wrocław.	Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o. in Wrocław	19
Maintenance of street lighting equipment and building illuminations in Cracow with a breakdown into four regions.	Zarząd Dróg Miasta Krakowa	16

*Contracts whose net value exceeds PLN 10m.

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

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

2.2. Backlog

At the date of preparation of this report, the value of the Group's backlog is PLN 1,398m, including the contracted construction and assembly services worth PLN 1,373m. This provides the Group with an ability to carry out the works in the period 2021-2023. As for design services, the value of the signed contracts is PLN 7.4m. The backlog relating to the supply of materials and equipment is worth PLN 17.6m. ZUE has signed a number of master agreements for the supply of strategic materials to secure the performance of contracts.

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

Revenue generated by the Group and the Company in the three quarters of 2021 amounted to PLN 593,027 thousand and PLN 544,154 thousand, respectively. Gross margin reported by the Group was 3.4% and gross margin reported by the Company was 3%.

By the date of publication of this report, the Company won the new contracts in 2021 with the total net value of approx. PLN 448m and submitted the most economically advantageous tenders with the total net value of approx. PLN 400m.

Financial results are discussed in detail in the note 4.2.

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

In the reporting period, there were no unusual factors or events with significant influence on the Group's results other than specified in this report.

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 tram line from the Wiejska Street to the OM Rządź 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)**

On 6 September 2021, the Company entered into the contract with the City of Cracow for the project named: "Reconstruction of the tram line along the Jana Pawła II Street, from the Plac Centralny to the Ptaszyckiego Street and from the Ptaszyckiego Street to the Bardosa Street, including the reconstruction of OCL network, dehydration and reconstruction of colliding technical infrastructure – as part of the investment project named: Upgrade of tram line and associated infrastructure." The Company informed about the selection of the Company's tender as the most economically advantageous offer in the current report 20/2021. Contract net value: PLN 27.2m. Contract gross value: PLN 33.4m. Project completion date: 10 months of the site delivery. **(Current report 23/2021)**

On 27 September 2021, the Company and Dąbrowa Górnicza and Tramwaje Śląskie S.A. signed the two contracts for the reconstruction of the separate tramway track along the Królowej Jadwigi Street and Piłsudskiego Street in Dąbrowa Górnicza, the Róż Avenue – the Kasprzaka Street section. The Company informed about the selection of the Company's tender as the most economically advantageous offer in the current report 16/2021. The total net value of the contracts: PLN 62m. The total gross value of the contracts: PLN 76.2m. Project completion date: End of 2022. **(Current report 25/2021)**

Financial agreements:

On 12 March 2021, the Company published the 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 was extended 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)**

On 31 May 2021, the Company and mBank S.A. of Warsaw signed an annex to the Master Agreement whereby the line limit was set as PLN 80m and could be used until 31 May 2022. **(Current report 13/2021)**

Corporate events:

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 report 7/2021 and 10/2021)**

On 22 June 2021, the Company's Ordinary General Meeting resolved to allocate the entire net profit for 2020 of PLN 4,362 thousand to reserve funds. **(Current report 14/2021)**

2.6. Major events after the end of the reporting period

On 22 October 2021, the Company and PKP PLK S.A. entered into the contract for the following project: Restoration of railway infrastructure on the Dorota - Sosnowiec Dańdówka section, line no. 171, as part of the following investment project: "Works on the south eastern part of the Upper Silesian Industrial Region ring road and adjacent sections." The Company informed about the selection of the Company's offer as the most economically advantageous tender in the current report 26/2021. The contract is divided into the three sections with the total gross value of PLN 84.9m (the net value of PLN 69.0m): Main scope – the gross value of PLN 44.3m (the net value of PLN 36.0m), Option 1 – the gross value of PLN 24.9m (the net value of PLN 20.2m), Option 2 – the gross value of PLN 15.8m (the net value of PLN 12.8m). Option 1 and Option 2 will be carried out depending on the Contracting Authority's decision. Completion date: Main scope: End of 2022; Option 1 and Option 2: 22 months of the date of the statement made by the Contracting Authority about their decision to use Option 1 and Option 2. **(Current report 27/2021)**

On 22 October 2021, the Company learnt about the selection of the tender submitted by the consortium of 1) ZUE (Leader) and 2) Yörük Yapı İnşaat A.Ş. with registered office in Ankara (the Consortium) as the most economically advantageous offer in the tender procedure for the project named: Design and construction services for the project named "Construction of the Annapol depot." The Company informed that the tender had scored highest in the evaluation in the current report 24/2021. Contracting Authority: Tramwaje Warszawskie sp. z o.o. Net value of the tender submitted by the Consortium: PLN 532.6m (out of which about 50% is attributable to ZUE). Gross value of the tender submitted by the Consortium: PLN 665.1m. Completion date: 26 months of the contract conclusion date. **(Current report 28/2021)**

On 29 October 2021, ZUE's tender was selected as the most economically advantageous offer in the tender procedure for the project named: "Reconstruction of the tramway track along the Sobieskiego Street and the Królowej Jadwigi Street in Dąbrowa Górnicza from the KWK Paryż Terminus to the Róż Avenue" – task no. 2.5 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." The Company's tender was selected by the Contracting Authority as the most economically advantageous offer following the resignation of another bidder whose tender was initially selected as the best offer. Net value of the tender submitted by the Company: PLN 61.8m. Gross value of the tender submitted by the Company: PLN 76m. Project completion date: December 2022. **(Current report 30/2021)**

On 3 November 2021, the Company published the preliminary financial results for the three quarters of 2021. **(Current report 31/2021)**

On 3 November 2021, the Company and CaixaBank S.A. Polish Branch signed the agreement for the banking guarantee limit up to PLN 30m. The revolving limit was granted for 6 months of the agreement conclusion date and could be extended. **(Current report 32/2021)**

On 12 November 2021, the Company learnt about the selection of the Company's tender as the most economically advantageous offer in the tender procedure for the project named: "Extension of technical facilities to service the rolling stock of Koleje Dolnośląskie S.A." Net value of the tender submitted by ZUE: PLN 49m. Gross value of the tender submitted by ZUE: PLN 60.2m. Project completion date: 14 months of the contract conclusion date. **(Current report 33/2021)**

On 16 November 2021, the Company and the City of Szczecin, Szczecińska Energetyka Ciepła Sp. z o. o. and Zakład Wodociągów i Kanalizacji Sp. z o.o. with registered office in Szczecin (hereinafter jointly referred to as the Contracting Authority) entered into the contract for the project named: "Reconstruction of the tram line and

traction in the Nabrzeże Wieleckie, Nowa, Dworcowa, Kolumba, Chmielewskiego and Smolańska Streets and the Powstańców Wlkp. Avenue and the extension of the Pomorzany terminus in Szczecin." The Company informed about the selection of the Company's tender as the most economically advantageous offer in the current report 21/2021. Net value of the contract: PLN 213m. Gross value of the contract: PLN 262m. Project completion date: 720 calendar days of the contract conclusion date. **(Current report 34/2021)**

On 16 November 2021, the Company learnt that the tender procedure for the project named "Reconstruction of the Dworcowa Street and the tram line and the construction of the transport hub at the railway station in Gorzów Wlk." had been cancelled by the City of Gorzów Wielkopolski. The Company informed about the tender submitted in connection with the said project in the current report 29/2021. **(Current report 35/2021)**

2.7. Bonds, guarantees, loans and credit limits

The activity conducted by the Group requires the provision of 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. Banks and insurance companies have recourse against the Group.

As at 30 September 2021:

- The amount of bonds issued by the Group to third parties: PLN 522,819 thousand.
- The amount of bonds issued by the Company to third parties: PLN 512,787 thousand.
- The amount of unused bond lines at the Group: PLN 222,376 thousand (including PLN 26,412 thousand which can be allocated to working capital credit).
- The amount of unused bond lines at the Company: PLN 221,313 thousand (including PLN 26,412 thousand which can be allocated to working capital credit).
- The amount of unused credits at the Group: PLN 36,412 thousand (including PLN 10,000 thousand with no possibility of allocating to bonds).
- The amount of unused credits at the Company: PLN 36,412 thousand (including PLN 10,000 thousand with no possibility of allocating to bonds).

In the reporting period:

- On 26 January 2021, a subsidiary and mBank S.A. signed the annex whereby the repayment of working capital credit 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 remained unchanged.
- On 22 March 2021, the Company and BNP Paribas S.A. signed an annex to the multi-purpose credit line agreement whereby the limit could be used until 21 March 2022.
- On 27 May 2021, a subsidiary and mBank S.A. signed an annex to the Master Agreement whereby the granted limit was set as PLN 5.7m and could be used until 31 May 2022.
- On 31 May 2021, the Company and mBank S.A. signed an annex to the Master Agreement of 29 July 2014 whereby the maturity date was extended by one year.
- On 31 May 2021, the Company and mBank S.A. signed an annex to the Master Agreement of 29 June 2016 whereby the limit was set as PLN 80m and could be used until 31 May 2022.
- On 31 May 2021, a subsidiary signed an annex whereby the credit repayment date was extended by one year and a new repayment schedule was prepared.
- On 6 July 2021, the Company and mBank S.A. signed an annex to the overdraft agreement whereby the repayment date was extended by one year.
- On 22 July 2021, the Company and Towarzystwo Ubezpieczeń Wzajemnych „TUW” signed the master agreement for bonds with the bond limit of PLN 11m.

After the end of the reporting period:

- On 3 November 2021, the Company and CaixaBank, S.A. Polish Branch signed the agreement for the banking guarantee limit of up to PLN 30m.

- On 9 November 2021, the Company signed an annex to the mandate agreement for the bonds provided by PZU S.A. whereby the term of the agreement was extended until 8 November 2022 and the limit was set as PLN 65m.

At the end of the reporting period, the amount of the loans granted by ZUE (net of write-downs) is PLN 3,677 thousand. At the end of the reporting period, the amount of the loans granted by the Group (net of write-downs) is PLN 0.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 30 September 2021 is PLN 18,066 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 – November 2023.

No loans or bonds of significant total value were granted or provided in the three quarters 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 three quarters 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.

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 Capital Group for the period 1 January 2021 – 30 June 2021 contains a detailed description of the factors. No significant changes to the catalogue or description of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

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

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

- Risk related to financial liquidity in the construction sector;
- Risk related to logistics;
- Risk related to the failure of making the construction site available by the date specified in a contract;

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

The Management Board Report on the activities of the Capital Group for the period 1 January 2021 – 30 June 2021 contains a detailed description of the factors. No significant changes to the catalogue or description of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

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

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

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

No significant changes to the catalogue or description of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

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

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 when COVID-19 cases increased, it extended the ability of its employees to work remotely or on a rotational basis where remote work was 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.

Impact of the COVID-19 pandemic on the Group's activity and financial standing in the three quarters 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.

The Issuer monitors the influence of the pandemic restrictions on construction processes or the chain of supplies in terms of possible disruptions and employs adequate measures.

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.

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. 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.

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 aim of the Company 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

According to the estimates of PKP PLK rail infrastructure manager, the Polish railway network needs about PLN 300bn to upgrade all the neglected or missing elements.¹ The upgrade project will be carried out as part of the National Railway Programme until 2023 with the total value of approximately PLN 76bn (the "NRP") and the *Kolej Plus* programme.

One major project is the completion of the Central Communication Port (CPK). This concept envisages the construction of approximately 1,800 km of brand new railway lines and revamping of existing routes. 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.

In the 2021-2027 EU perspective, particular emphasis will be placed on the development of rail transport. 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.²

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 whose major part will be spent on railway projects.³

The total estimated value of major railway projects in Poland still at the stage of concept or tender process but planned for completion in the next few years is about PLN 80bn.⁴

PKP PLK informed in September 2021 that they planned to announce by the end of 2021 the construction tenders worth approximately PLN 1.4bn under the NRP. New projects are prepared worth several billion zlotys but the infrastructure manager waits for the approval of the financing.⁵ There are plans to announce tenders in the following years with annual value between ten and twenty billion zlotys.⁶

Urban infrastructure market

¹ <https://www.rynek-kolejowy.pl/mobile/trako-2021-oczekiwania-przed-nowa-perspektywa-104659.html>

² https://ec.europa.eu/commission/presscorner/detail/pl/ip_20_2329

³ <https://www.rynekinfrastruktury.pl/wiadomosci/drogi/nowy-cef-bez-drog-i-lotnisk-unia-stawia-na-kolej-77436.html>

⁴ <https://polskiprzemysl.com.pl/budownictwo/budownictwo-kolejowe-w-polsce/>

⁵ <https://www.bankier.pl/wiadomosc/PKP-PLK-planuje-oglosic-do-konca-21-przetargi-z-KPK-na-1-4-mld-zl-kwota-ta-moze-wzrosnac-8192468.html>

⁶ <https://forsal.pl/transport/kolej/artykuly/8193533,pkp-plk-chca-oglosic-przetargi-na-ponad-10-mld-zl-do-konca-tego-roku.html>

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. About EUR 1.3bn will be spent out of the EU Funds on Climate, Infrastructure and Environment for 2021-2027 to support clean urban transport infrastructure. The two major projects include the construction of 49 km of new tramways and the upgrade of 63 km of existing tramways. Cracow, Warsaw, Gdańsk, Bydgoszcz, Szczecin, Poznań or the Upper Silesia cities are planning the construction or modernisation of tramways. There is a considerable number of tram infrastructure tenders on the market. Moreover, cities' long-term plans to expand this type of infrastructure have not been considerably frustrated by the pandemic.

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 ZUE

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

Composition of ZUE's Management and Supervisory Boards at the date of approval 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 the 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 thousand. The shares were acquired by the Company from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., the company which merged with ZUE S.A., as part of the buy-back effected in 2015.

The transaction is discussed in detail in the note no. 25 of the consolidated financial statements for the financial 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 preparation of this report:

Shareholder	Number of shares/votes as at 17 November 2021		Number of shares/votes at the date of publication of the last interim report ⁽¹⁾	
	Number of shares/votes	% of the share capital/total number of votes	Number of shares/votes	% 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	1,780,786 ⁽³⁾	7.73%	1,780,786 ⁽³⁾	7.73%
Other	5,388,977 ⁽⁴⁾	23.40%	5,388,977 ⁽⁴⁾	23.40%
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (Consolidated Report of the Group for HI 2021): 18 August 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 22 June 2021. 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 22 June 2021. 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:

Shareholder	Position	Number of shares/votes as at 17 November 2021	% of the share capital/total number of votes	Changes in shareholding since the preparation of the last interim report; i.e. 18 August 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 instruments

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.

On 22 June 2021, the Company's Ordinary General Meeting resolved to allocate the entire net profit for 2020 to reserve funds.

4. Financial information

4.1. Statement by the Management Board of ZUE on financial projections

The Company did not publish any financial projections for the financial year 2021.

4.2. Factors and events with significant influence on the Group's results for the three quarters of 2021

In the three quarters of 2021, construction activities carried out by ZUE accounted for about 91% of the Group's revenue. Railway projects, which form a portion of ZUE's backlog, are drawing to a close. A considerable number of such contracts is scheduled for completion in 2021 and 2022. The market is waiting for the new projects announced by the infrastructure manager. At present, there are no tender procedures for the new projects which would be significant to contractors. ZUE takes advantage of the favourable economic situation on the urban tram market and efficiently expands its backlog to include such projects. The total value of the market infrastructure contracts concluded by the Company since the beginning of 2021 is approx. PLN 368m. At the date of preparation of this report, ZUE submitted the most economically advantageous tenders for the projects expected to generate the revenue of about PLN 400m.

Discussion of major items of the statement of profit or loss

In the three quarters of 2021, the sales revenue reported by both the Group and the Company was similar to the sales revenue reported in the analogous period of 2020. The sales revenue generated by the Group was PLN 593,027 thousand (a year-on-year decrease of 3%) and the sales revenue generated by ZUE was PLN 544,154 thousand (a year-on-year decrease of 5%).

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

Comparison of the results reported by the Group and the Company:

	ZUE		GROUP	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Sales revenue	544,154	573,291	593,027	610,764
Cost of sales	527,663	553,024	572,750	587,824
Gross profit (loss) on sales	16,491	20,267	20,277	22,940
<i>Gross margin</i>	3.0%	3.5%	3.4%	3.8%
General and administrative expenses	14,685	14,384	18,078	17,356
Other operating income	4,860	658	4,922	1,135
Other operating expenses	540	1,452	580	1,579

Operating profit (loss) (EBIT)**	6,126	5,089	6,541	5,140
<i>EBIT margin**</i>	1.1%	0.9%	1.1%	0.8%
<i>EBITDA***</i>	15,424	14,962	15,980	15,134
<i>EBITDA margin**</i>	2.8%	2.6%	2.7%	2.5%
Financial income	672	826	443	571
Financial expenses	830	1,098	1,015	1,443
Pre-tax profit (loss)	5,968	4,817	5,969	4,268
Income tax	1,693	1,401	1,947	1,357
Net profit (loss) from continuing operations	4,275	3,416	4,022	2,911
Net profit (loss)	4,275	3,416	4,022	2,911
<i>net margin</i>	0.8%	0.6%	0.7%	0.5%

* Operating profit + depreciation / amortisation.

** EBIT, EBITDA measures unspecified by the IFRS.

Gross margin generated by the Group and the Company in the reporting period was lower than the analogous item generated in the three quarters of 2020. The improvement was seen in EBIT, EBITDA and net margin.

The Group's financial expenses decreased by 30% when compared with the analogous period of 2020 (ZUE – a year-on-year decrease of 24%) as a result of reduction in debt from loans and bank credits. There was no long-term debt at the end of the reporting period.

Discussion of major balance sheet items

As at 30 September 2021, the Group's total assets and liabilities amounted to PLN 533,671 thousand and the Company's total assets and liabilities amounted to PLN 509,980 thousand.

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

Item	Change compared to 31-12-2020	Balance as at 30-09-2021	Description
Assets			
Inventories	8,375	33,681	Increase in inventories in connection with demand under contracts and expansion of Railway GFT's sales activity.
Measurement of long-term construction contracts	9,870	156,799	More construction works under construction contracts.
Cash and cash equivalents	-10,905	12,582	Use of funds to conduct operating activities.
Liabilities			
Trade and other payables	-56,117	78,956	Accounting for certain completed construction works.
Accruals	26,779	92,396	Greater provisions for subcontractors in connection with performed contracts.
Measurement of long-term construction contracts	47,753	51,412	Temporary differences in recognition of revenue and expenses.

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

Both the Group and the Company generate positive cash flows from operating activities. Negative values are mainly influenced by the repayments of loans and credits and the decrease in lease liabilities.

	ZUE		ZUE Group	
	Period ended 30-09-2021	Period ended 30-09-2020	Period ended 30-09-2021	Period ended 30-09-2020
Cash flows from operating activities	10,872	-5,247	8,046	-2,671
Cash flows from investing activities	-4,626	-7,158	-2,723	-5,585
Cash flows from financing activities	-15,551	1,764	-16,282	-3,685
Total net cash flows	-9,305	-10,641	-10,959	-11,941
Cash and cash equivalents at the beginning of the period	20,230	27,979	23,487	30,378
Cash and cash equivalents at the end of the period	10,979	17,346	12,582	18,445

Discussion of the results reported by segments

91% of the Group's revenue is derived from construction activity, 8% comes from sales activity and 1% is generated by design activity.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	544,154	48,913	7,705	-7,745	593,027
Gross profit on sales	16,491	2,458	1,501	-173	20,277
Net profit/loss	4,275	200	-375	-78	4,022

The note no. 4.3.8. contains more information about individual segments.

4.3. Notes to the statement of comprehensive income

4.3.1. Revenue

	Period ended 30-09-2021	Period ended 30-09-2020
Revenue from construction contracts	533,340	563,989
Revenue from the rendering of services	6,119	10,653
Revenue from the sale of goods, raw and other materials	53,568	36,122
Total	593,027	610,764

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 specific tasks have been completed.

In 2021, the Group operated in the territory of Poland. In addition, the Group earned revenue in the total amount of PLN 591 thousand from the sale of materials to Russia and Germany.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	30-09-2021	30-09-2020
Counterparty A	445,697	418,396

4.3.2. Operating expenses

	Period ended 30-09-2021	Period ended 30-09-2020
Change in products	-193	-1,518
Depreciation and amortization	9,439	9,994
Consumption of materials and energy, including:	116,645	121,153
- consumption of materials	111,557	116,438
- consumption of energy	5,088	4,715
Contracted services	317,428	341,453
Costs of employee benefits	91,642	88,402
Taxes and charges	1,332	1,258
Other expenses	10,692	12,451
Value of goods and materials sold	43,843	31,987
Total	590,828	605,180

	Period ended 30-09-2021	Period ended 30-09-2020
Cost of sales	572,750	587,824
General and administrative expenses	18,078	17,356
Total	590,828	605,180

Depreciation and amortisation

	Period ended 30-09-2021	Period ended 30-09-2020
Depreciation of property, plant and equipment	6,579	6,842
Depreciation of right-of-use assets	2,443	2,789
Amortisation of intangible assets	132	78
Depreciation of investments in real property	285	285
Total	9,439	9,994

4.3.3. Other operating income

	Period ended 30-09-2021	Period ended 30-09-2020
Gain on disposal of assets:	439	398
Gain on disposal of non-current assets	439	398
Other operating income:	4,483	737
Damages and penalties	3,446	127
Release of allowances for receivables	613	109
Refund of the costs of court proceedings	29	18
Substitute performance	292	39
Release of write-downs of inventories	6	5
Donations	0	380
Other	97	59
Total	4,922	1,135

4.3.4. Other operating expenses

	Period ended 30-09-2021	Period ended 30-09-2020
Loss on disposal of assets:	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses:	580	1,579
Donations	2	3
Allowances for receivables	103	1,060
Costs of litigations	128	414
Substitute performance	292	39
Other	55	63
Total	580	1,579

4.3.5. Financial income

	Period ended 30-09-2021	Period ended 30-09-2020
Interest income	219	161
Interest on bank deposits	66	61
Interest on loans	4	0
Interest on receivables	149	100
Other financial income	224	410
Discount of long-term items	174	398
Other	50	12
Total	443	571

4.3.6. Financial expenses

	Period ended 30-09-2021	Period ended 30-09-2020
Interest expenses	910	1,257
Interest on bank credits	117	241
Interest on loans	173	426
Interest on leases	582	541
Interest on trade and other payables	38	49
Other financial expenses	105	186
Foreign exchange losses	53	146
Discount of long-term items	10	16
Other	42	24
Total	1,015	1,443

4.3.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 30-09-2021	Period ended 30-09-2020
Current income tax	5,409	2
Deferred tax	-3,462	1,355
Total tax expense/income	1,947	1,357

Current income tax

	Period ended 30-09-2021	Period ended 30-09-2020
Gross profit (loss)	5,969	4,268
Difference between gross profit (loss) and income tax base:	21,176	-23,260
- 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	63,862	-23,260
- other differences (including loss carried forward)	-42,686	0
Income/Loss	27,145	-18,992
Income tax base	28,470	12
Income tax at the applicable rate of 19%	5,409	2
Current income tax	5,409	2

Income tax according to effective interest rate

	Period ended 30-09-2021	Period ended 30-09-2020
Gross profit (loss)	5,969	4,268
Income tax at the applicable rate of 19%	1,134	811
Effect of tax recognition of:	4,005	-4,475
- Use of tax losses brought forward	8,110	0
- Costs that are not tax-deductible under tax regulations	8,888	6,807
- Revenue not classified as revenue under tax regulations	-6,966	13,417
- Tax-deductible expenses not classified as balance sheet expenses	3,874	-439
- Taxable revenue not classified as balance sheet revenue	135	1,696
Revaluation of deferred tax assets (current year loss)	270	3,666
Deferred tax	-3,462	1,355
Income tax according to effective tax rate	1,947	1,357
Effective tax rate	33%	32%

Current tax assets and liabilities

	Balance at 30-09-2021	Balance at 31-12-2020
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	1,756	5

Deferred tax

	Period ended 30-09-2021	Period ended 30-09-2020
Deferred tax balance at the beginning of the period	14,428	20,154
Temporary differences relating to deferred tax assets:	57,787	47,450
Provisions for expenses and accruals	27,628	24,485
Discount of receivables	135	151
Operating lease liabilities	2,838	2,312
Write-downs	937	1,459
Bonds and insurances accounted for over time	1,651	1,831
Tax work in progress	14,557	16,568
Measurement of long-term contracts	9,768	242
Other	273	402
Temporary differences relating to deferred tax liabilities:	43,875	47,118
Measurement of long-term contracts	29,792	33,930
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,343	12,521
Discount of payables	740	657
Other	0	10
Unused tax losses and other tax credits carried forward:	3,989	18,481
Tax losses	3,989	18,481
Total temporary differences relating to deferred tax assets:	61,776	65,931
Total temporary differences relating to deferred tax liabilities:	43,875	47,118
Deferred tax balance at the end of the period	17,901	18,813
Change in deferred tax, including:	3,473	-1,341
- recognised in income	3,462	-1,355
- recognised in equity	11	14

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

Operating segments' results for the three quarters of 2021:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	544,154	48,913	7,705	-7,745	593,027
including:					
Revenue from external customers	543,729	43,242	5,733	323	593,027
Inter-segment revenues	425	5,671	1,972	-8,068	0
including:					
Revenue from construction contracts	527,287	0	7,705	-1,652	533,340
Revenue from the provision of services	6,480	61	0	-422	6,119
Revenue from the sale of goods, raw and other materials	10,387	48,852	0	-5,671	53,568
Gross profit	16,491	2,458	1,501	-173	20,277
Financial income / expenses	-158	-361	-67	14	-572
Interest received	18	0	0	-11	7
Interest paid	-752	-113	-14	11	-868
Pre-tax profit	5,968	243	-146	-96	5,969
Corporate income tax	1,693	43	229	-18	1,947
Net profit	4,275	200	-375	-78	4,022
Depreciation and amortisation	9,298	21	120	0	9,439
Property, plant and equipment	65,704	21	125	41	65,891
Non-current assets	175,353	383	493	-270	175,959
Total assets	509,980	17,369	12,547	-6,225	533,671
Total liabilities	352,048	16,231	12,475	-5,815	374,939

In 2021, the Group operated in the territory of Poland. In addition, the Group earned revenue in the total amount of PLN 591 thousand from the sale of materials to Russia and Germany.

Operating segments' results for the three quarters of 2020:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	573,291	39,654	8,446	-10,627	610,764
including:					
Revenue from external customers	568,972	34,178	7,574	40	610,764

Inter-segment revenues	4,319	5,476	872	-10,667	0
including:					
Revenue from construction contracts	560,295	0	8,446	-4,752	563,989
Revenue from the provision of services	11,010	42	0	-339	10,653
Revenue from the sale of goods, raw and other materials	1,986	39,612	0	-5,476	36,122
Gross profit	20,267	1,805	1,222	-354	22,940
Financial income / expenses	-272	-533	-90	23	-872
Interest received	24	0	0	-14	10
Interest paid	-1,090	-188	-29	14	-1,293
Pre-tax profit	4,817	-144	-112	-293	4,268
Corporate income tax	1,401	11	1	-56	1,357
Net profit	3,416	-155	-113	-237	2,911
Depreciation and amortisation	9,873	2	141	-22	9,994
Property, plant and equipment	56,387	32	173	41	56,633
Non-current assets	174,746	499	950	-299	175,896
Total assets	517,689	12,640	15,662	-6,842	539,149
Total liabilities	365,042	11,835	15,402	-6,422	385,857

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

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

4.4.1. Construction contracts

	Balance at 30-09-2021	Balance at 31-12-2020
Assets (selected items)	200,168	185,048
- Measurement of long-term construction contracts	156,799	146,929
- Advance payments made in connection with performed contracts	2,954	3,123
- Retentions on construction contracts retained by customers	11,954	12,886
- Inventories	28,461	22,110
Liabilities (selected items)	223,164	159,805
- Measurement of long-term construction contracts	51,412	3,659
- Provisions for contract costs	91,109	64,169
- Advance payments received in connection with performed contracts	13,676	28,841
- Retentions on construction contracts retained for suppliers	39,265	38,214
- Provisions for warranty claims	19,181	16,850
- Provisions for expected losses on contracts	8,521	8,072

4.4.2. Provisions

Change in provisions

Provisions	01-01-2021	Created	Used	Released	Reclassified	30-09-2021	Item
Long-term provisions:	16,497	3,134	101	44	-460	19,026	
Provisions for employee benefits	1,411	403	0	44	0	1,770	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,086	2,731	101	0	-460	17,256	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	32,586	20,580	13,687	4,735	460	35,204	
Provisions for employee benefits	22,713	16,595	13,604	971	0	24,733	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,764	0	70	229	460	1,925	Short-term provisions
Provision for loss on contracts	8,072	3,984	0	3,535	0	8,521	Short-term provisions
Other provisions	37	1	13	0	0	25	Short-term provisions
Total provisions:	49,083	23,714	13,788	4,779	0	54,230	

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

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

Comparative information:

Provisions	01-01-2020	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	

4.4.3. Write-downs

Change in write-downs

Write-downs	01-01-2021	Creation	Use	Release	30-09-2021
Write-downs:	26,075	8,130	4,307	21	29,877
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	191	0	7	0	184
Allowances for trade receivables in connection with the increase of credit risk	24,914	8,127	4,300	18	28,723
Allowances for trade receivables – initial for expected credit losses	189	0	0	0	189
Write-downs of retentions	11	3	0	3	11
Total:	26,075	8,130	4,307	21	29,877

Allowances for trade receivables in connection with the increase of credit risk of PLN 28,723 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 613 thousand and the creation of allowances of PLN 103 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

Comparative information:

Write-downs	01-01-2020	Creation	Use	Release	31-12-2020
Write-downs:	21,056	7,672	1,436	1,217	26,075
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	1,770	0	0	1,000	770
Write-downs of inventories	197	0	6	0	191
Allowances for trade receivables in connection with the increase of credit risk	18,889	7,672	1,430	217	24,914
Allowances for trade receivables – initial for expected credit losses	189	0	0	0	189
Write-downs of retentions	11	0	0	0	11
Total:	21,056	7,672	1,436	1,217	26,075

4.4.4. Accruals

	Balance at 30-09-2021	Balance at 31-12-2020
Provisions for contract costs	91,109	64,169
Other accruals	1,287	1,448
Total	92,396	65,617

4.5. Trade and other receivables and payables

4.5.1. Trade and other receivables

	Balance at 30-09-2021	Balance at 31-12-2020
Trade receivables	169,692	170,035
Allowances for trade receivables in connection with the increase of credit risk	-28,723	-24,914
Allowance for trade receivables – initial for expected credit losses	-189	-189
Other receivables	4,347	4,290
Total trade and other receivables	145,127	149,222

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

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

	Balance at 30-09-2021	Balance at 31-12-2020
Counterparty A	101,121	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 30-09-2021	Balance at 31-12-2020
Trade payables	69,536	131,382
Liabilities to the state budget other than corporate income tax	9,174	3,475
Other payables	246	216
Total trade and other payables	78,956	135,073

4.6. Credits, loans and leases

4.6.1. Loans and bank credits

	Balance at 30-09-2021	Balance at 31-12-2020
Long-term	0	4,443
Bank credits	0	0
Loans received	0	4,443
Short-term	10,336	13,108
Bank credits	3,400	3,950
Loans received	6,936	9,158
Total	10,336	17,551

Summary of loan and credit agreements as at 30 September 2021

No.	Bank	Description	Principal/limit according to the agreement as at 30-09-2021	Amount of available loans/credits as at 30-09-2021	Use as at 30-09-2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2022
2	mBank S.A. (i)	Master agreement	25,000		2,588	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	22,412	2,588		
		non-revolving working capital credit	25,000	22,412	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	6,666	1M WIBOR + margin	June 2022

4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement sublimit for bonds	65,000		38,153	1M WIBOR + margin	July 2022
	including:	Overdraft	65,000	26,847	38,153		
			4,000	4,000	0		
5	mBank S.A.	Working capital credit	3,400	0	3,400	1M WIBOR + margin	May 2022
6	Magdalena Lis	Loan agreement	270	0	270	3M WIBOR + margin	Unspecified
Total amount of available loans and credits			36,412				
Total debt under loans and credits					10,336		
Total use for bonds					40,741		

(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:

- 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 bonds expiring after 36 months,
- Financial pledge on cash kept on customer's bank accounts maintained by the Bank,
- Registered pledge on non-current assets – machinery and equipment owned by the Company,
- Statement on submission to enforcement,
- Assignment of rights under insurance policy.

3. 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 with declaration,
- Statement on submission to enforcement.

4. Premium multi-purpose line of credit agreement:

- Blank promissory note with declaration,
- Assignment of claims under contract,
- 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:

- ZUE's guarantees,
- Registered pledge on inventories,
- Blank promissory note with declaration,
- Statement on submission to enforcement,
- Assignment of rights under insurance policy,
- 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.

- mBank – Master agreement (item 2) – on 31 May 2021, an annex was signed by the Company whereby the maturity date was extended by one year.
- mBank – Working capital credit (item 5) – on 31 May 2021, a subsidiary signed an annex whereby the repayment date was extended by one year and a new repayment schedule was prepared.
- mBank – Overdraft (item 1) – on 6 July 2021, the Company signed an annex whereby the repayment date was extended by one year.

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		

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

4.6.2. Leases

Lease liabilities

	Balance at 30-09-2021	Balance at 31-12-2020
Long-term lease liabilities	14,033	12,020
Short-term lease liabilities	6,738	9,130
Total	20,771	21,150

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

In the reporting period, the Group signed leases for the total amount of PLN 7,812 thousand and bought the leased assets of the total net value of PLN 5,589 thousand.

4.7. Other notes to the financial statements

4.7.1. 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 30-09-2021	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
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 as 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 30 September 2021, the Group reviewed the assumptions used to carry out the test and stated 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.

4.7.2. 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 3,901 thousand.

As at 30 September 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,467 thousand.

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

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

- Complete overhauls of vehicles (mainly wagons) – PLN 2,745 thousand;
- Implementation of a new ERP system – PLN 802 thousand;
- Purchase of trucks – PLN 384 thousand.

In the three quarters of 2021, the Group sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 659 thousand. In the three quarters of 2020, the Group sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 740 thousand.

4.7.3. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments classified as particular classes and categories of assets and liabilities as at 30 September 2021.

Balance at 30 September 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)	12,660	0	0	0	41,346
Trade receivables	169,692	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	285	0	0	0	0
Cash and cash equivalents	12,582	0	0	0	0
Loans and bank credits	0	0	0	0	10,336
Lease liabilities	0	0	0	0	20,771
Lease liabilities relating to assets held for sale	0	0	0	0	361
Trade payables	0	0	0	0	69,536
Total	195,219	0	0	0	142,386

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 held for 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.

4.7.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	30-09-2021	31-12-2020	30-09-2021	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	
	30-09-2021	30-09-2020	30-09-2021	30-09-2020
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	0	0	0
Total	5	3	0	0

	Advanced loans		Financial income (interest on loans)	
	Balance at		Period ended	
	30-09-2021	31-12-2020	30-09-2021	30-09-2020
RTI	0	10	0	0
RTI Germany	0	155	5	0
Wiesław Nowak	0	0	0	0
Total	0	165	5	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 performed the agreement with an annex whereby the loans of EUR 25,000 were partially remitted and the repayment of the remaining balance was extended until 20 December 2021. The loan was repaid in full on 3 August 2021.

On the basis of the notarial deed of PLN 12 July 2021, ZUE acquired 400 newly created RTI shares with the total nominal value of PLN 20 thousand. The shares were paid up in cash.

On 3 August 2021, the loan between ZUE and RTI of 22 July 2020 was fully repaid.

Remuneration of key management personnel

	Period ended	Period ended
	30-09-2021	30-09-2020
Management Board	4,049	3,695
Proxy	338	490
Supervisory Board	200	200
Total	4,587	4,385

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.

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

The pending court proceedings relate 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 Infrastruktura; 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 considerable extent well-grounded. The Parties made reservations and the Court ordered that another opinion be prepared. The date of the next trial was not set until the date of preparation of these financial statements.

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

On 30 December 2016, the consortium of:

- 1) OHL ŽS, a.s. (Leader);
- 2) Swietelsky Baugesellschaft m.b.H;
- 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 Biadolino – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III" (the "Contract").

The 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 and the expert was appointed. The date of the next trial, however, 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. The proceedings are pending and witnesses provide their written testimony. The date of the next trial was not set until the date of preparation of these financial statements.

4.7.6. 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 as at 30 September 2021 or 31 December 2020.

4.7.7. Contingent assets and contingent liabilities

Contingent assets

	Balance at 30-09-2021	Balance at 31-12-2020
Bonds	92,420	99,913
Guarantees	59	60
Promissory notes	748	822
Total	93,227	100,795

Contingent assets in the form of bonds and guarantees include the bonds provided by banks and insurance companies for the benefit of the Group companies to secure their 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 30-09-2021	Balance at 31-12-2020
Bonds	522,819	547,326
Guarantees	18,066	15,056
Promissory notes	302,822	333,682
Mortgages	81,529	81,529
Pledges	151,590	171,161
Total	1,076,826	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 Group.

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

The liabilities to banks, lessors and strategic 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.

4.7.8. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 September 2021 or 31 December 2020.

4.7.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the 9 months ended 30 September 2021 or the 9 months ended 30 September 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 30 September 2021 as endorsed by the European Union.

The consolidated financial statements for the nine months ended 30 September 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).
- **Amendments to IFRS 16 "Leases" – COVID-19-Related Rent Concessions beyond 30 June 2021** published on 31 March 2021 (effective for annual periods beginning on or after 1 April 2021);

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 published and endorsed by the EU but not yet effective

Standards and interpretations published and endorsed by the EU but not yet effective at the date of approval of

the financial statements:

- **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);
- **Amendments to IFRS 3 "Business Combinations"** – updated reference to Conceptual Framework (effective for reporting periods beginning 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" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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

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

- **Annual improvements 2018-2020** - the improvements clarify the guidelines for recognition and measurement 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 1: "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 12 "Income Taxes"** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"** (the effective date has been deferred by the IASB indefinitely).

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 nine months ended 30 September 2021, the Group recognised the sales revenue of PLN 593m and the gross profit on sales of PLN 20m. As at 30 September 2021, the Group presented the total current assets of PLN 357.7m, including trade and other receivables of PLN 145.1m and the cash of approx. PLN 12.6m. At the end of the reporting period, the Group had the backlog worth approx. PLN 1,398m 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 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 held for 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	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 held for 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 nine months ended 30 September 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 adopted 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 amounts 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. 4.7.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 4.4.3.)

Provisions (note no. 4.4.2.)

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. 4.7.7.)

Uncertainty over tax settlements (note no. 4.7.6.)

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



ZUE S.A.

**CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR 9 MONTHS ENDED 30 SEPTEMBER 2021**

Cracow, 17 November 2021

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

Separate statement of comprehensive income

	Note no.	9 months ended	3 months ended	9 months ended	3 months ended
		30-09-2021	30-09-2021	30-09-2020	30-09-2020
Continuing operations					
Sales revenue	2.1.1.	544,154	211,917	573,291	215,504
Cost of sales	2.1.2.	527,663	203,083	553,024	208,283
Gross profit (loss) on sales		16,491	8,834	20,267	7,221
General and administrative expenses	2.1.2.	14,685	5,325	14,384	4,958
Other operating income	2.1.3.	4,860	964	658	359
Other operating expenses	2.1.4.	540	177	1,452	65
Operating profit (loss)		6,126	4,296	5,089	2,557
Financial income	2.1.5.	672	252	826	330
Financial expenses	2.1.6.	830	352	1,098	290
Pre-tax profit (loss)		5,968	4,196	4,817	2,597
Corporate income tax	2.1.7.	1,693	1,028	1,401	675
Net profit (loss) from continuing operations		4,275	3,168	3,416	1,922
Net profit (loss)		4,275	3,168	3,416	1,922
Other net comprehensive income					
Items that will not be reclassified subsequently to profit or loss:		61	0	-60	0
Actuarial gains (losses) relating to specific benefit schemes		61	0	-60	0
Other total net comprehensive income		61	0	-60	0
Total comprehensive income		4,336	3,168	3,356	1,922
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.19	0.14	0.15	0.09
Total comprehensive income per share (PLN)		0.19	0.14	0.15	0.09

Separate statement of financial position

	Note no.	Balance at 30-09-2021	Balance at 31-12-2020
ASSETS			
Non-current assets			
Property, plant and equipment		65,704	63,380
Investment property		6,221	6,497
Intangible assets		2,851	2,047
Right-of-use assets		41,511	41,675
Goodwill	2.5.1.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts		9,650	8,472
Deferred tax assets	2.1.7.	18,023	14,296
Advanced loans		0	22
Total non-current assets		175,353	167,782
Current assets			
Inventories		28,461	22,110
Trade and other receivables	2.3.1.	134,451	141,335
Measurement of long-term construction contracts	2.2.1.	147,303	138,371
Retentions on construction contracts		1,932	4,042
Advance payments		3,523	3,692
Current tax assets	2.1.7.	0	0
Advanced loans		3,677	1,702
Other assets		757	462
Cash and cash equivalents		10,979	20,230
Total current assets		331,083	331,944
Assets held for sale		3,544	3,544
Total current assets		334,627	335,488
Total assets		509,980	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		61,027	56,691
Total equity		157,932	153,596

Non-current liabilities

Long-term loans and bank credits	2.4.1.	0	4,443
Non-current lease liabilities	2.4.2.	13,955	11,925
Retentions on construction contracts		20,222	17,841
Liabilities under employee benefits		1,698	1,358
Long-term provisions	2.2.2.	16,786	14,670
Total non-current liabilities		52,661	50,237

Current liabilities

Trade and other payables	2.3.2.	68,872	127,583
Accruals	2.2.4.	88,306	61,490
Measurement of long-term construction contracts	2.2.1.	51,331	3,310
Retentions on construction contracts		17,511	18,911
Advance payments		13,676	28,741
Short-term loans and bank credits	2.4.1.	6,666	8,890
Current lease liabilities	2.4.2.	6,683	9,051
Other financial liabilities		36	36
Liabilities under employee benefits		33,575	31,188
Current tax liabilities	2.1.7.	1,756	0
Short-term provisions	2.2.2.	10,614	9,871

Total current liabilities

Lease liabilities relating to assets held for sale

Total current liabilities		299,026	299,071
Lease liabilities relating to assets held for sale		361	366
Total liabilities		352,048	349,674
Total equity and liabilities		509,980	503,270

Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
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	4,275	4,275
Other net comprehensive income		0	0	0	61	61
Balance at	30 September 2021	5,758	93,837	-2,690	61,027	157,932
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	3,416	3,416
Other net comprehensive income		0	0	0	-60	-60
Balance at	30 September 2020	5,758	93,837	-2,690	55,742	152,647
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

	9 months ended 30-09-2021	9 months ended 30-09-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	5,968	4,817
Adjustments for:		
Depreciation and amortisation	9,298	9,873
Foreign exchange gains / (losses)	-54	-8
Interest and share in profit (dividends)	572	994
Gain / (loss) on disposal of investments	-414	-378
Operating profit (loss) before changes in working capital	15,370	15,298
Change in receivables and retentions on construction contracts	7,816	62,724
Change in inventories	-6,351	-6,004
Change in provisions and liabilities under employee benefits	5,637	-854
Change in payables and retentions on construction contracts	-58,756	-41,086
Change in measurement of construction contracts	39,089	-73,127
Change in accruals	26,816	24,555
Change in advance payments	-14,896	13,108
Change in other assets	-295	141
Other adjustments	95	0
Income tax paid / (tax refund)	-3,653	-2
NET CASH FROM OPERATING ACTIVITIES	10,872	-5,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	1,122	1,058
Purchase of property, plant and equipment and intangible assets	-3,879	-6,687
Advanced loans	-2,000	-1,627
Repayment of advanced loans	113	74
Interest received	18	24
NET CASH FROM INVESTING ACTIVITIES	-4,626	-7,158
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	3,400	16,953
Repayment of loans and bank credits	-10,067	-4,445
Decrease in lease liabilities	-8,132	-9,654
Lease interest paid	-578	-619
Other interest paid	-174	-471
NET CASH FLOWS FROM FINANCING ACTIVITIES	-15,551	1,764
TOTAL NET CASH FLOWS	-9,305	-10,641
Net foreign exchange gains / (losses)	54	8
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:	10,979	17,346
- of limited availability	805	2,029

Notes to the condensed separate financial statements of the Company

1. General information

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

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

1.2. 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 30-09-2021	Period ended 30-09-2020
Revenue from construction contracts	527,287	560,295
Revenue from the rendering of services	6,480	11,010
Revenue from the sale of goods, raw and other materials	10,387	1,986
Total	544,154	573,291

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 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 30-09-2021	30-09-2020
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Counterparty A 444,633 416,759

2.1.2. Operating expenses

	Period ended 30-09-2021	Period ended 30-09-2020
Change in products	-390	-1,464
Depreciation and amortization	9,298	9,873
Consumption of materials and energy, including:	116,508	121,037
- consumption of materials	111,449	116,338
- consumption of energy	5,059	4,699
Contracted services	314,386	341,059
Costs of employee benefits	85,747	82,086
Taxes and charges	1,249	1,151
Other expenses	10,494	12,218
Value of goods and materials sold	5,056	1,448
Total	542,348	567,408

	Period ended 30-09-2021	Period ended 30-09-2020
Cost of sales	527,663	553,024
General and administrative expenses	14,685	14,384
Total	542,348	567,408

Depreciation and amortisation

	Period ended 30-09-2021	Period ended 30-09-2020
Depreciation of property, plant and equipment	6,495	6,733
Depreciation of right-of-use assets	2,391	2,722
Amortisation of intangible assets	127	67
Depreciation of investments in real property	285	351
Total	9,298	9,873

2.1.3. Other operating income

	Period ended 30-09-2021	Period ended 30-09-2020
Gain on disposal of assets:	439	362
Gain on disposal of non-current assets	439	362
Other operating income:	4,421	296
Damages and penalties	3,444	116
Release of allowances for receivables	613	104
Refund of the costs of court proceedings	29	17
Substitute performance	292	39

Release of write-downs of inventories	6	5
Other	37	15
Total	4,860	658

2.1.4. Other operating expenses

	Period ended 30-09-2021	Period ended 30-09-2020
Loss on disposal of assets:	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses:	540	1,452
Donations	2	3
Allowances for receivables	101	1,042
Costs of litigations	124	366
Substitute performance	292	39
Other	21	2
Total	540	1,452

2.1.5. Financial income

	Period ended 30-09-2021	Period ended 30-09-2020
Interest income	246	176
Interest on bank deposits	66	60
Interest on loans	43	17
Interest on receivables	137	99
Other financial income	426	650
Discount of long-term items	174	396
Financial guarantees	207	242
Other	45	12
Total	672	826

2.1.6. Financial expenses

	Period ended 30-09-2021	Period ended 30-09-2020
Interest expenses	783	1,045
Interest on bank credits	4	49
Interest on loans	170	422
Interest on leases	578	533
Interest on trade and other payables	31	41
Other financial expenses	47	53
Foreign exchange losses	23	36
Other	24	17
Total	830	1,098

2.1.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 30-09-2021	Period ended 30-09-2020
Current income tax	5,409	2
Deferred tax	-3,716	1,399
Total tax expense (income)	1,693	1,401

Current income tax

	Period ended 30-09-2021	Period ended 30-09-2020
Gross profit (loss)	5,968	4,817
Difference between gross profit (loss) and income tax base:	22,501	-23,626
- 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	64,704	-23,626
- other differences (including loss carried forward)	-42,203	0
Income/Loss	28,469	-18,809
Income tax base	28,469	12
Income tax at the applicable rate of 19%	5,409	2
Current income tax	5,409	2

Income tax according to effective interest rate

	Period ended 30-09-2021	Period ended 30-09-2020
Gross profit (loss)	5,968	4,817
Income tax at the applicable rate of 19%	1,134	915
Effect of tax recognition of:	4,275	-4,489
- Use of tax losses brought forward	8,018	0
- Costs that are not tax-deductible under tax regulations	8,615	7,244
- Revenue not classified as revenue under tax regulations	-7,220	13,980
- Tax-deductible expenses not classified as balance sheet expenses	3,677	-588
- Taxable revenue not classified as balance sheet revenue	135	1,659
Revaluation of deferred tax assets (current year loss)	0	3,576
Deferred tax	-3,716	1,399
Income tax according to effective tax rate	1,693	1,401
Effective tax rate	28%	29%

Current tax assets and liabilities

	Balance at 30-09-2021	Balance at 31-12-2020
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	1,756	0

Deferred tax

	Period ended 30-09-2021	Period ended 30-09-2020
Deferred tax balance at the beginning of the period	14,296	19,954
Temporary differences relating to deferred tax assets:	56,101	45,658
Provisions for expenses and accruals	26,531	23,504
Discount of receivables	130	143
Operating lease liabilities	2,813	2,273
Write-downs	618	1,137
Bonds and insurances accounted for over time	1,651	1,829
Tax work in progress	14,289	16,188
Measurement of long-term contracts	9,753	181
Other	316	403
Temporary differences relating to deferred tax liabilities:	41,945	45,154
Measurement of long-term contracts	27,988	32,133
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,240	12,408
Discount of payables	717	603
Other	0	10
Unused tax losses and other tax credits carried forward:	3,867	18,065
Tax losses	3,867	18,065
Total temporary differences relating to deferred tax assets:	59,968	63,723
Total temporary differences relating to deferred tax liabilities:	41,945	45,154
Deferred tax balance at the end of the period	18,023	18,569
Change in deferred tax, including:	3,727	-1,385
- recognised in income	3,716	-1,399
- recognised in equity	11	14

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

	Balance at 30-09-2021	Balance at 31-12-2020
Assets (selected items)	190,869	154,577
- Measurement of long-term construction contracts	147,303	138,371
- Advance payments made in connection with performed contracts	3,523	3,692
- Retentions on construction contracts retained by customers	11,582	12,514
- Inventories	28,461	22,110
Liabilities (selected items)	217,400	153,610
- Measurement of long-term construction contracts	51,331	3,310
- Provisions for contract costs	87,260	60,266
- Advance payments received in connection with performed contracts	13,676	28,741
- Retentions on construction contracts retained for suppliers	37,733	36,752
- Provisions for warranty claims	18,660	16,366
- Provisions for expected losses on contracts	8,740	8,175

2.2.2. Provisions

Change in provisions

Provisions	01-01-2021	Created	Used	Released	Reclassified	30-09-2021	Item
Long-term provisions:	16,028	3,036	101	44	-435	18,484	
Provisions for employee benefits	1,358	384	0	44	0	1,698	Liabilities under employee benefits (long-term)
Provisions for warranty claims	14,670	2,652	101	0	-435	16,786	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	31,567	19,739	13,054	4,599	235	34,088	
Provisions for employee benefits	21,696	15,761	13,017	966	0	23,474	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,696	0	37	220	435	1,874	Short-term provisions
Provision for loss on contracts	8,175	3,978	0	3,413	0	8,740	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	47,595	22,775	13,155	4,643	0	52,572	

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

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

Comparative information:

Provisions	01-01-2020	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	

2.2.3. Write-downs

Change in write-downs

Write-downs	01-01-2021	Creation	Use	Release	30-09-2021
Write-downs:	24,935	8,101	4,297	3	28,736
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	190	0	7	0	183
Allowances for trade receivables in connection with the increase of credit risk	23,834	8,098	4,290	0	27,642

Allowances for trade receivables – initial for expected credit losses	130	0	0	0	130
Write-downs of retentions	11	3	0	3	11
Total:	24,935	8,101	4,297	3	28,736

Allowances for trade receivables in connection with the increase of credit risk of PLN 27,642 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 613 thousand and the creation of allowances of PLN 101 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Company for the penalties and damages that are not the Company's revenue at the date of issue.

Comparative information:

Write-downs	01-01-2020	Creation	Use	Release	31-12-2020
Write-downs:	19,912	7,654	1,414	1,217	24,935
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	1,770	0	0	1,000	1,770
Write-downs of inventories	196	0	6	0	190
Allowances for trade receivables in connection with the increase of credit risk	17,805	7,654	1,408	217	23,834
Allowances for trade receivables – initial for expected credit losses	130	0	0	0	130
Write-downs of retentions	11	0	0	0	11
Total:	19,912	7,654	1,414	1,217	24,935

2.2.4. Accruals

	Balance at 30-09-2021	Balance at 31-12-2020
Provisions for contract costs	87,260	60,266
Other accruals	1,046	1,224
Total	88,306	61,490

2.3. Trade and other receivables and payables

2.3.1. Trade and other receivables

	Balance at 30-09-2021	Balance at 31-12-2020
Trade receivables	157,886	161,016
Allowances for trade receivables in connection with the increase of credit risk	-27,642	-23,834
Allowance for trade receivables – initial for expected credit losses	-130	-130
Other receivables	4,337	4,283
Total trade and other receivables	134,451	141,335

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

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

	Balance at	
	30-09-2021	31-12-2020
Counterparty A	100,816	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 30-09-2021	Balance at 31-12-2020
Trade payables	60,185	124,687
Liabilities to the state budget other than corporate income tax	8,451	2,680
Other payables	236	216
Total trade and other payables	68,872	127,583

2.4. Credits, loans and leases

2.4.1. Loans and bank credits

	Balance at 30-09-2021	Balance at 31-12-2020
Long-term	0	4,443
Bank credits	0	0
Loans received	0	4,443
Short-term	6,666	8,890
Bank credits	0	0
Loans received	6,666	8,890
Total	6,666	13,333

Summary of loan and credit agreements as at 30 September 2021

No.	Bank	Description	Principal/limit according to the agreement as at 30-09-2021	Amount of available loans/credits as at 30-09-2021	Use as at 30-09-2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2022
2	mBank S.A. (i)	Master agreement	25,000		2,588	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	22,412	2,588		
		non-revolving working capital credit	25,000	22,412	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	6,666	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		38,153	1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	26,847	38,153		
		Overdraft	4,000	4,000	0		
Total amount of available loans and credits				36,412			
Total debt under loans and credits					6,666		
Total use for bonds					40,741		

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

2. Master Agreement:

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

3. Loan Agreement:

- a) Contractual mortgage up to PLN 30,000 thousand on the real estate situated in Kościelisko,
- b) Registered pledge on non-current assets – machinery and equipment owned by the Company,
- c) Assignment of rights under insurance policy,
- d) Assignment of claims under contracts,
- e) Promissory note with declaration,
- f) 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.

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.
- mBank – Master agreement (item 2) – on 31 May 2021, an annex was signed by the Company whereby the maturity date was extended by one year.
- mBank – Overdraft (item 1) – on 6 July 2021, the Company signed an annex whereby the repayment date was extended by one year.

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 30-09-2021	Balance at 31-12-2020
Long-term lease liabilities	13,955	11,925
Short-term lease liabilities	6,683	9,051
Total	20,638	20,976

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

In the reporting period, the Company signed leases for the total amount of PLN 7,788 thousand and bought the leased assets of the total net value of PLN 5,563 thousand.

2.5. Other notes to the financial statements

2.5.1. Goodwill

At cost	Balance at 30-09-2021	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.

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 impairment tests. The impairment tests carried out as 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 30 September 2021, the Company reviewed the assumptions used to carry out the test and stated 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.

2.5.2. 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 3,879 thousand.

As at 30 September 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,467 thousand.

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

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

- Complete overhauls of vehicles (mainly wagons) – PLN 2,745 thousand;
- Implementation of a new ERP system – PLN 802 thousand;
- Purchase of trucks – PLN 384 thousand.

In the three quarters of 2021, the Company sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 659 thousand. In the three quarters of 2020, the Company sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 740 thousand.

2.5.3. Financial instruments

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

Balance at 30 September 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)	12,255	0	0	0	39,740
Trade receivables	157,886	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	3,962	0	0	0	0
Cash and cash equivalents	10,979	0	0	0	0
Loans and bank credits	0	0	0	0	6,666
Lease liabilities	0	0	0	0	20,638
Lease liabilities relating to assets held for sale	0	0	0	0	361
Trade payables	0	0	0	0	60,185
Total	185,082	0	0	0	127,626

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 held for 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.

2.5.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	30-09-2021	31-12-2020	30-09-2021	31-12-2020
Railway gft	58	70	323	73
BPK Poznań	692	2,369	844	996
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	750	2,439	1,167	1,069

	Revenue		Purchases	
	Period ended		Period ended	
	30-09-2021	30-09-2020	30-09-2021	30-09-2020
Railway gft	303	316	5,671	5,476
BPK Poznań	380	4,324	1,972	872
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	0	0	0
Total	688	4,643	7,643	6,348

	Advanced loans		Financial income (interest on loans)	
	Balance at		Period ended	
	30-09-2021	31-12-2020	30-09-2021	30-09-2020
Railway gft	3,034	1,007	27	3
BPK Poznań	643	707	11	14
RTI	0	10	0	0
RTI Germany	0	155	5	0
Wiesław Nowak	0	0	0	0
Total	3,677	1,879	43	17

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;
- o Re invoicing of costs; and
- o Other services.

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

- o Purchase of 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. On 26 October 2021, after the end of the reporting period, another annex was signed whereby the repayment date was extended until 31 October 2022.

On 11 June 2021, ZUE and Railway gft signed the special-purpose loan agreement for the loan of PLN 2m to be repaid by 30 November 2021. PLN 1.5m was disbursed on the agreement conclusion date and the remaining balance of PLN 500,000 was disbursed on 16 June 2021. On 26 October 2021, after the end of the reporting period, an annex was signed whereby the loan repayment date was extended until 30 November 2022.

On 21 June, ZUE and BPK Poznań signed an annex to the loan agreement of 11 February 2020 whereby the repayment date was extended until 20 December 2021.

In the reporting period, ZUE and RTI Germany signed the agreement with an annex whereby the loans of EUR 25,000 were partially cancelled and the repayment of the remaining balance was extended until 20 December 2021. The loan was repaid in full after the end of the reporting period on 3 August 2021.

On the basis of the notarial deed of PLN 12 July 2021, ZUE acquired 400 newly created RTI shares with the total nominal value of PLN 20 thousand. The shares were paid up in cash.

The loan granted under the agreement of 22 July 2020 between ZUE a RTI was repaid in full after the end of the reporting period on 3 August 2021.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 30 September 2021 is PLN 18,066 thousand.

Remuneration of key management personnel

	Period ended 30-09-2021	Period ended 30-09-2020
Management Board	4,049	3,695
Proxy	338	490
Supervisory Board	200	200
Total	4,587	4,385

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.

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

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

Court cases are discussed in detail in the note III 4.7.5. of these consolidated financial statements.

2.5.6. 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 as at 30 September 2021 or 31 December 2020.

2.5.7. Contingent assets and contingent liabilities

Contingent assets

	Balance at 30-09-2021	Balance at 31-12-2020
Bonds	91,165	98,658
Promissory notes	6,873	4,750
Pledges	300	300
Total	98,338	103,708

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

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 30-09-2021	Balance at 31-12-2020
Bonds	512,787	539,451
Guarantees	18,066	15,056
Promissory notes	288,525	321,888
Mortgages	81,529	81,529
Pledges	136,890	155,961
Total	1,037,797	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, lessors 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.

2.5.8. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment as at 30 September 2021 or 31 December 2020.

2.5.9. Discontinued operations

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

2.5.10. 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.

2.5.11. Issue and redemption of debt and equity securities

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

2.5.12. 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.

On 22 June 2021, the Company's Ordinary General Meeting resolved to allocate the entire net profit for 2020 to reserve funds.

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 30 September 2021 as endorsed by the European Union.

The separate financial statements for the nine months ended 30 September 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);
- **Amendments to IFRS 16 "Leases" – COVID-19-Related Rent Concessions beyond 30 June 2021** published on 31 March 2021 (effective for annual periods beginning on or after 1 April 2021);

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 published and endorsed by the EU but not yet effective

Standards and interpretations published and endorsed by the EU but not yet effective at the date of approval of the financial statements:

- **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);
- **Amendments to IFRS 3 "Business Combinations"** – updated reference to Conceptual Framework (effective for reporting periods beginning 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" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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

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

- **Annual improvements 2018-2020** - the improvements clarify the guidelines for recognition and measurement 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 1: “Presentation of Financial Statements” and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 “Accounting Principles (Policies), Changes in Accounting Estimates and Errors”** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 12 “Income Taxes”** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date has been deferred by the IASB indefinitely).

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 nine months ended 30 September 2021, the Company recognised the sales revenue of PLN 544.2m and the gross profit on sales of PLN 16.5m. As at 30 September 2021, the Company presented the total current assets of PLN 334.6m, including trade and other receivables of PLN 134.5m and the cash of approx. PLN1 1m. At the end of the reporting period, the Company had the backlog worth approx. PLN 1,373m 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 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 held for 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 held for 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 nine months ended 30 September 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 adopted by the Company.

These quarterly 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 ZUE.

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 amounts 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. 2.5.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 2.2.3.)

Provisions (note no. 2.2.2.)

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. 2.5.7.)

Uncertainty over tax settlements (note no. 2.5.6.)

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

3. Approval of the condensed consolidated and separate financial statements

These condensed consolidated and separate financial statements for the nine months ended 30 September 2021 were approved for publication by the Management Board of ZUE on 17 November 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, 17 November 2021