



ZUE Capital Group

CONSOLIDATED QUARTERLY REPORT
FOR 9 MONTHS ENDED 30 SEPTEMBER 2022

Cracow, 16 November 2022

Contents of the consolidated quarterly report:

- I. Selected financial data of ZUE Capital Group.
- II. Selected financial data of ZUE S.A.
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Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the Capital Group.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE.
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 1,000,000 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 300,000 paid up in full. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period ZUE, BPK Poznań, Railway gft and RTI.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Uniform text, Journal of Laws of 2022, item 1467).

Share capital details as at 30 September 2022.

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I. Selected financial data of the Capital Group

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

	30-09-2022		31-12-2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	184,012	37,786	175,512	38,160
Current assets	407,327	83,643	398,655	86,675
Assets held for sale	0	0	3,340	726
Total assets	591,339	121,429	577,507	125,561
Equity	174,787	35,892	166,403	36,179
Non-current liabilities	49,147	10,092	57,034	12,400
Current liabilities	367,405	75,445	353,704	76,902
Lease liabilities associated with assets held for sale	0	0	366	80
Total equity and liabilities	591,339	121,429	577,507	125,561

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

	9 months ended 30 September 2022		9 months ended 30 September 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	629,265	134,228	593,027	130,093
Cost of sales	599,248	127,825	572,750	125,644
Gross profit (loss) on sales	30,017	6,403	20,277	4,449
Operating profit (loss)	11,895	2,537	6,541	1,435
Gross profit (loss)	14,809	3,159	5,969	1,309
Net profit (loss) from continuing operations	11,404	2,433	4,022	882
Total comprehensive income	11,823	2,522	4,083	896

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

	9 months ended 30 September 2022		9 months ended 30 September 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-74,432	-15,877	8,046	1,765
Cash flows from investing activities	-1,136	-242	-2,723	-597
Cash flows from financing activities	-14,426	-3,077	-16,282	-3,572
Total net cash flows	-89,994	-19,196	-10,959	-2,404
Cash at the beginning of the period	108,736	23,641	23,487	5,089
Cash at the end of the period	18,792	3,859	12,582	2,716

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	30-09-2022	31-12-2021	30-09-2021
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.8698	4.5994	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	4.6880	n/a	4.5585
"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	4.8698	4.5994	4.6329

II. Selected financial data of ZUE S.A.

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

	30-09-2022	30-09-2022	31-12-2021	31-12-2021
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	184,299	37,845	175,213	38,095
Current assets	380,707	78,177	373,415	81,188
Assets held for sale	0	0	3,544	771
Total assets	565,006	116,022	552,172	120,054
Equity	171,553	35,228	165,670	36,020
Non-current liabilities	47,793	9,814	55,325	12,029
Current liabilities	345,660	70,980	330,811	71,925
Lease liabilities associated with assets held for sale	0	0	366	80
Total equity and liabilities	565,006	116,022	552,172	120,054

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

	9 months ended 30 September 2022		9 months ended 30 September 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	570,305	121,652	544,154	119,372
Cost of sales	548,639	117,030	527,663	115,754
Gross profit (loss) on sales	21,666	4,622	16,491	3,618
Operating profit (loss)	7,112	1,517	6,126	1,344
Gross profit (loss)	11,452	2,443	5,968	1,309
Net profit (loss) from continuing operations	8,879	1,894	4,275	938
Total comprehensive income	9,298	1,983	4,336	951

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

	9 months ended 30 September 2022		9 months ended 30 September 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-77,762	-16,587	10,872	2,385
Cash flows from investing activities	-684	-146	-4,626	-1,015
Cash flows from financing activities	-13,948	-2,975	-15,551	-3,411
Total net cash flows	-92,394	-19,708	-9,305	-2,041
Cash at the beginning of the period	106,612	23,180	20,230	4,384
Cash at the end of the period	14,268	2,930	10,979	2,370

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	30-09-2022	31-12-2021	30-09-2021
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.8698	4.5994	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	4.6880	n/a	4.5585
"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	4.8698	4.5994	4.6329



ZUE Capital Group

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR 9 MONTHS ENDED 30 SEPTEMBER 2022

Cracow, 16 November 2022

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

Continuing operations	Note no.	9 months ended	3 months ended	9 months ended	3 months ended
		30-09-2022	30-09-2022	30-09-2021	30-09-2021
Sales revenue	4.3.1.	629,265	256,041	593,027	230,612
Cost of sales	4.3.2.	599,248	247,017	572,750	220,379
Gross profit (loss) on sales		30,017	9,024	20,277	10,233
General and administrative expenses	4.3.2.	18,737	6,265	18,078	6,398
Other operating income	4.3.3.	1,669	428	4,922	1,004
Other operating expenses	4.3.4.	1,054	223	580	169
Operating profit (loss)		11,895	2,964	6,541	4,670
Financial income	4.3.5.	4,449	694	443	159
Financial expenses	4.3.6.	1,535	653	1,015	404
Pre-tax profit (loss)		14,809	3,005	5,969	4,425
Income tax	4.3.7.	3,405	1,208	1,947	1,135
Net profit (loss) from continuing operations		11,404	1,797	4,022	3,290
Net profit (loss)		11,404	1,797	4,022	3,290
Other net comprehensive income		419	0	61	0
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains (losses) relating to specific benefit schemes		419	0	61	0
Total other net comprehensive income		419	0	61	0
Total comprehensive income		11,823	1,797	4,083	3,290
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
Consolidated net profit attributable to:					
Shareholders of the Parent Company		10,849	1,564	3,999	3,271
Non-controlling interests		555	233	23	19
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		0.47	0.07	0.17	0.14
Total comprehensive income attributable to:					
Shareholders of the parent		11,268	1,564	4,060	3,271
Non-controlling interests		555	233	23	19
Total comprehensive income per share (PLN)		0.49	0.07	0.18	0.15

Consolidated statement of financial position

	Note no.	Balance at 30-09-2022	Restated Balance at 31-12-2021
ASSETS			
Non-current assets			
Property, plant and equipment		72,393	64,718
Investment property		6,198	6,145
Intangible assets		2,314	2,716
Right-of-use assets		32,693	41,510
Goodwill	4.7.1.	31,172	31,172
Retentions on construction contracts		19,806	7,431
Deferred tax assets	4.3.7.	19,289	21,778
Other financial assets		147	42
Total non-current assets		184,012	175,512
Current assets			
Inventories		78,423	37,822
Trade and other receivables	4.5.1.	143,731	137,057
Valuation of long-term construction contracts	4.4.1.	150,680	107,149
Retentions on construction contracts		1,821	3,713
Advance payments		13,022	3,425
Current tax assets	4.3.7.	0	32
Other financial assets		0	105
Other assets		858	616
Cash and cash equivalents		18,792	108,736
Total current assets		407,327	398,655
Assets held for sale		0	3,340
Total current assets		407,327	401,995
Total assets		591,339	577,507

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		77,140	69,287

Total equity attributable to shareholders of the parent company		174,045	166,192
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Equity attributable to non-controlling interests		742	211
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Total equity		174,787	166,403
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Non-current liabilities

Non-current lease liabilities	4.6.2.	12,278	14,248
Retentions on construction contracts		18,592	24,068
Liabilities under employee benefits		1,378	1,864
Deferred tax liability	4.3.7.	275	284
Long-term provisions	4.4.2.	16,624	16,570

Total non-current liabilities		49,147	57,034
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Current liabilities

Trade and other payables	4.5.2.	111,436	134,916
Accruals	4.4.4.	82,326	70,258
Valuation of long-term construction contracts	4.4.1.	43,411	49,539
Retentions on construction contracts		17,184	17,760
Advance payments		35,252	6,737
Short-term loans and bank credits	4.6.1.	3,331	7,964
Current lease liabilities	4.6.2.	5,473	6,289
Other financial liabilities		36	36
Liabilities under employee benefits		49,807	42,057
Current tax liabilities	4.3.7.	72	1,098
Short-term provisions	4.4.2.	19,077	17,050

Total current liabilities		367,405	353,704
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Lease liabilities associated with assets held for sale		0	366
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Total liabilities		416,552	411,104
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Total equity and liabilities		591,339	577,507
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Consolidated statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent	Equity attributable to non-controlling interests	Total equity
Balance at	1 January 2022	5,758	93,837	-2,690	69,287	166,192	211	166,403
Change of interest in subsidiaries		0	0	0	0	0	0	0
Payment of dividend		0	0	0	-3,415	-3,415	-24	-3,439
Issue of shares		0	0	0	0	0	0	0
Issue costs		0	0	0	0	0	0	0
Buy-back of shares		0	0	0	0	0	0	0
Profit (loss)		0	0	0	10,849	10,849	555	11,404
Other net comprehensive income		0	0	0	419	419	0	419
Other		0	0	0	0	0	0	0
Balance at	30 September 2022	5,758	93,837	-2,690	77,140	174,045	742	174,787
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 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	11,765	11,765	56	11,821
Other net comprehensive income		0	0	0	-67	-67	0	-67
Other		0	0	0	0	0	0	0
Balance at	31 December 2021	5,758	93,837	-2,690	69,287	166,192	211	166,403

Consolidated statements of cash flows

	9 months ended 30-09-2022	9 months ended 30-09-2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	14,809	5,969
Adjustments for:		
Depreciation and amortisation	10,178	9,439
Foreign exchange gains / (losses)	-52	-54
Interest and share in profit (dividends)	154	730
Gain / (loss) on disposal of investments	-839	-414
Operating profit (loss) before changes in working capital	24,250	15,670
Change in receivables and retentions on construction contracts	-16,576	5,084
Change in inventories	-41,210	-8,375
Change in provisions and liabilities under employee benefits	9,863	5,856
Change in payables and retentions on construction contracts	-29,701	-56,095
Change in valuation of construction contracts	-49,659	37,883
Change in accruals	12,068	26,779
Change in advance payments	18,918	-14,869
Change in other assets	-244	-324
Other adjustments	-20	95
Income tax paid / tax (refund)	-2,121	-3,658
NET CASH FROM OPERATING ACTIVITIES	-74,432	8,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	1,185	1,122
Purchase of property, plant and equipment and intangible assets	-3,339	-3,901
Repayment of advanced loans	28	49
Interest received	990	7
NET CASH FROM INVESTING ACTIVITIES	-1,136	-2,723
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	0	3,400
Repayment of loans and bank credits	-4,642	-10,618
Decrease in lease liabilities	-5,240	-8,196
Lease interest paid	-807	-581
Other interest paid	-298	-287
Other financial inflow / (outflow) – dividends	-3,439	0
NET CASH FLOWS FROM FINANCING ACTIVITIES	-14,426	-16,282
TOTAL NET CASH FLOWS	-89,994	-10,959
Net foreign exchange gains / (losses)	50	54
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	108,736	23,487
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	18,792	12,582
- of limited availability	10,504	815

Notes to the condensed consolidated financial statements of the Capital Group

1. General information

1.1. Composition of the Capital Group

At the end of the reporting period, the Capital Group was composed of ZUE S.A., 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.

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

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

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



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.

On 28 October 2022, after the end of the reporting period, ZUE's branch in Romania was entered into the Register of Entrepreneurs maintained by the Court in Cluj Napoca under entry no. J12/6648/2022. The branch was established to coordinate the activities relating to the Company's operation on the Romanian market.

1.2. Consolidated companies

Consolidated companies as at 30 September 2022:

Company name	Registered office	Interest as at		Consolidation method
		30 September 2022	31 December 2021	
ZUE S.A.	Cracow	Parent Company	Parent Company	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	85%	85%	Full

ZUE has the power to govern financial and operating policy of BPK Poznań and Railway gft because at 30 September 2022, it held a 100% and 85% interest, respectively, in the companies.

As at 30 September 2022, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

On 26 July 2022, the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 300,000 to PLN 1,000,000 through the creation of 7000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 700,000 were proportionally acquired by the existing shareholders. The change was entered into the National Court Register.

1.3. Changes in the Group's structure in 2022 and their consequences

Except for the foregoing information, no major changes to the Group's structure occurred between the beginning of 2022 and the date of approval of these financial statements.

1.4. Activities of the Capital Group

The Group operates in the three aggregate operating segments:

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

Construction activities include:

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

In 2022, 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 no. 4.3.8.

1.5. Functional and reporting currency

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

2. Operational information

2.1. Sales markets

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

Construction activities are carried out by ZUE mainly on the railway and urban infrastructure market. The table below sets out major construction contracts 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.	576
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.	429
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.	419
Completion of construction works in the area of the Kutno Local Traffic Control Centre (LCS) – the Żychlin-Barłogi section in connection with the following project: “Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section” executed as part of the Connecting Europe Facility (CEF).	PKP PLK S.A.	306
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
Design and construction services in connection with the project named: “Construction of the Annapol depot.”	Tramwaje Warszawskie	266
Reconstruction of the tramway track 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.	City of Szczecin, Szczecińska Energetyka Ciepła Sp. z o.o., Zakład Wodociągów i Kanalizacji Sp. z o.o.	213
Reconstruction of the tramway track together with OCL network from the Żołnierza Polskiego Square – the Matejki Street – the Piłsudskiego Street (to the Rodła Square).	City of Szczecin	153
Maintenance and repair of tram infrastructure in Cracow in 2022-2025	City of Cracow	121
Completion of construction works in connection with the following project: “Construction of multimodal terminal in Zduńska Wola – Karsznice.”	PKP CARGO Terminale Sp. z o.o.	100
Preparation of design documentation and completion of construction works as part of “design-build” project in connection with the Infrastructure and Environment	PKP PLK S.A.	92

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 Lowicz Local Traffic Control Centre (LCS) section."		
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	83
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.	78
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	74
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
"Reconstruction of the separate tramway track along the Sobieskiego Street and the Królowej Jadwigi Street in Dąbrowa Górnicza from the KWK Paryż Terminus to the Róż Avenue" and "Provision of bicycle lanes and reconstruction of road infrastructure along the Sobieskiego and Królowej Jadwigi Streets (DW 910) in Dąbrowa Górnicza."	Dąbrowa Górnicza/Tramwaje Śląskie	62
Reconstruction of the road and tramway track in the Chrobrego Street and the Mieszka I Street as part of the task named: "The system of sustainable urban transport in Gorzów Wlkp."	City of Gorzów Wielkopolski – Municipal Council	59
Completion of construction works in connection with the extension of the Górny Taras Rataj tram line between the intersection of Kórnicka and Jana Pawła II Streets and the Lecha Estate, extension of Pleszewska Street between the intersection with Warczygłowy Street and the intersection of Kaliska and Polanka Streets (including the intersection) and extension of Kaliska Street between Polanka and Jana Pawła II Streets and reconstruction of Warczygłowy Street and services relating to construction works carried out in connection with the following project: "Reconstruction of the Kórnicka – Lecha Estate – Żegrze roundabout tramway and construction of the route between Żegrze roundabout and Unii Lubelskiej."	City of Poznań	59
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
Provision of design services and completion of construction works in connection with the following project: "Construction of the Czarnca - Włoszczowa Pln. railway line no. 582."	PKP PLK S.A.	48
Works on the E59 railway line, the Dobiegniew – Słonice section – OCL network.	Strabag Sp. z o.o.	46

Construction of a railroad siding with a reloading yard and power connection in the south-western part of Jawor WSSE „INVEST-PARK” subzone near the line 137 railway stop.	Wałbrzyska Specjalna Strefa Ekonomiczna "Invest-Park" Sp. z o.o.	37
Construction of railway link in Kalwaria Zebrzydowska along the Skawina – Żywiec railway line no. 97 and the Kalwaria Zebrzydowska Lanckorona – Bielsko Biała Główna railway line no. 117” executed as part of the following project: “Works on the railway lines no. 97, 98, 99 of the Skawina –Sucha Beskidzka – Chabówka – Zakopane sections.	PKP PLK S.A.	23
Maintenance and ongoing repairs of systems and equipment required to light roads, streets, parks, squares, bridges, flyovers, tunnels, underpasses and to illuminate selected facilities in Cracow.	City of Cracow	21
Maintenance of tram lines and switches in Wrocław.	City of Wrocław represented by Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o.	19

* Contracts whose net value exceeds PLN 15m.

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 PLK S.A., MGGP and LPW Sp. z o.o.

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

2.2. Backlog

ZUE’s construction contracts are the biggest item of the Group’s backlog.

At the date of preparation of this report, the value of the Group’s backlog is PLN 1,532m, including the contracted construction and assembly services worth PLN 1,502m. This provides the Group with an ability to carry out the works in the period 2022-2024. As for design services, the value of the signed contracts is PLN 9.5m. The backlog relating to the supply of materials and equipment is worth PLN 20.6m. ZUE has signed a number of master agreements for the supply of strategic materials to secure the performance of contracts.

The companies within the Group take part in tenders. The Group’s focus is on winning contracts both on the domestic and international markets. The Company has submitted the most economically advantageous tenders on the Romanian railway market. The Company’s tenders have been selected and the Company has a chance to enter into the contracts on the Romanian market.

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

Sales revenue generated by the Group in the three quarters of 2022 amounted to PLN 629,265 thousand – up by 6% compared to the analogous period of 2021 (ZUE: PLN 570,305 thousand – up by 5%). Gross margin reported by the Group was 4.8% and gross margin reported by the Company was 3.8%.

By the date of publication of this report, the Company won the new contracts in 2022 with the total net value of approx. PLN 448m and submitted the most economically advantageous tenders in Poland and Romania.

Financial results are discussed in detail in section no. 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 16 February 2022, the Company informed that following the conclusion of the two contracts between the Company and PKP Polskie Linie Kolejowe S. A. (PKP PLK) for additional works relating to the contract specified in the current report 5/2018, the total net value of the contracts between PKP PLK and ZUE since 3 December 2021 amounted to approx. PLN 60.4m. **(Current report 7/2022)**

On 4 March 2022, the Company entered into the contracts with Dąbrowa Górnicza and Tramwaje Śląskie S.A. 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 total net value of the contract: PLN 61.8m. The total gross value of the contract: PLN 76m. Project completion date: 580 days. **(Current report 9/2022)**

On 31 March 2022, the Issuer learnt about the cancellation by PKP PLK S.A. of the tender procedure for the project named: "Design and construction services in connection with the Construction of the *Kraków Prądnik Czerwony* Fast Commuter Rail train stop and the development of Park & Ride (ITI)." The Company informed about the submission of the tender in the current report 36/2021. **(Current report 10/2022)**

On 26 April 2022, the Company learnt about the cancellation by Miejskie Przedsiębiorstwo Komunikacyjne – Łódź sp. z o.o. of the tender procedure for the project named: "Construction of MPK-Łódź Technical Plant." The Company informed about the submission of the tender in the current report 12/2022. **(Current report 15/2022)**

On 12 May 2022, the Company learnt about the cancellation by PKP PLK S.A. of the tender procedure for the project named: "Provision of design services and completion of construction works at the Knapówka junction as part of the following project: "Modernisation of the railway line no. 4 – Central Main Railway Line, stage II." The Company informed about the submission of the tender in the current report 14/2022. **(Current report 19/2022)**

On 1 June 2022, the Company informed that following the conclusion of the contract between the Company and PKP Polskie Linie Kolejowe S.A. (PKP PLK), the total net value of the contracts between ZUE and PKP PLK since 17 February 2022 amounted to approx. PLN 41.5m. **(Current report 30/2022)**

On 19 July 2022, ZUE and Wałbrzyska Specjalna Strefa Ekonomiczna „INVEST-PARK” sp. z o.o. entered into the contract for the project named: "Construction of a railroad siding with a reloading yard and power connection in the south-western part of Jawor (DSAGS3) WSSE „INVEST-PARK” subzone near the line 137 railway stop." The Company informed about the selection of the Company's tender as the most economically advantageous offer in the current report 33/2022. Contract net value: PLN 37.3m. Project completion date: 15 months of the contract conclusion date. **(Current report 37/2022)**

On 29 July 2022, ZUE and PKP CARGO Terminale sp. z o.o. entered into the contract for the project named: Completion of construction works in connection with the following project: "Construction of multimodal terminal in Zduńska Wola – Karsznice." The Company informed about the selection of the Company's tender as the most economically advantageous offer in the current report 31/2022. Contract net value: PLN 100m. Contract gross value: PLN 123m. Project completion date: 31 October 2023. **(Current report 39/2022)**

On 23 August 2022, the Company learnt about the submission by the Consortium comprising the Company and Drum Asphalt S.R.L with registered office in Oradea (Romania) of the most economically advantageous tender in the tender procedure on the Romanian market for the project named: "Quick Wins – Works on the removal of speed limits to restore the technical parameters of the railroad track no. 300 - 4 Lot (17.2 km)." The Company's share in the Consortium is approx. 50%. Contracting Authority: Romanian state-owned railway company operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. **(Current report 42/2022)**

On 23 September 2022, the Company learnt about the submission by the Consortium comprising the Company and Drum Asphalt S.R.L with registered office in Oradea (Romania) of the most economically advantageous tender in the tender procedure on the Romanian market for the project named: "Quick Wins – Works on the removal of speed limits to restore the technical parameters of the track surface SRCF Cluj - 14 Lot." The Company's share in the Consortium is approx. 50%. Contracting Authority: Romanian state-owned railway company operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. **(Current report 47/2022)**

On 29 September 2022, the Company learnt about ZUE's submission (via e-auction) of the most economically advantageous tender in the tender procedure for the project named: Completion of construction works as well as preparation of detailed design and completion of construction works in connection with the development of railway traffic control equipment, railway telecommunications network equipment and a dynamic passenger information system on the Będzin - Katowice Szopienice Południowe lines as part of the project: "Works to be carried out on primary passenger services (E 30 and E 65) in Silesia, Stage I: line E." Contracting Authority: PKP PLK S.A. Net value of the tender submitted by ZUE: PLN 785.1m. Gross value of the tender submitted by ZUE: PLN 965.7m. Project completion date: 44 months. **(Current report 49/2022)**

On 30 September 2022, the contract was entered into between ZUE and Zarząd Dróg Miasta Krakowa for the project named: "Maintenance and repair of tram infrastructure in Cracow in 2022-2025." The Company informed about the selection of the Company's offer as the most economically advantageous tender in the current report 48/2022. Contract net value: PLN 120.6m. Contract gross value: PLN 148.4m. Project completion date: 1 October 2022 – 30 September 2025. **(Current report 50/2022)**

On 30 September 2022, the contract was entered into between ZUE and Poznańskie Inwestycje Miejskie sp. z o.o. for the project in Poznań named: Completion of construction works as part of the following project: "Reconstruction of the Kórnicka – Lecha Estate tramway (Section I)." The Company informed about the selection of the Company's offer as the most economically advantageous tender in the current report 45/2022. Contract net value: PLN 58.7m. Contract gross value: PLN 72.2m. Project completion date: 380 days of the contract conclusion date. **(Current report 51/2022)**

Financial agreements:

On 31 January 2022, the Company published the preliminary financial results for 2021. **(Current report 5/2022)**

On 3 February 2022, the Company and Bank Polska Kasa Opieki S.A. with registered office in Warsaw signed an annex to the multi-purpose revolving credit limit agreement whereby the limit was raised from PLN 50m to PLN 75m. **(Current report 6/2022)**

On 26 April 2022, the Company published the preliminary financial results for the first quarter of 2022. **(Current report 13/2022)**

On 28 April 2022, the Company and CaixaBank S.A. Polish Branch signed an annex (the "Annex") to the bank guarantee limit agreement 3 November 2021. Under the Annex, the limit was raised from PLN 30m to PLN 45m and the term of the Agreement was extended by 12 months. **(Current report 16/2022)**

On 24 June 2022, the Company and Generali Towarzystwo Ubezpieczeń S.A. signed the master agreement for the provision of project-related bonding products within the limit up to PLN 45m. **(Current report 32/2022)**

On 29 June 2022, the Company and Alior Bank S.A. signed the multicurrency credit limit agreement up to PLN 30m. **(Current report 34/2022)**

On 27 July 2022, the Company published the preliminary financial results for the six months of 2022. **(Current report 38/2022)**

On 15 September 2022, the Company received a signed annex to the master agreement entered into between the Company and Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE). The agreement (the "Agreement") dealt with the provision of bonding products guaranteed by the State Treasury. Under the annex, the limit of the facility was raised from EUR 12.5m to EUR 20m. **(Current report 46/2022)**

Corporate events:

On 3 March 2022, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2021 of PLN 12,141 thousand in the following manner: 1) the part of the net profit for the financial year 2021 of PLN 3,415 thousand would be paid as dividend (PLN 0.15 per share); 2) the remaining balance of the net profit for the financial year 2021 of PLN 8,726

thousand would be allocated to reserve funds. The Company's Supervisory Board gave a favourable opinion on the recommendations on 7 April 2022. **(Current report 8/2022 and 11/2022)**

On 23 May 2022, the Company learnt from Mr. Mariusz Szubra, Chairman of the Company's Supervisory Board, about his resignation from the position as of 23 May 2022 **(Current report 21/2022)**

On 31 May 2022, the Company informed that pursuant to the resolution on the distribution of the Company's profit for 2021 passed by the Ordinary General Meeting of ZUE S.A. on 31 May 2022, the dividend of PLN 3,414,814.65; i.e. PLN 0,15 per share, would be paid to the Company's shareholders. The shareholders' right to the dividend was determined as at 9 June 2022. The date of the dividend payment was set as 22 June 2022. The dividend was paid according to the resolution. **(Current report 25/2022)**

On 31 May 2022, the Company's Ordinary General Meeting appointed members of the Company's Supervisory Board for another term of office. **(Current report 28/2022)**

On 31 May 2022, the Company's Supervisory Board appointed members of the Company's Management Board for another term of office. **(Current report 29/2022)**

2.6. Major events after the end of the reporting period

On 5 October 2022, the tender submitted by the Consortium comprising the Company and Drum Asfalt S.R.L with registered office in Oradea (Romania) was selected as the most economically advantageous offer in the tender procedure on the Romanian market for the project named: "Quick Wins – Works on the removal of speed limits to restore the technical parameters of the railroad track no. 412 - 5 Lot (19,408 km)." The Company informed about the submission of the tender in the current report 40/2022. Contracting Authority: State railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. Net value of the tender submitted by the Consortium translated into the Polish currency is approx. PLN 85.7m, out of which about 50% is attributable to the Company. **(Current report 52/2022)**

On 11 October 2022, the tender submitted by the Consortium comprising the Company and Drum Asfalt S.R.L with registered office in Oradea (Romania) was selected as the most economically advantageous offer in the tender procedure on the Romanian market for the project named: "Quick Wins – Works relating to the removal of speed limits to restore the technical parameters of the track surface – SRCF BRAȘOV (completion) 21 sections – tender submitted in connection with the sections 3-19." The Company informed about the submission of the tender in the current report 36/2022. Contracting Authority: State railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Brașov Regional Branch. Net value of the tender submitted by the Consortium translated into the Polish currency is approx. PLN 295.6m, out of which about 50% is attributable to the Company. **(Current report 53/2022)**

On 12 October 2022, the Company learnt about the submission of the most economically advantageous tender by the Consortium comprising the Company and Drum Asfalt S.R.L with registered office in Oradea (Romania) in connection with the tender procedure on the Romanian market for the project named: "Quick Wins – Works relating to the removal of speed limits to restore the technical parameters of the railroad track - 9 Lot (18.84 km)." The Company's share in the Consortium is approx. 50%. Contracting Authority: State-owned railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. **(Current report 54/2022)**

On 21 October 2022, the tender submitted by the Consortium comprising the Company and Drum Asfalt S.R.L with registered office in Oradea (Romania) was selected as the most economically advantageous offer in the tender procedure on the Romanian market for the project named: "Quick Wins" – Works on the removal of speed limits to restore the technical parameters of the railroad track no. 300 - 6 Lot (24.3 km)." The Company informed about the submission of the tender in the current report 43/2022. Contracting Authority: State-owned railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. Net value of the tender submitted by the Consortium translated into the Polish currency is approx. PLN 96.6m, out of which about 50% is attributable to the Company. **(Current report 55/2022)**

On 27 October 2022, the tender submitted by the Consortium comprising the Company and Drum Asfalt S.R.L with registered office in Oradea (Romania) was selected as the most economically advantageous offer in the tender procedure on the Romanian market for the project named: "Quick Wins" – Works on the removal of speed limits to restore the technical parameters of the railroad track no. 412 - 4 Lot (13,963 km)." The Company informed about the submission of the tender in the current report 41/2022. Contracting Authority: State-owned railway company in Romania operating under the company name "C.F.R." S.A. – C.F. Cluj Regional Branch. Net value of the tender submitted by the Consortium translated into the Polish currency is approx. PLN 82.6m, out of which about 50% is attributable to the Company. **(Current report 56/2022)**

On 4 November 2022, the Company published the preliminary financial results for the three quarters of 2022. **(Current report 57/2022)**

On 15 November 2022, the Company and Agencja Rozwoju Przemysłu S.A. entered into the loan agreement up to PLN 30m. The loan would be used to finance the Company's day-to-day operations. **(Current report 58/2022)**

2.7. Bonds, guarantees, lines of credit and loans

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 Company.

As at 30 September 2022:

- The amount of bonds issued by the Group to third parties: PLN 557,097 thousand;
- The amount of bonds issued by the Company to third parties: PLN 547,367 thousand;
- The amount of unused bond lines at the Group: PLN 356,747 thousand (including PLN 11,527 thousand which can be allocated to working capital credit);
- The amount of unused bond lines at the Company: PLN 340,812 thousand (including PLN 11,527 thousand which can be allocated to working capital credit);
- The amount of unused credit lines at the Group: PLN 21,527 thousand (including PLN 10,000 thousand with no possibility of allocating to bonds);
- The amount of unused credit lines at the Company: PLN 21,527 thousand (including PLN 10,000 thousand with no possibility of allocating to bonds).

In addition, ZUE can use the entire limit of EUR 20,000 thousand for bonds.

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 2022 is PLN 17,945 thousand, including PLN 12,575 thousand to guarantee the liabilities of Railway gft.

ZUE is able to use limits provided by banks both for bonds and working capital credit. At the end of the reporting period, the limits were allocated to bonds.

At the end of the reporting period, the amount of loans granted by ZUE (net of write-downs) was PLN 3,550 thousand. At the end of the reporting period, the amount of loans granted by the Group (net of write-downs) was PLN 0.

No loans or bonds of significant total value were granted or provided in the three quarters of 2022 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.

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 2022 – 30 June 2022 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.

2.10. 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;
- Risk related to the influence of COVID-19 on construction processes; and
- Risk related to the war in Ukraine.

The effect of COVID-19 is discussed in section 2.12. and the effect of the situation in Ukraine on the Group's operations is discussed in section 2.13.

The Management Board Report on the activities of the Capital Group for the period 1 January 2022 – 30 June 2022 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 2021 – 31 December 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.

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

Measures taken by the Group

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

The Group reacted on an ongoing basis to the pandemic situation in Poland following the Government's announcement of the new restrictions in 2020 and 2021 and considered the related recommendations. In times of the pandemic increase in 2021, the Group extended the ability of its employees to work remotely or on a rotational basis where remote work was impossible. The Group also employed additional measures to keep its employees informed, monitor their health and provide them with protective equipment. The Group continued these activities in the first quarter of 2022 and later on until 16 May 2022 when the pandemic was officially rescinded.

Measures were taken by the Group to ensure the safety of employees and collaborators and to continue operating activities.

Impact of the coronavirus pandemic on the Group's activity and financial standing in the three quarters of 2022

The coronavirus epidemic in Poland and the related restrictions had an influence both on the performance of construction contracts and other areas of activity. Direct contacts with the representatives of investors and other entities involved in construction projects were kept to a minimum and due precaution measures were taken. Most of the contacts continued remotely. The work was organised to ensure the safety of people involved in the performance of construction contracts.

In addition to general restrictions witnessed in Poland during the pandemic, employees and other people involved in construction projects were absent due to isolation and quarantine caused by COVID-19. These factors, however, did not disturb the Group's construction processes or supply chains thanks to the measures taken by the ZUE and the fact that the absence from work was relatively small. In addition, the Issuer believes that the situation was common and experienced by the majority of entities operating on the market.

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 predictions about further performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Group's key assets.

Possible impact of the coronavirus pandemic on the Group's activity and financial standing

The impact of further course of the coronavirus pandemic in Poland and abroad on the Group's future position or results cannot be estimated at the date of preparation of this report.

Below please find the factors which may influence the markets in which the Issuer operates and ZUE's activities in the next quarters, especially during the winter months of 2022/2023.

Factors which may have a negative influence:

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

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

Factors which may have a positive influence:

- Government decisions to continue the national transport infrastructure modernisation projects;
- Simplified circulation of documents and communication in connection with contracts.

Impact of the coronavirus pandemic on social and employee issues, natural environment, respect of human rights and counteracting corruption:

The COVID-19 pandemic mainly influenced the Group's employees and social issues. Interpersonal communication was affected in 2021 and work had, to a certain extent, to be done remotely. These measures continued in 2022. Remote communication tools were also used to recruit and train employees. Limited direct interactions among people reduced the mobility of employees and, consequently, limited the emission of gases to the atmosphere. Electronic communication was more environmentally friendly because less paper was used. The pandemic did not affect other areas, such as respect of human rights or counteracting corruption.

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

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

The Company has cooperated with its suppliers for many years. The cooperation with transparent partners as well as internal control of transactions reduce the risk of getting involved in transactions exposed to sanctions imposed by the EU on Russia and Belarus.

The Company controls, on an ongoing basis, the safety of the Group's IT systems to prevent cyberattacks.

The Company constantly monitors the risks associated with foreign exchange rates and interest rate changes.

The number of absent employees or other people involved in construction projects due to their departure to Ukraine was rather small. The share of Ukrainian employees in the total employment was less than 4% and about 35% of them were subject to mobilization and had to leave. These facts combined with the activities undertaken by ZUE caused that building processes were not disrupted.

Ukraine's political and economic situation as well as changes on the raw and other materials markets are constantly monitored by the Group in terms of the actual and potential impact thereof on the Group's activities. Below please find the factors which may influence the markets in which the Issuer operates and the Group's activities in the next quarters:

- Increased prices of certain imported products and materials caused by the weakening of PLN rate (as well as other currencies of the region);
- Disruptions in the chains of supply of certain imported products and materials;
- Increased prices of fuels, natural gas and electricity;
- Limited access to fuels and natural gas;
- Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs; and
- Migration of Ukrainian employees from Poland to Ukraine (to protect their families and properties or at the request of the authorities).

2.14. 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.

2.15. Strategic objectives

The Group's principal objective in 2022-2024 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 the long-term perspective, the principal aim of the Group is to develop its offer of the service and maintenance of urban and rail infrastructure.

In 2022, the Issuer's focus is on winning new construction contracts and proper performance of previously signed contracts.

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

Prospects of the markets the Group operates on:

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. However, the Company intends to deliver projects abroad, for instance in Romania where it has submitted tenders. 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.

Urban infrastructure market

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

The draft *FENIKS* (the EU Funds on Climate, Infrastructure and Environment) programme for 2021-2027 was published in October 2022. Under the programme, EUR 2 billion will be spent to on urban transport in Polish cities, including EUR 1.44 billion on the expansion and upgrade of infrastructure, especially tram infrastructure. The European Commission adopted *FENIKS* on 6 October 2022. It is Poland's and the EU's largest cohesion policy programme.

According to the programme:

- 1) The length of the completed subway lines is expected to be 3.4 km by 2029;
- 2) The length of the new tram and subway lines is expected to be 98 km by 2029 (including 5 km in 2024);
- 3) The length of the reconstructed tram and subway lines is expected to be 126 km by 2029 (including 6 km in 2024); and
- 4) The number of cities with new or upgraded digital transportation systems is expected to reach 9 by 2024.¹

Cracow, Warsaw, Gdańsk, Bydgoszcz, Szczecin, Poznań or the Upper Silesia cities are planning the construction or modernisation of tramways.

Rail infrastructure market

¹ <https://www.transport-publiczny.pl/wiadomosci/feniks-2-mld-euro-na-transport-w-polskich-miastach-75576.html>

PKP PLK estimates combined investment needs in the Polish railway infrastructure of approximately PLN 300 billion. The expenditures concern the upgrade of all neglected or missing elements.² Works will be carried out as part of the current National Railway Program until 2023 worth approximately PLN 76 billion (NRP) and the *Kolej Plus* programme.

The Central Communication Port (CCP) project is also underway. The railway component of the project will entail constructing approximately 2,000 km of brand new railway lines and revamping of existing routes. Contracts are being signed for preparatory works on the new lines. 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. According to the CCP, the construction works relating to the CCP railway component will commence in 2023 and the entire plan provides for 30 projects.

In the EU financial perspective for 2021-2027, a significant focus is on the development of railway transport. The principal aim of the Sustainable and Smart Mobility Strategy 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 doubling of the high-speed train network and carbon neutral collective travel for journeys under 500 km by 2030, and doubling of the rail freight traffic and fully operational Multimodal Trans-European Transport Network (TEN-T) equipped with sustainable and smart transport with high-speed connectivity by 2050.³

Apart from the EU main budget, funds can be obtained from the Recovery Fund whose aim is to support the EU economy after the COVID-19 pandemic. Funds will also come from the *Connecting Europe* programme and a vast portion will be spent on railway projects.⁴

Despite the economic problems caused by the pandemic, the NRP and the CCP have been implemented and are currently at different stages of development. Advanced construction work is underway as part of the NRP, while the railway component of the CCP is currently at the conceptual and planning stage. In 2021, PKP PLK did not announce new tenders for a total amount of several billion zlotys, as had been anticipated. Since the beginning of 2022, the PKP PLK company has organised nine larger tenders with a total value of approximately PLN 10.6 billion and the procedures are pending. The tendering processes conclude with auctions. PKP PLK declare they are planning to announce new tenders worth more than ten billion zlotys a year.⁵

Tenders submitted on the tram and railway infrastructure markets often exceed the amounts investors intend to spend on such projects. Consequently, tender procedures are frequently cancelled by investors as they have no funds available. This situation has been caused by the growing prices of building materials, labour, energy or fuels. Due to these factors, businesses must use effective valorisation formulas in investor-contractor relations.

It should be noted, however, that a vast majority of investments rely on the EU funds. Therefore, local governments and PKP PLK must obtain these funds to complete the abovementioned projects.

Rail infrastructure market in Romania

In terms of the length of railway lines, Romania ranks eighth in Europe. The network is about 10,800 km long, out of which around 37% is electrified (to compare, around 63% of the Polish rail network is electrified).⁶ The network includes about 18,000 bridges and footbridges as well as 176 tunnels. The two European transport corridors, namely the Rhine-Danube and the North Sea-Mediterranean corridors, run through Romania. Like in other Eastern European countries, the Romanian rail infrastructure calls for major capital expenditures in order to meet the EU environmental objectives. In September 2021, the European Commission approved the Romanian National Recovery Plan for about EUR 29 billion and a portion of the amount will be allocated to railways.

A strategy for 2021-2025 was adopted by the Ministry of Transport and Infrastructure and CFR (the Romanian counterpart of PKP PLK).

Objectives:

- Increasing the share of the rail freight traffic by at least 25% by 2026 in comparison to 2020;
- Increasing the number of passengers by 25%;
- Conversion from bus commuting (as the first choice of travel) to train commuting;
- Implementation of the ERTMS system.

Major expenditures on infrastructure are required to meet these objectives and the investments are already financed with, *inter alia*, the use of the EU funds.

² <https://www.rynek-kolejowy.pl/mobile/trako-2021-oczekiwania-przed-nowa-perspektywa-104659.html>

³ https://ec.europa.eu/commission/presscorner/detail/pl/ip_20_2329

⁴ <https://www.rynekinfrastruktury.pl/wiadomosci/drogi/nowy-cef-bez-drog-i-lotnisk-unia-stawia-na-kolej-77436.html>

⁵ <https://forsal.pl/transport/kolej/artykuly/8193533,pkp-plk-chca-oglosic-przetargi-na-ponad-10-mlrd-zl-do-konca-tego-roku.html>

⁶ Eurostat data.

3. Corporate information

3.1. Governing bodies of the Parent Company

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

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

Management Board:

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

Supervisory Board:

Piotr Korzeniowski	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
Irena Piekarska-Konieczna	Supervisory Board Member
Agnieszka Klimas	Supervisory Board Member
Maciej Szubra	Supervisory Board Member

Audit Committee:

Irena Piekarska-Konieczna	Audit Committee Chairperson
Barbara Nowak	Audit Committee Member
Maciej Szubra	Audit Committee Member

Ms. Irena Piekarska-Konieczna, Ms. Agnieszka Klimas and Mr. Maciej Szubra meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (uniform text, Journal of Laws of 2022, item 1302).

The following changes to the composition of the Company's management and supervisory bodies occurred in the reporting period:

- On 23 May 2022, Mariusz Szubra, Chairman of the Company's Supervisory Board, resigned from the position as of 23 May 2022;
- On 31 May 2022, the Company's Ordinary General Meeting resolved to appoint the five members, namely Piotr Korzeniowski, Barbara Nowak, Irena Piekarska-Konieczna, Agnieszka Klimas and Maciej Szubra, to the Company's Supervisory Board for the new term of office beginning on 31 May 2022;
- On 31 May 2022, the Supervisory Board appointed the existing members of the Company's Management Board for the new three-year term of office beginning on the date of the general meeting held to approve the financial statements for 2021; i.e. on 31 May 2022.

No other changes to the composition of the Company's management or supervisory bodies occurred by the date of preparation of the consolidated financial statements.

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;
- 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 buy-back was effected on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back own shares. The transaction is discussed in detail in the note 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 16 November 2022	% of the share capital/total number of votes	Number of shares/votes at the date of publication of the last interim report ⁽¹⁾	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
METLIFE OFE	1,460,000 ⁽²⁾	6.34%	1,460,000	6.34%
PKO Bankowy OFE	1,780,786 ⁽³⁾	7.73%	1,780,786	7.73%
Other	5,388,977 ⁽⁴⁾	23.40%	5,388,977	23.40%
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (Consolidated Report of the Group for the first half of 2022): 17 August 2022.

(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 31 May 2022. According to the Company's best knowledge, the information is valid at the date of publication of this report.

(3) Shareholding on the basis of information provided by the Central Securities Depository of Poland for the purposes of the Ordinary General Meeting of ZUE held on 22 June 2021. According to the Company's best knowledge, the information is valid at the date of publication of this report.

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

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

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

Shareholder	Position at ZUE	Number of shares/votes as at 16 November 2022	Nominal value of shares (PLN)	% of the share capital/total number of votes	Changes in shareholding since the publication of the last interim report ⁽¹⁾
Wiesław Nowak	Management Board President	14,400,320	3,600,080	62.53	None
Marcin Wiśniewski	Management Board Vice-President	2,300	575	0.01	None
Jerzy Czeremuga	Management Board Vice-President	136	34	< 0.01	None
Maciej Nowak	Management Board Vice-President	7,806	1,951.50	0.03	None

(1) Publication of the last interim report (Consolidated Report of the Group for the first half of 2022): 17 August 2022.

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.

No members of the Management Board or the Supervisory Board had any shares in other entities within the Capital Group 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

On 3 March 2022, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2021 of PLN 12,141 thousand in the following manner:

- 1) the part of the net profit for the financial year 2021 of PLN 3,415 thousand would be paid as dividend (PLN 0.15 per share);
- 2) the remaining balance of the net profit for the financial year 2021 of PLN 8,726 thousand would be allocated to reserve funds.

The Company's Supervisory Board gave a favourable opinion on the recommendations on 7 April 2022.

On 31 May 2022, the Ordinary General Meeting of ZUE S.A. passed the resolution on distribution of the Company's profit for the financial year 2021 whereby the dividend for 2021 of PLN 0.15 per shares was paid to the Company's shareholders. The shareholders' right to the dividend was determined as at 9 June 2022. The date of the dividend payment was set as 22 June 2022. The dividend was paid according to the resolution.

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 2022.

4.2. Factors and events with significant influence on the Group's financial results for the three quarters of 2022

Current situation of the markets the Issuer operates on and winning of new contracts

Construction and maintenance contracts performed by ZUE on the railway and urban markets are the Group's core business and the main source of income. Contracts are being awarded on the Polish railway market in connection with major tenders announced by PKP PLK at the beginning of the year as well as minor tenders. The tendering processes conclude with e-auctions. The Company takes part in these tenders and the first construction works should commence at the end of 2022 and the beginning of 2023. ZUE won several new contracts on the urban (tram) market and takes part in new tender procedures. Tenders submitted on the infrastructure markets often exceed the amounts that investors intend to spend on such projects. Consequently, tender procedures are frequently cancelled by investors as they have no funds available. This situation is caused by the growing prices of building materials, labour, energy or fuels.

The Company participates in tender procedures on the Romanian railway market. Tenders are submitted together with the Romanian consortium member. By the date of publication of this report, the Company submitted nine tenders out of which five were selected by the contracting authority as the most economically advantageous offers. The total amount of the selected tenders is about PLN 288m (ZUE's share).

Since the beginning of 2022, the Company entered into the contracts with the total value of approx. PLN 448m (mainly tramway contracts) and the two long-term infrastructure maintenance contracts.

Discussion of major items of the profit and loss account

In the three quarters of 2022, the Group revenue grew year-on-year by 6% and so did the Group gross margin (from 3.4% to 4.8%).

Comparison of the results reported by the Group and ZUE:

	ZUE		GROUP	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Sales revenue	570,305	544,154	629,265	593,027
Cost of sales	548,639	527,663	599,248	572,750
Gross profit (loss) on sales	21,666	16,491	30,017	20,277
<i>Gross margin</i>	3.8%	3.0%	4.8%	3.4%
General and administrative expenses	15,180	14,685	18,737	18,078
Other operating income	1,627	4,860	1,669	4,922
Other operating expenses	1,001	540	1,054	580
Operating profit (loss) (EBIT)**	7,112	6,126	11,895	6,541
<i>EBIT margin**</i>	1.2%	1.1%	1.9%	1.1%
<i>EBITDA***</i>	17,148	15,424	22,073	15,980
<i>EBITDA margin**</i>	3.0%	2.8%	3.5%	2.7%
Financial income	5,515	672	4,449	443
Financial expenses	1,175	830	1,535	1,015
Pre-tax profit (loss)	11,452	5,968	14,809	5,969
Income tax	2,573	1,693	3,405	1,947

Net profit (loss) from continuing operations	8,879	4,275	11,404	4,022
Net profit (loss)	8,879	4,275	11,404	4,022
<i>net margin</i>	1.6%	0.8%	1.8%	0.7%

* Operating profit + depreciation / amortisation.

** EBIT, EBITDA measures unspecified by the IFRS.

The Group general and administrative expenses grew in the reporting period by 4%.

The Group net profit increased year-on-year by 184%.

Discussion of major balance sheet items

As at 30 September 2022, the Group's total assets and liabilities amounted to PLN 591,339 thousand and the Company's total assets and liabilities amounted to PLN 565,006 thousand.

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

Item	Change compared to 31-12-2021	Balance as at 30-09-2022	Description
Assets			
Inventories	40,601	78,423	Increase in inventories in connection with the demand under contracts, purchase of materials as a means of protection against growing prices and expansion of Railway gft's sales activity.
Valuation of long-term construction contracts	43,531	150,680	More construction works under construction contracts.
Cash and cash equivalents	-89,944	18,792	Use of own resources to conduct operating activities.
Liabilities			
Trade and other payables	-23,480	111,436	Accounting for certain completed construction works.
Advance payments	28,515	35,252	Advance payments for the purchase of materials.

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

Negative cash flows from operating activities mainly result from a decrease in liabilities and retentions on construction contracts, increase in the valuation of construction contracts and increase in inventories.

Negative cash flows from financing activities mainly result from a decrease in loan and lease liabilities (with no new loans or bank credits) and the payment of dividend for 2021.

	ZUE		ZUE Group	
	Period ended 30-09-2022	Period ended 30-09-2021	Period ended 30-09-2022	Period ended 30-09-2021
Cash flows from operating activities	-77,762	10,872	-74,432	8,046
Cash flows from investing activities	-684	-4,626	-1,136	-2,723
Cash flows from financing activities	-13,948	-15,551	-14,426	-16,282
Total net cash flows	-92,394	-9,305	-89,994	-10,959
Cash and cash equivalents at the beginning of the period	106,612	20,230	108,736	23,487
Cash and cash equivalents at the end of the period	14,268	10,979	18,792	12,582

Discussion of the results reported by segments

The Group generated the total revenue of PLN 629,265 thousand. 91% of the amount comes from construction activities.

Railway gft generated gross margin of 12.8% and net profit of PLN 3,953 thousand.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	570,305	63,229	6,887	-11,156	629,265
Gross profit on sales	21,666	8,064	840	-553	30,017
Net profit/loss	8,879	3,953	-339	-1,089	11,404

More information about individual segments is presented in the note 4.3.8.

4.3. Notes to the statement of comprehensive income

4.3.1. Revenue

	Period ended 30-09-2022	Period ended 30-09-2021
Revenue from construction contracts	558,975	533,340
Revenue from the rendering of services	6,339	6,119
Revenue from the sale of goods, raw and other materials	63,951	53,568
Total	629,265	593,027

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 2022, the Group operated in the territory of Poland. In addition, the Group earned revenue in the total amount of PLN 547 thousand from the sale of materials to Germany.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	30-09-2022	30-09-2021
Counterparty A	293,689	445,697
Counterparty B	80,949	

4.3.2. Operating expenses

	Period ended 30-09-2022	Period ended 30-09-2021
Change in products	-2,271	-193
Depreciation and amortization	10,178	9,439
Consumption of materials and energy, including:	130,937	116,645
- consumption of materials	122,402	111,557
- consumption of energy	8,535	5,088
Contracted services	316,795	317,428
Costs of employee benefits	100,391	91,642
Taxes and charges	1,357	1,332
Other expenses	10,834	10,692
Value of goods and materials sold	49,764	43,843

Total	617,985	590,828
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	Period ended 30-09-2022	Period ended 30-09-2021
Cost of sales	599,248	572,750
General and administrative expenses	18,737	18,078
Total	617,985	590,828

Depreciation and amortisation

	Period ended 30-09-2022	Period ended 30-09-2021
Depreciation of property, plant and equipment	7,336	6,579
Depreciation of right-of-use assets	2,098	2,443
Amortisation of intangible assets	456	132
Depreciation of investments in real property	288	285
Total	10,178	9,439

4.3.3. Other operating income

	Period ended 30-09-2022	Period ended 30-09-2021
Gain on disposal of assets:	839	439
Gain on disposal of non-current assets	839	439
Other operating income:	830	4,483
Damages and penalties	107	3,446
Release of allowances for receivables	59	613
Refund of the costs of court proceedings	214	29
Substitute performance	384	292
Release of write-downs of inventories	0	6
Other	66	97
Total	1,669	4,922

4.3.4. Other operating expenses

	Period ended 30-09-2022	Period ended 30-09-2021
Loss on disposal of assets:	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses:	1,054	580
Donations	30	2
Allowances for receivables	23	103
Costs of litigations	534	128

Substitute performance	384	292
Other	83	55
Total	1,054	580

4.3.5. Financial income

	Period ended 30-09-2022	Period ended 30-09-2021
Interest income	1,276	219
Interest on bank deposits	1,225	66
Interest on loans	41	4
Interest on receivables	10	149
Other financial income	3,173	224
Discount of long-term items	3,138	174
Other	35	50
Total	4,449	443

4.3.6. Financial expenses

	Period ended 30-09-2022	Period ended 30-09-2021
Interest expenses	1,175	910
Interest on bank credits	229	117
Interest on loans	77	173
Interest on leases	846	582
Interest on trade and other payables	23	38
Other financial expenses	360	105
Foreign exchange losses	261	53
Discount of long-term items	0	10
Other	99	42
Total	1,535	1,015

4.3.7. Income tax

Income tax recognised in the statement of comprehensive income

	Period ended 30-09-2022	Period ended 30-09-2021
Current income tax	1,023	5,409
Deferred tax	2,382	-3,462
Total tax expense/income	3,405	1,947

Current income tax

	Period ended 30-09-2022	Period ended 30-09-2021
Gross profit (loss)	14,809	5,969
Difference between gross profit (loss) and income tax base:	-9,600	21,176
- 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	-6,885	63,862
- other differences (including loss brought forward)	-2,715	-42,686
Income/Loss	5,209	27,145
Income tax base	5,383	28,470
Income tax at the applicable rate of 19%	1,023	5,409
Current income tax	1,023	5,409

Income tax according to effective interest rate

	Period ended 30-09-2022	Period ended 30-09-2021
Gross profit (loss)	14,809	5,969
Income tax at the applicable rate of 19%	2,814	1,134
Effect of tax recognition of:	-1,907	4,005
- Use of tax losses brought forward	516	8,110
- Costs that are not tax-deductible under tax regulations	8,432	8,888
- Revenue not classified as revenue under tax regulations	10,663	-6,966
- Tax-deductible expenses not classified as balance sheet expenses	-786	3,874
- Taxable revenue not classified as balance sheet revenue	24	135
Revaluation of deferred tax assets (current year loss)	116	270
Deferred tax	2,382	-3,462
Income tax according to effective tax rate	3,405	1,947
Effective tax rate	23%	33%

Current tax assets and liabilities

	Balance at 30-09-2022	Balance at 31-12-2021
Current tax assets		
Tax refundable	0	32
Current tax liabilities		
Tax payable	72	1,098

Deferred tax

	Period ended 30-09-2022	Period ended 30-09-2021
Deferred tax balance at the beginning of the period	21,494	14,428
Temporary differences relating to deferred tax assets:	59,363	57,787
Provisions for expenses and accruals	30,348	27,628
Discount of receivables	469	135
Operating lease liabilities	2,961	2,838
Write-downs	895	937
Bonds and insurances accounted for over time	2,200	1,651
Tax work in progress	13,687	14,557
Valuation of long-term contracts	8,248	9,768
Other	555	273
Temporary differences relating to deferred tax liabilities:	43,988	43,875
Valuation of long-term contracts	28,629	29,792
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,291	13,343
Discount of payables	2,057	740
Other	11	0
Unused tax losses and other tax credits carried forward:	3,639	3,989
Tax losses	3,639	3,989
Total temporary differences relating to deferred tax assets:	63,002	61,776
Total temporary differences relating to deferred tax liabilities:	43,988	43,875
Deferred tax balance at the end of the period	19,014	17,901
Change in deferred tax, including:	-2,480	3,473
- recognised in income	-2,382	3,462
- recognised in equity	-98	11

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 2022:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	570,305	63,229	6,887	-11,156	626,265
including:					
Revenue from external customers	568,424	54,776	5,872	193	629,265
Inter-segment revenues	1,881	8,453	1,015	-11,349	0
including:					
Revenue from construction contracts	552,850	0	6,887	-762	558,975
Revenue from the provision of services	8,237	42	0	-1,940	6,339
Revenue from the sale of goods, raw and other materials	9,218	63,187	0	-8,454	63,951
Gross profit	21,666	8,064	840	-553	30,017
Financial income / expenses	4,340	-743	48	-731	2,914
Interest received	1,208	0	0	-218	990
Interest paid	-881	-405	-36	218	-1,104
Pre-tax profit	11,452	4,877	-348	-1,172	14,809
Income tax	2,573	924	-9	-83	3,405
Net profit	8,879	3,953	-339	-1,089	11,404
Depreciation and amortisation	10,036	31	99	12	10,178
Property, plant and equipment	69,789	69	57	2,478	72,393
Non-current assets	184,299	407	376	-1,070	184,012
Total assets	565,006	21,695	11,580	-6,942	591,339
Total liabilities	393,453	16,397	12,184	-5,482	416,552

In the three quarters of 2022, the Group operated in the territory of Poland. In addition, the Group earned revenue in the total amount of PLN 547 thousand from the sale of materials to Germany.

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
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 the three quarters 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.

4.4. Contracts, provisions, allowances and accruals

4.4.1. Construction contracts

	Balance at 30-09-2022	Balance at 31-12-2021
Assets (selected items)	254,884	152,077
- Valuation of long-term construction contracts	150,680	107,149
- Advance payments made in connection with performed contracts	12,872	3,425
- Retentions on construction contracts retained by customers	21,627	11,144
- Inventories	69,705	30,359
Liabilities (selected items)	229,362	200,329
- Valuation of long-term construction contracts	43,411	49,539
- Provisions for contract costs	79,669	68,636
- Advance payments received in connection with performed contracts	34,823	6,737
- Retentions on construction contracts retained for suppliers	35,776	41,828
- Provisions for warranty claims	19,228	19,059
- Provisions for expected losses on contracts	16,455	14,530

4.4.2. Provisions

Change in provisions

Provisions	01-01-2022	Created	Used	Released	Reclassified	30-09-2022	Item
Long-term provisions:	18,434	2,323	22	2,090	-643	18,002	
Provisions for employee benefits	1,864	0	0	486	0	1,378	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,570	2,323	22	1,604	-643	16,624	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	48,491	31,682	15,300	8,664	643	56,852	
Provisions for employee benefits	31,441	24,104	14,754	3,016	0	37,775	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,489	358	528	358	643	2,604	Short-term provisions
Provision for loss on contracts	14,530	7,220	5	5,290	0	16,455	Short-term provisions
Other provisions	31	0	13	0	0	18	Short-term provisions
Total provisions:	66,925	34,005	15,322	10,754	0	74,854	

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	01-01-2021	Created	Used	Released	Reclassified	31-12-2021	Item
Long-term provisions:	16,497	3,229	19	45	-1,228	18,434	
Provisions for employee benefits	1,411	498	0	45	0	1,864	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,086	2,731	19	0	-1,228	16,570	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	32,586	40,367	19,503	6,187	1,228	48,491	
Provisions for employee benefits	22,713	28,958	19,215	1,015	0	31,441	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,764	100	271	332	1,228	2,489	Short-term provisions
Provision for loss on contracts	8,072	11,298	0	4,840	0	14,530	Short-term provisions
Other provisions	37	11	17	0	0	31	Short-term provisions
Total provisions:	49,083	43,596	19,522	6,232	0	66,925	

4.4.3. Write-downs and allowances

Change in write-downs and allowances

Write-downs and allowances	01-01-2022	Creation	Use	Release	30-09-2022
Write-downs and allowances:	30,198	20,645	2,436	2,288	46,199
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	28,642	20,645	2,401	2,288	44,598
Allowances for trade receivables for expected credit losses	489	0	0	0	489
Write-downs of retentions	11	0	0	0	11
Write-downs of loans	285	0	35	0	250
Total:	30,198	20,645	2,436	2,288	46,119

Allowances for trade receivables of PLN 44.6m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 42.8m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue. The major items include the notes of PLN 23.8m issued in past years.
- Receivables under court and enforcement cases of PLN 1.1m.
- Doubtful debt of PLN 0.7m of prior years.

At the date of approval of these financial statements, the amount of allowances for trade receivables in connection with the increase of credit risk decreased by PLN 11.8m as a result of the agreement with a counterparty.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 59 thousand and the creation of allowances of PLN 23 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

Comparative information:

Write-downs and allowances	01-01-2021	Creation	Use	Release	31-12-2021
Write-downs and allowances:	26,515	8,663	4,850	130	30,198
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	190	0	1

Allowances for trade receivables in connection with the increase of credit risk	24,914	8,360	4,619	13	28,642
Allowances for trade receivables for expected credit losses	189	300	0	0	489
Write-downs of retentions	11	3	0	3	11
Write-downs of loans	440	0	41	114	285
Total:	26,515	8,663	4,850	130	30,198

4.4.4. Accruals

	Balance at 30-09-2022	Balance at 31-12-2021
Provisions for contract costs	79,669	68,636
Other accruals	2,657	1,622
Total	82,326	70,258

4.5. Trade and other receivables and payables

4.5.1. Trade and other receivables

	Balance at 30-09-2022	Balance at 31-12-2021
Trade receivables	179,515	161,414
Allowances for trade receivables in connection with the increase of credit risk	-44,598	-28,642
Allowances for trade receivables for expected credit losses	-489	-489
Receivables from the government budget other than corporate income tax	4,347	632
Advance payments	609	0
Other receivables	4,347	4,142
Total trade and other receivables	143,731	137,057

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 30-09-2022	Balance at 31-12-2021
Counterparty A	62,845	101,121
Counterparty B	25,104	

The concentration of credit risk is limited due to the fact that the creditability of the abovementioned Counterparty A assessed, *inter alia*, by analysing their financial standing, is high and the fact that the said Counterparty meets additional requirements concerning the settlement of the EU funds. The Group has carried out the construction contracts for the Counterparty A for many years. The Counterparty A is co-owned by the State Treasury as a result

of which their creditability is even higher. Accordingly, the Management Board of the Company believe there is no need to create additional provisions.

4.5.2. Trade and other payables

	Balance at 30-09-2022	Balance at 31-12-2021
Trade payables	108,103	117,208
Liabilities to the government budget other than corporate income tax	3,055	17,466
Other payables	278	242
Total trade and other payables	111,436	134,916

4.6. Loans, bank credits, leases and management of capital

4.6.1. Loans and bank credits

	Balance at 30-09-2022	Balance at 31-12-2021
Long-term	0	0
Bank credits	0	0
Loans received	0	0
Short-term	3,331	7,964
Bank credits	3,050	3,250
Loans received	281	4,714
Total	3,331	7,964

Summary of loan and credit agreements as at 30 September 2022

No.	Bank	Description	Principal/limit according to the agreement as at 30-09-2022	Amount of available loans/credits as at 30-09-2022	Use as at 30-09-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		15,473	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	9,527	15,473		
		non-revolving working capital credit	25,000	9,527	0		
3	Alior Bank SA	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		Overdraft	2,000	2,000	0		

4	mBank S.A.	Working capital credit	3,050	0	3,050	1M WIBOR + margin	May 2023
5	Magdalena Nowak	Loan agreement	281	0	281	3M WIBOR + margin	Unspecified
Total amount of available loans and credits			21,527				
Total debt under loans and credits					3,331		
Total use for bonds					15,473		

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

Types of security and liabilities under credit agreements:

1. **Overdraft:**

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

2. **Master Agreement:**

- Contractual mortgage up to PLN 35,420 thousand on the plot 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. **Multicurrency credit limit agreement:**

- Promissory note with declaration;
- Assignment of claims under contracts;
- Statement on submission to enforcement;
- Power of attorney to the bank account.

4. **Working capital credit:**

- ZUE's guarantees;
- Registered pledge on inventories;
- Blank promissory note;
- Statement on submission to enforcement;
- Assignment of rights under insurance policy;
- Financial pledge on cash kept on customer's bank accounts maintained by the Bank.

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

- Agencja Rozwoju Przemysłu – **Loan agreement (item 3 of comparative information)** – the loan granted on 19 November 2019 was repaid by the Company in full on 29 June 2022;
- mBank – **Working capital credit (item 4)** – an annex was signed by the Company on 26 May 2022 whereby the maturity date was extended by one year;
- mBank – **Master Agreement (item 2)** – an annex was signed by the Company on 31 May 2022 whereby the maturity date was extended by one year;
- Alior Bank – **Credit Agreement (item 3)** – Multicurrency Credit Limit Agreement up to PLN 30m was signed by the Company on 29 June 2022 (Limit). The Company may apply for bonds up to the total Limit amount. In addition, an overdraft up to PLN 2m will be provided as part of the Limit. The Limit is revolving and will be available until 27 June 2023. The Limit can be extended;
- mBank – **Overdraft (item 1)** – an annex was signed by the Company on 7 July 2022 whereby the repayment date was extended by one year;
- BNP Paribas – **Premium multipurpose line of credit agreement (item 4 of the comparative information)** – expiry of the agreement.

On 15 November 2022, after the end of the reporting period, the Loan Agreement was entered into with Agencja Rozwoju Przemysłu S.A. up to PLN 30,000 thousand. The loan will be used to finance day-to-day operations.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2021	Amount of available loans/credits as at 31-12-2021	Use as at 31-12-2021	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		100	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	24,900	100		
		sublimit for non-revolving working capital credit	25,000	24,900	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	4,443	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		0	1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	65,000	0		
		Overdraft	4,000	4,000	0		
5	mBank S.A.	Working capital credit	3,250	0	3,250	1M WIBOR + margin	May 2022
6	Magdalena Nowak	Loan agreement	271	0	271	3M WIBOR + margin	Unspecified
Total amount of available loans and credits				38,900			
Total debt under loans and credits					7,964		
Total use for bonds					100		

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

4.6.2. Leases

Lease liabilities

	Balance at 30-09-2022	Balance at 31-12-2021
Long-term lease liabilities	12,278	14,248
Short-term lease liabilities	5,473	6,289
Lease liabilities associated with assets held for sale	0	366
Total	17,751	20,903

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

In the reporting period, the Group signed the leases with the total amount of PLN 1,944 thousand and purchased the leased assets with the total net value of PLN 9,425 thousand. Following the transactions, the assets were reclassified from right-of-use assets to property, plant and equipment.

4.6.3. Management of capital

	30-09-2022	31-12-2021
Long- and short-term loans and bank credits	3,331	7,964
Long- and short-term lease liabilities	17,751	20,537
Lease liabilities associated with assets held for sale	0	366
Long- and short-term other financial liabilities	36	36
Total financial liabilities	21,118	28,903
Cash and cash equivalents	18,792	108,736
Net debt	2,326	-79,833
Equity	174,787	166,403
Net debt to equity ratio	1.33%	-47.98%

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

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

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

Positive net debt is due to the fact that total financial liabilities at the end of the third quarter of 2022 exceeded the amount of cash at the Group.

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

4.7. 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	30-09-2022	31-12-2021
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

Goodwill 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 assets. The impairment tests carried out at 31 December 2021 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 2022, the Group reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Group intends to carry out the test at the end of the year.

4.7.2. 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 3,339 thousand.

As at 30 September 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 540 thousand.

As at 30 September 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,467 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 1,026 thousand;
- General repair of profiling machine – PLN 787 thousand;
- Purchase of cars – PLN 686 thousand;
- Purchase of OCL network hoisting device – PLN 400 thousand;
- Purchase of IT licence and hardware – PLN 206 thousand;
- Purchase of generators – PLN 77 thousand.

In the three quarters of 2022, the Group sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 330 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.

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 2022.

Balance at 30 September 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	24,097	0	0	0	41,087
Trade receivables	179,515	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	250	0	0	0	0
Cash and cash equivalents	0	18,792	0	0	0
Loans and bank credits	0	0	0	0	3,331
Lease liabilities	0	0	0	0	17,751
Trade payables	0	0	0	0	108,103
Total	203,862	18,792	0	0	170,308

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 2021

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	12,108	0	0	0	45,057
Trade receivables	161,414	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	285	0	0	0	0

Cash and cash equivalents	0	108,736	0	0	0
Loans and bank credits	0	0	0	0	7,964
Lease liabilities	0	0	0	0	20,537
Lease liabilities associated with assets held for sale	0	0	0	0	366
Trade payables	0	0	0	0	117,208
Total	173,807	108,736	0	0	191,168

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	
	30-09-2022	31-12-2021	30-09-2022	31-12-2021
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	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	2	0	0
Total	5	5	0	0

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	30-09-2022	31-12-2021	30-09-2022	30-09-2021
RTI	0	0	0	0
RTI Germany	0	0	0	5
Wiesław Nowak	0	0	0	0
Total	0	0	0	5

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.

ZUE acquired 400 newly created shares in RTI with the total nominal value of PLN 20 thousand on the basis of the notarial deed of 13 July 2022. The shares were paid up in cash.

On 20 October 2022, after the end of the reporting period, ZUE and RTI signed the special-purpose loan agreement. The loan of PLN 325 thousand should be repaid by 20 December 2023. The loan was disbursed on 21 October 2022.

Remuneration of key management personnel

No major changes to remuneration of key management personnel occurred in the reporting period.

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

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

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

Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

Major pending court proceedings concerning claims:

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

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

An expert opinion was prepared according to which the petitioner's claims were to a considerable extent well-grounded. There were also other opinions and the arguments contained therein were basically the same as in the first opinion. The date of the trial was set as 22 November 2022.

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

On 30 December 2016, the consortium of:

- 1) OHL 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 Biadoliny – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III" (the "Contract").

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

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

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

On 11 March 2019, the Court delivered the partial judgment whereby it ordered that PKP Polskie Linie Kolejowe S.A. pay ZUE PLN 347 thousand plus statutory default interest from 21 December 2016 to the date of payment and dismissed ZUE's claim concerning the payment of PLN 283 thousand plus statutory interest from 21 December 2016. The Parties appealed against this judgment. The Petitioner appealed against the dismissal of the claim of PLN 283 thousand plus statutory interest and the Defendant appealed against the order to pay PLN 347 thousand plus statutory interest. The appeal hearing referring to the partial judgment was held on 13 February 2020. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding. The Court admitted the opinion of the expert which complied, to a considerable extent, with the Petitioners' arguments and was delivered to the Parties. There were also another opinion and the arguments contained therein were basically the same as in the first opinion. The date of the next trial was not set.

Court case relating to the contract claim

On 28 April 2020, the claim of approx. PLN 34.8m was lodged against PKP PLK S.A. with the District Court in Warsaw to increase/pay the remuneration 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. The Plaintiff upheld the claim. Witnesses and the parties were heard and the proceedings are pending. An expert was appointed to prepare an opinion.

Other court cases concerning inflation claims in respect of railway contracts

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. Accordingly, the Issuer and consortium members filed the four claims in December 2021 for the total amount (attributable to ZUE S.A.) of approx. PLN 19m. The claims concern the following projects:

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

The Defendant responded to most of the cases and stated the arguments were not well-grounded. In one case, the Defendant applied for the extension of deadline for the response. The Petitioners applied for the date by which they should present their opinion on the responses they received. The Petitioners submitted letters by the dates specified by the Court in which they presented their standpoints.

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 system.

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 2022 or 31 December 2021.

The inspection of the corporate income tax for 2018 commenced at the Company on 7 February 2022. No information about any reservations made by the inspecting authority is available at the date of approval of this report.

4.7.7. Contingent assets and contingent liabilities

Contingent assets

	30-09-2022	31-12-2021
Bonds	88,016	89,133
Promissory notes	6,677	747
Total	94,693	89,880

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

Contingent liabilities

	30-09-2022	31-12-2021
Bonds	557,097	514,540
Guarantees	17,945	14,291
Promissory notes	248,125	301,346
Mortgages	126,529	81,529
Pledges	152,994	159,872
Total	1,102,690	1,071,578

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

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

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

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

Registered pledges were established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A., mBank S.A. and CaixaBank. The pledged assets include wagons, pile driver, maintenance train and engine.

There is also financial pledge over the borrower's bank accounts to secure the agreements between the companies within the Group 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 2022 or 31 December 2021.

4.7.9. Discontinued operations

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

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 2022 as endorsed by the European Union.

The consolidated financial statements for the nine months ended 30 September 2022 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 2022:

- **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" and illustrative examples of IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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

Standards and interpretations 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:

- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1: "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted).
- **Amendments to IAS 12 "Income Taxes"** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 17 "Insurance Contracts"** – first application of IFRS 17 and IFRS 9 – comparative information (effective for annual periods beginning on or after 1 January 2023).

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to 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 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);
- **Amendments to IFRS 16 "Leases"** – Lease Liability in Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

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 2022, the Group recognised the sales revenue of PLN 629.3m and the gross profit on sales of PLN 30m. As at 30 September 2022, the Group presented the total current assets of PLN 407.3m, including trade and other receivables of PLN 143.7m and the cash of approx. PLN 18.8m. At the end of the reporting period, the Group had the backlog worth approximately PLN 1,532m 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 or no strategic decisions have been made, and these financial statements have been prepared assuming that the Group will continue in operational existence in the foreseeable future.

4.8.2.2. Preparation basis

The Group has prepared these quarterly consolidated financial statements according to the regulations set out in

IAS 34 "Interim Financial Reporting" and used the same principles for the current and comparative period.

4.8.2.3. Comparability of financial data

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

In this report, "Assets held for sale" were reclassified to "Property, plant and equipment" after the real estate in Poznań had not been sold. Despite the extension of time, the transaction has not been completed due to the circumstances beyond the Company's control.

Previously, the Group presented "Lease liabilities associated with assets held for sale" separately in the statement of financial position. In these financial statements, the liabilities were presented in "Lease liabilities."

4.8.2.4. Applied accounting principles

These quarterly consolidated financial statements for the nine months ended 30 September 2022 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 2021. The financial statements for the financial year ended 31 December 2021 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 the Capital Group and the annual financial statements of ZUE.

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.)

Valuation 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 income 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.

In the reporting period, discounts rates were verified and adjusted to the current market situation.



ZUE S.A.

CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR 9 MONTHS ENDED 30 SEPTEMBER 2022

Cracow, 16 November 2022

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
		30-09-2022	30-09-2022	30-09-2021	30-09-2021
Continuing operations					
Sales revenue	2.1.1.	570,305	236,285	544,154	211,917
Cost of sales	2.1.2.	548,639	230,551	527,663	203,083
Gross profit (loss) on sales		21,666	5,734	16,491	8,834
General and administrative expenses	2.1.2.	15,180	5,383	14,685	5,325
Other operating income	2.1.3.	1,627	417	4,860	964
Other operating expenses	2.1.4.	1,001	193	540	177
Operating profit (loss)		7,112	575	6,126	4,296
Financial income	2.1.5.	5,515	1,579	672	252
Financial expenses	2.1.6.	1,175	511	830	352
Pre-tax profit (loss)		11,452	1,643	5,968	4,196
Income tax	2.1.7.	2,573	802	1,693	1,028
Net profit (loss) from continuing operations		8,879	841	4,275	3,168
Net profit (loss)		8,879	841	4,275	3,168
Other net comprehensive income					
Items that will not be reclassified subsequently to profit or loss:		419	0	61	0
Actuarial gains (losses) relating to specific benefit schemes		419	0	61	0
Total other net comprehensive income		419	0	61	0
Total comprehensive income		9,298	841	4,336	3,168
Number of shares		23,030,083	23,030,083	23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.39	0.04	0.19	0.14
Total comprehensive income per share (PLN)		0.40	0.03	0.19	0.14

Separate statement of financial position

	Note no.	Balance at 30-09-2022	Restated Balance at 31-12-2021
ASSETS			
Non-current assets			
Property, plant and equipment		69,789	64,623
Investment property		9,708	6,145
Intangible assets		2,300	2,697
Right-of-use assets		31,806	41,356
Goodwill	2.5.1.	31,172	31,172
Investments in subordinates		816	221
Retentions on construction contracts		19,773	7,393
Deferred tax assets	2.1.7.	18,935	21,606
Total non-current assets		184,299	175,213
Current assets			
Inventories		69,705	30,359
Trade and other receivables	2.3.1.	135,994	126,699
Valuation of long-term construction contracts	2.2.1.	142,010	98,329
Retentions on construction contracts		1,742	3,387
Advance payments		12,734	3,994
Current tax assets	2.1.7.	0	0
Advanced loans		3,550	3,572
Other assets		704	463
Cash and cash equivalents		14,268	106,612
Current assets		380,707	373,415
Assets held for sale		0	3,544
Total current assets		380,707	376,959
Total assets		565,006	552,172

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		74,648	68,765
Total equity		171,553	165,670

Non-current liabilities

Long-term lease liabilities	2.4.2.	12,278	14,178
Retentions on construction contracts		17,976	23,231
Liabilities under employee benefits		1,330	1,789
Long-term provisions	2.2.2.	16,209	16,127
Total non-current liabilities		47,793	55,325

Current liabilities

Trade and other payables	2.3.2.	101,298	122,266
Accruals	2.2.4.	78,603	66,463
Valuation of long-term construction contracts	2.2.1.	43,023	49,426
Retentions on construction contracts		15,785	16,628
Advance payments		34,823	6,737
Short-term loans and bank credits	2.4.1.	0	4,443
Short-term lease liabilities	2.4.2.	5,389	6,244
Other financial liabilities		36	36
Liabilities under employee benefits		47,544	40,220
Current tax liabilities	2.1.7.	0	1,098
Short-term provisions	2.2.2.	19,159	17,250
Total current liabilities		345,660	330,811

Lease liabilities associated with assets held for sale

		0	366
Total liabilities		393,453	386,502
Total equity and liabilities		565,006	552,172

Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at	1 January 2022	5,758	93,837	-2,690	68,765	165,670
Payment of dividend		0	0	0	-3,415	-3,415
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	8,879	8,879
Other net comprehensive income		0	0	0	419	419
Balance at	30 September 2022	5,758	93,837	-2,690	74,648	171,553
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 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	12,141	12,141
Other net comprehensive income		0	0	0	-67	-67
Balance at	31 December 2021	5,758	93,837	-2,690	68,765	165,670

Separate statement of cash flows

	9 months ended 30-09-2022	9 months ended 30-09-2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	11,452	5,968
Adjustments for:		
Depreciation and amortisation	10,036	9,298
Foreign exchange gains / (losses)	-52	-54
Interest and share in profit (dividends)	-1,030	572
Gain / (loss) on disposal of investments	-838	-414
Operating profit (loss) before changes in working capital	19,568	15,370
Change in receivables and retentions on construction contracts	-20,028	7,816
Change in inventories	-39,346	-6,351
Change in provisions and liabilities under employee benefits	9,374	5,637
Change in payables and retentions on construction contracts	-27,372	-58,756
Change in valuation of construction contracts	-50,084	39,089
Change in accruals	12,140	26,816
Change in advance payments	19,346	-14,896
Change in other assets	-242	-295
Other adjustments	-20	95
Income tax paid / (tax refund)	-1,098	-3,653
NET CASH FROM OPERATING ACTIVITIES	-77,762	10,872
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	1,184	1,122
Purchase of property, plant and equipment and intangible assets	-3,266	-3,879
Advanced loans	0	-2,000
Repayment of advanced loans	50	113
Dividends received	140	0
Interest received	1,208	18
NET CASH FROM INVESTING ACTIVITIES	-684	-4,626
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	0	3,400
Repayment of loans and bank credits	-4,443	-10,067
Decrease in lease liabilities	-5,209	-8,132
Lease interest paid	-804	-578
Other interest paid	-77	-174
Other financial income / (expenses) – dividends	-3,415	0
NET CASH FLOWS FROM FINANCING ACTIVITIES	-13,948	-15,551
TOTAL NET CASH FLOWS	-92,394	-9,305
Net foreign exchange gains / (losses)	50	54
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	106,612	20,230
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	14,268	10,979
- of limited availability	10,195	805

Notes to the condensed separate financial statements of the Company

1. General information

1.1. Core business of ZUE

ZUE's core business did not change.

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 Polish zlotys, unless specific circumstances require greater details.

2. Financial information

2.1. Notes to the statement of comprehensive income

2.1.1. Revenue

	Period ended 30-09-2022	Period ended 30-09-2021
Revenue from construction contracts	552,850	527,287
Revenue from the rendering of services	8,237	6,480
Revenue from the sale of goods, raw and other materials	9,218	10,387
Total	570,305	544,154

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

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

Concentration of revenue which exceeds 10% of total sales revenue

	Period ended	
	30-09-2022	30-09-2021
Counterparty A	289,663	444,633
Counterparty B	80,949	

2.1.2. Operating expenses

	Period ended 30-09-2022	Period ended 30-09-2021
Change in products	-2,734	-390
Depreciation and amortization	10,036	9,298
Consumption of materials and energy, including:	130,799	116,508
- consumption of materials	122,334	111,449
- consumption of energy	8,465	5,059
Contracted services	311,818	314,386
Costs of employee benefits	95,131	85,747
Taxes and charges	1,290	1,249
Other expenses	10,598	10,494

Value of goods and materials sold	6,881	5,056
Total	563,819	542,348

	Period ended 30-09-2022	Period ended 30-09-2021
Cost of sales	548,639	527,663
General and administrative expenses	15,180	14,685
Total	563,819	542,348

Depreciation and amortisation

	Period ended 30-09-2022	Period ended 30-09-2021
Depreciation of property, plant and equipment	7,200	6,495
Depreciation of right-of-use assets	2,063	2,391
Amortisation of intangible assets	451	127
Depreciation of investments in real property	322	285
Total	10,036	9,298

2.1.3. Other operating income

	Period ended 30-09-2022	Period ended 30-09-2021
Gain on disposal of assets:	838	439
Gain on disposal of non-current assets	838	439
Other operating income:	789	4,421
Damages and penalties	106	3,444
Release of allowances for receivables	49	613
Refund of the costs of court proceedings	213	29
Substitute performance	384	292
Release of write-downs of inventories	0	6
Other	37	37
Total	1,627	4,860

2.1.4. Other operating expenses

	Period ended 30-09-2022	Period ended 30-09-2021
Loss on disposal of assets:	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses:	1,001	540
Donations	30	2
Allowances for receivables	19	101
Costs of litigations	534	124
Substitute performance	384	292

Other	34	21
Total	1,001	540

2.1.5. Financial income

	Period ended 30-09-2022	Period ended 30-09-2021
Interest income	1,486	246
Interest on bank deposits	1,225	66
Interest on loans	259	43
Interest on receivables	2	137
Other financial income	4,029	426
Dividends	735	0
Discount of long-term items	3,010	174
Financial guarantees	249	207
Other	35	45
Total	5,515	672

2.1.6. Financial expenses

	Period ended 30-09-2022	Period ended 30-09-2021
Interest expenses	932	783
Interest on bank credits	9	4
Interest on loans	68	170
Interest on leases	843	578
Interest on trade and other payables	12	31
Other financial expenses	243	47
Foreign exchange losses	223	23
Other	20	24
Total	1,175	830

2.1.7. Income tax

Income tax recognised in the statement of comprehensive income

	Period ended 30-09-2022	Period ended 30-09-2021
Current income tax	0	5,409
Deferred tax	2,573	-3,716
Total tax expense (income)	2,573	1,693

Current income tax

	Period ended 30-09-2022	Period ended 30-09-2021
Gross profit (loss)	11,452	5,968
Difference between gross profit (loss) and income tax base:	-11,452	22,501
- 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	-8,789	64,704
- other differences (including loss brought forward)	-2,663	-42,203
Income/Loss	0	28,469
Income tax base	0	28,469
Income tax at the applicable rate of 19%	0	5,409
Current income tax	0	5,409

Income tax according to effective interest rate

	Period ended 30-09-2022	Period ended 30-09-2021
Gross profit (loss)	11,452	5,968
Income tax at the applicable rate of 19%	2,176	1,134
Effect of tax recognition of:	-2,176	4,275
- Use of tax losses brought forward	506	8,018
- Costs that are not tax-deductible under tax regulations	8,046	8,615
- Revenue not classified as revenue under tax regulations	10,814	-7,220
- Tax-deductible expenses not classified as balance sheet expenses	-1,074	3,677
- Taxable revenue not classified as balance sheet revenue	24	135
Revaluation of deferred tax assets (current year loss)	0	0
Deferred tax	2,573	-3,716
Income tax according to effective tax rate	2,573	1,693
Effective tax rate	22%	28%

Current tax assets and liabilities

	Balance at 30-09-2022	Balance at 31-12-2021
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	1,098

Deferred tax

	Period ended 30-09-2022	Period ended 30-09-2021
Deferred tax balance at the beginning of the period	21,606	14,296
Temporary differences relating to deferred tax assets:	57,557	56,101
Provisions for expenses and accruals	29,266	26,531
Discount of receivables	455	130
Operating lease liabilities	2,945	2,813
Write-downs	579	618
Bonds and insurances accounted for over time	2,200	1,651
Tax work in progress	13,408	14,289
Valuation of long-term contracts	8,174	9,753
Other	530	316
Temporary differences relating to deferred tax liabilities:	42,199	41,945
Valuation of long-term contracts	26,982	27,988
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,218	13,240
Discount of payables	1,988	717
Other	11	0
Unused tax losses and other tax credits carried forward:	3,577	3,867
Tax losses	3,577	3,867
Total temporary differences relating to deferred tax assets:	61,134	59,968
Total temporary differences relating to deferred tax liabilities:	42,199	41,945
Deferred tax balance at the end of the period	18,935	18,023
Change in deferred tax, including:	-2,671	3,727
- recognised in income	-2,573	3,716
- recognised in equity	-98	11

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, provisions, allowances and accruals

2.2.1. Construction contracts

	Balance at 30-09-2022	Balance at 31-12-2021
Assets (selected items)	245,964	143,462
- Valuation of long-term construction contracts	142,010	98,329
- Advance payments made in connection with performed contracts	12,734	3,994
- Retentions on construction contracts retained by customers	21,515	10,780
- Inventories	69,705	30,359
Liabilities (selected items)	223,148	194,402
- Valuation of long-term construction contracts	43,023	49,426
- Provisions for contract costs	76,173	65,003
- Advance payments received in connection with performed contracts	34,823	6,737
- Retentions on construction contracts retained for suppliers	33,761	39,859
- Provisions for warranty claims	18,722	18,568
- Provisions for expected losses on contracts	16,646	14,809

2.2.2. Provisions

Change in provisions

Provisions	01-01-2022	Created	Used	Released	Reclassified	30-09-2022	Item
Long-term provisions:	17,916	2,253	22	2,010	-598	17,539	
Provisions for employee benefits	1,789	0	0	459	0	1,330	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,127	2,253	22	1,551	-598	16,209	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	47,640	30,417	14,607	8,539	598	55,509	
Provisions for employee benefits	30,390	22,844	14,081	2,803	0	36,350	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,441	358	526	358	598	2,513	Short-term provisions
Provision for loss on contracts	14,809	7,215	0	5,378	0	16,646	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	65,556	32,670	14,629	10,549	0	73,048	

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	01-01-2021	Created	Used	Released	Reclassified	31-12-2021	Item
Long-term provisions:	16,028	3,158	19	44	-1,207	17,916	
Provisions for employee benefits	1,358	475	0	44	0	1,789	Liabilities under employee benefits (long-term)
Provisions for warranty claims	14,670	2,683	19	0	-1,207	16,127	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	31,567	39,044	18,191	5,987	1,207	47,640	
Provisions for employee benefits	21,696	27,647	17,958	995	0	30,390	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,696	100	233	329	1,207	2,441	Short-term provisions
Provision for loss on contracts	8,175	11,297	0	4,663	0	14,809	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	47,595	42,202	18,210	6,031	0	65,556	

2.2.3. Write-downs and allowances

Change in write-downs and allowances

Write-downs and allowances	01-01-2022	Creation	Use	Release	30-09-2022
Write-downs and allowances:	29,053	20,382	2,434	2,269	44,732
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances for trade receivables in connection with the increase of credit risk	27,557	20,382	2,399	2,269	43,271
Allowances for trade receivables for expected credit losses	430	0	0	0	430
Write-downs of retentions	11	0	0	0	11
Write-downs of loans	285	0	35	0	250
Total:	29,053	20,382	2,434	2,269	44,732

Allowances for trade receivables of PLN 43.3m include:

- o Debit notes issued by the Company for penalties, damages and substitute performance of PLN 41.5m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue. The major items include the notes of PLN 22.7m issued in past years;

- o Receivables under court and enforcement cases of PLN 1.1m of prior years;
- o Doubtful debt of PLN 0.7m of prior years.

At the date of approval of these financial statements, the amount of allowances for trade receivables in connection with the increase of credit risk decreased by PLN 11.8m as a result of the agreement with a counterparty.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 49 thousand and the creation of allowances of PLN 19 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by ZUE for the penalties and damages that are not the Company's revenue at the date of issue.

Comparative information:

Write-downs and allowances	01-01-2021	Creation	Use	Release	31-12-2021
Write-downs and allowances:	25,375	8,646	4,838	130	29,053
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	190	0	0
Allowances for trade receivables in connection with the increase of credit risk	23,834	8,343	4,607	13	27,557
Allowances for trade receivables for expected credit losses	130	300	0	0	430
Write-downs of retentions	11	3	0	3	11
Write-downs of loans	440	0	41	114	285
Total:	25,375	8,646	4,838	130	29,053

2.2.4. Accruals

	Balance at 30-09-2022	Balance at 31-12-2021
Provisions for contract costs	76,173	65,003
Other accruals	2,430	1,460
Total	78,603	66,463

2.3. Trade and other receivables and payables

2.3.1. Trade and other receivables

	Balance at 30-09-2022	Balance at 31-12-2021
Trade receivables	171,024	150,544
Allowances for trade receivables in connection with the increase of credit risk	-43,271	-27,557
Allowances for trade receivables for expected credit losses	-430	-430
Receivables from the government budget other than corporate income tax	4,347	0
Other receivables	4,324	4,142
Total trade and other receivables	135,994	126,699

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	
	30-09-2022	31-12-2021
Counterparty A	62,845	99,440
Counterparty B	24,391	

The concentration of credit risk is limited due to the fact that the creditability of the abovementioned Counterparty A assessed, *inter alia*, by analysing their financial standing, is high and the fact that the said Counterparty meets additional requirements concerning the settlement of the EU funds. The 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 30-09-2022	Balance at 31-12-2021
Trade payables	99,210	105,396
Liabilities to the government budget other than corporate income tax	1,817	16,638
Other payables	271	232
Total trade and other payables	101,298	122,266

2.4. Loans, bank credits, leases and management of capital

2.4.1. Loans and bank credits

	Balance at 30-09-2022	Balance at 31-12-2021
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Long-term	0	0
Bank credits	0	0
Loans received	0	0
Short-term	0	4,443
Bank credits	0	0
Loans received	0	4,443
Total	0	4,443

Summary of loan and credit agreements as at 30 September 2022

No.	Bank	Description	Principal/limit according to the agreement as at 30-09-2022	Amount of available loans/credits as at 30-09-2022	Use as at 30-09-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		15,473	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	9,527	15,473		
		non-revolving working capital credit	25,000	9,527	0		
3	Alior Bank SA	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		Overdraft	2,000	2,000	0		
Total amount of available loans and credits				21,527			
Total debt under loans and credits					0		
Total use for bonds					15,473		

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

Types of security and liabilities under credit agreements:

1. Overdraft:

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

2. Master Agreement:

- Contractual mortgage up to PLN 35,420 thousand on the plot 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. Multicurrency credit limit agreement:

- Promissory note with declaration;

- b) Assignment of claims under contracts;
- c) Statement on submission to enforcement;
- d) Power of attorney to the bank account.

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

- Agencja Rozwoju Przemysłu – **Loan agreement (item 3 of comparative information)** – the loan granted on 19 November 2019 was repaid by the Company in full on 29 June 2022;
- mBank – **Master Agreement (item 2)** - an annex was signed by the Company on 31 May 2022 whereby the maturity date was extended by one year;
- Alior Bank – **Credit Agreement (item 3)** – Multicurrency Credit Limit Agreement up to PLN 30m was signed by the Company on 29 June 2022 (Limit). The Company may apply for bonds up to the total Limit amount. In addition, an overdraft up to PLN 2m will be provided as part of the Limit. The Limit is revolving and will be available until 27 June 2023. The Limit can be extended;
- mBank – **Overdraft (item 1)** – an annex was signed by the Company on 7 July 2022 whereby the repayment date was extended by one year;
- BNP Paribas – **Premium multipurpose line of credit agreement (item 4 of the comparative information)** – expiry of the agreement.

On 15 November 2022, after the end of the reporting period, the Loan Agreement was entered into with Agencja Rozwoju Przemysłu S.A. up to PLN 30,000 thousand. The loan will be used to finance day-to-day operations.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2021	Amount of available loans/credits as at 31-12-2021	Use as at 31-12-2021	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		100	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	24,900	100		
		non-revolving working capital credit	25,000	24,900	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	4,443	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		0	1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	65,000	0		
		Overdraft	4,000	4,000	0		
Total amount of available loans and credits				38,900			
Total debt under loans and credits					4,443		
Total use for bonds					100		

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

2.4.2. Leases

Lease liabilities

Balance at 30-09-2022	Balance at 31-12-2021
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Long-term lease liabilities	12,278	14,178
Short-term lease liabilities	5,389	6,244
Lease liabilities associated with assets held for sale	0	366
Total	17,667	20,788

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

In the reporting period, the Company signed the leases with the total amount of PLN 1,944 thousand and purchased the leased assets with the total net value of PLN 9,425 thousand. Following the transactions, the assets were reclassified from right-of-use assets to property, plant and equipment.

2.4.3. Management of capital

	30-09-2022	31-12-2021
Long- and short-term loans and bank credits	0	4,443
Long- and short-term lease liabilities	17,667	20,422
Lease liabilities associated with assets held for sale	0	366
Long- and short-term other financial liabilities	36	36
Total financial liabilities	17,703	25,267
Cash and cash equivalents	14,268	106,612
Net debt	3,435	-81,345
Equity	171,553	165,670
Net debt to equity ratio	2.00%	-49.10%

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

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

The Company uses, first and foremost, own resources and leases to finance day-to-day operation. The Company can also use credit limits.

Positive net debt is due to the fact that total financial liabilities at the end of the third quarter of 2022 exceeded the amount of cash at the Company.

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

2.5. Other notes to the financial statements

2.5.1. Goodwill

At cost	30-09-2022	31-12-2021
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.

Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of assets. The impairment tests carried out at 31 December 2021 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 2022, the Company reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Company intends to carry out the test at the end of the year.

2.5.2. 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 3,266 thousand.

As at 30 September 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 540 thousand.

As at 30 September 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,467 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 1,026 thousand;
- General repair of profiling machine – PLN 787 thousand;
- Purchase of cars – PLN 686 thousand;
- Purchase of OCL network hoisting device – PLN 400 thousand;
- Purchase of IT licence and hardware – PLN 206 thousand;
- Purchase of generators – PLN 77 thousand.

In the three quarters of 2022, the Company sold the property, plant and equipment and intangibles assets with the total net carrying amount of PLN 329 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.

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 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	23,920	0	0	0	38,831

Trade receivables	171,024	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	3,800	0	0	0	0
Cash and cash equivalents	0	14,268	0	0	0
Loans and bank credits	0	0	0	0	0
Lease liabilities	0	0	0	0	17,667
Trade payables	0	0	0	0	99,210
Total	198,744	14,268	0	0	155,744

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 2021

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	11,712	0	0	0	42,955
Trade receivables	150,544	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	3,857	0	0	0	0
Cash and cash equivalents	0	106,612	0	0	0
Loans and bank credits	0	0	0	0	4,443
Lease liabilities	0	0	0	0	20,422
Lease liabilities associated with assets held for sale	0	0	0	0	366
Trade payables	0	0	0	0	105,396
Total	166,113	106,612	0	0	173,618

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	
	30-09-2022	31-12-2021	30-09-2022	31-12-2021
Railway gft	81	174	135	2,922
BPK Poznań	693	683	860	901
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	774	857	995	3,823

	Revenue		Purchases	
	Period ended		Period ended	
	30-09-2022	30-09-2021	30-09-2022	30-09-2021
Railway gft	2,594	303	8,453	5,671
BPK Poznań	406	380	1,015	1,972
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	2	2	0	0
Total	3,005	688	9,468	7,643

	Advanced loans		Financial income (interest on loans)	
	Balance at		Period ended	
	30-09-2022	31-12-2021	30-09-2022	30-09-2021
Railway gft	3,000	3,000	185	27
BPK Poznań	550	572	33	11
RTI	0	0	0	0
RTI Germany	0	0	0	5
Wiesław Nowak	0	0	0	0
Total	3,550	3,572	218	43

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:

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

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

- Purchase of materials used to build and repair tracks;
- Design services; and
- Re invoicing of costs.

On 19 June 2022, ZUE and BPK Poznań signed an annex to the loan agreement of 11 February 2020 whereby the repayment date was extended until 20 December 2022.

ZUE acquired 400 newly created shares in RTI with the total nominal value of PLN 20 thousand on the basis of the notarial deed of 13 July 2022. The shares were paid up in cash.

On 26 July 2022, the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 300,000 to PLN 1,000,000 through the creation of 7000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 700,000 were proportionally acquired by the existing shareholders. The change was entered into the National Court Register.

On 5 October 2022, after the end of the reporting period, ZUE and BPK Poznań signed the special-purpose loan agreement. The loan of PLN 365 thousand should be repaid by 15 November 2022. The loan was repaid in full with interest.

On 20 October 2022, after the end of the reporting period, ZUE and RTI signed the special-purpose loan agreement. The loan of PLN 325 thousand should be repaid by 20 December 2023. The loan was disbursed on 21 October 2022.

On 28 October 2022, after the end of the reporting period, ZUE and Railway gft signed an annex to the loan agreement 6 August 2020 whereby the repayment date was extended until 31 March 2023.

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 2022 is PLN 17,945 thousand.

Remuneration of key management personnel

No major changes to remuneration of key management personnel occurred in the reporting period.

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 system.

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 2022 or 31 December 2021.

The inspection of the corporate income tax for 2018 commenced at the Company on 7 February 2022. No information about any reservations made by the inspecting authority is available at the date of approval of this report.

2.5.7. Contingent assets and contingent liabilities

Contingent assets

	30-09-2022	31-12-2021
Bonds	87,073	87,878
Promissory notes	12,104	6,917
Pledges	0	300
Total	99,177	95,095

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.

Contingent liabilities

	30-09-2022	31-12-2021
Bonds	547,367	505,851
Guarantees	17,945	14,291
Promissory notes	235,428	287,551
Mortgages	126,529	81,529
Pledges	138,294	145,172
Total	1,065,563	1,034,394

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 customers are secured by promissory notes.

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

Registered pledges were established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A., mBank S.A. and CaixaBank. The pledged assets include wagons, pile driver, maintenance train and engine.

There is also 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 at 30 September 2022 or 31 December 2021.

2.5.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the reporting period or the 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 2.14: 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

On 3 March 2022, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2021 of PLN 12,141 thousand in the following manner:

- 1) the part of the net profit for the financial year 2021 of PLN 3,415 thousand would be paid as dividend (PLN 0.15 per share);
- 2) the remaining balance of the net profit for the financial year 2021 of PLN 8,726 thousand would be allocated to reserve funds.

The Company's Supervisory Board gave a favourable opinion on the recommendations on 7 April 2022.

On 31 May 2022, the Ordinary General Meeting of ZUE S.A. passed the resolution on distribution of the Company's profit for the financial year 2021 whereby the dividend for 2021 of PLN 0.15 per shares was paid to the Company's shareholders. The shareholders' right to the dividend was determined as at 9 June 2022. The date of the dividend payment was set as 22 June 2022. The dividend was paid according to the resolution.

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 2022 as endorsed by the European Union.

The separate financial statements for the nine months ended 30 September 2022 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 2022:

- **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" and illustrative examples of IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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

Standards and interpretations 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:

- **IFRS 17 "Insurance Contracts" and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1: "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 "Accounting Principles (Policies), Changes in Accounting Estimates and Errors"** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 12 "Income Taxes"** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 17 "Insurance Contracts"** – first application of IFRS 17 and IFRS 9 – comparative information (effective for annual periods beginning on or after 1 January 2023).

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

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to 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 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);
- **Amendments to IFRS 16 "Leases"** – Lease Liability in Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

2.6.2. Important accounting principles

2.6.2.1. Going concern

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

In the nine months ended 30 September 2022, the Company recognised the sales revenue of PLN 570m and the gross profit on sales of PLN 21.7m. As at 30 September 2022, the Company presented the total current assets of

PLN 380.7m, including trade and other receivables of PLN 136m and the cash of approx. PLN 14.3m. At the end of the reporting period, the Company had the backlog worth approximately PLN 1,502m and was in the process of winning new contracts.

Accordingly, the Management Board of the Company state that there are no significant going concern risks at the date of preparation of this report, no economic circumstances have occurred or 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 data

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

In this report, "Assets held for sale" were reclassified to "Investment property" after the real estate in Poznań had not been sold. Despite the extension of time, the transaction has not been completed due to the circumstances beyond the Company's control.

Previously, the Company presented "Lease liabilities associated with assets held for sale" separately in the statement of financial position. In these financial statements, the liabilities were presented in "Lease liabilities."

2.6.2.4. Applied accounting principles

These quarterly separate financial statements for the nine months ended 30 September 2022 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 2021. The financial statements for the financial year ended 31 December 2021 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.)

Valuation 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 income 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.

In the reporting period, discounts rates were verified and adjusted to the current market situation.

3. Approval of the condensed consolidated and separate financial statements

These condensed consolidated and separate financial statements for the nine months ended 30 September 2022 were approved for publication by the Management Board of ZUE on 16 November 2022.

4. Signatures

The financial statements have been prepared by:

Marzena Filarek – Chief Accountant

Signatures of the management personnel:

Wiesław Nowak – Management Board President

Anna Mroczek – Management Board Vice-President

Jerzy Czeremuga – Management Board Vice-President

Maciej Nowak – Management Board Vice-President

Marcin Wiśniewski – Management Board Vice-President

Cracow, 16 November 2022