



Management Board Report on the Activities
of the Parent Company ZUE S.A. and ZUE
Capital Group for 2022

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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 627,500 paid up in full. Subsidiary of ZUE.
Energopol	Przedsiębiorstwo Budownictwa Inżynieryjnego ENERGOPOL Sp. z o. o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000042724, share capital of PLN 2,200,000 paid up in full. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period: ZUE, BPK Poznań, Railway gft, RTI, Energopol.
PLN	Polish złoty.
EUR	Euro.
RON	Romanian leu.
Act	Polish Companies Act (Journal of Laws of 2022, item 1467).

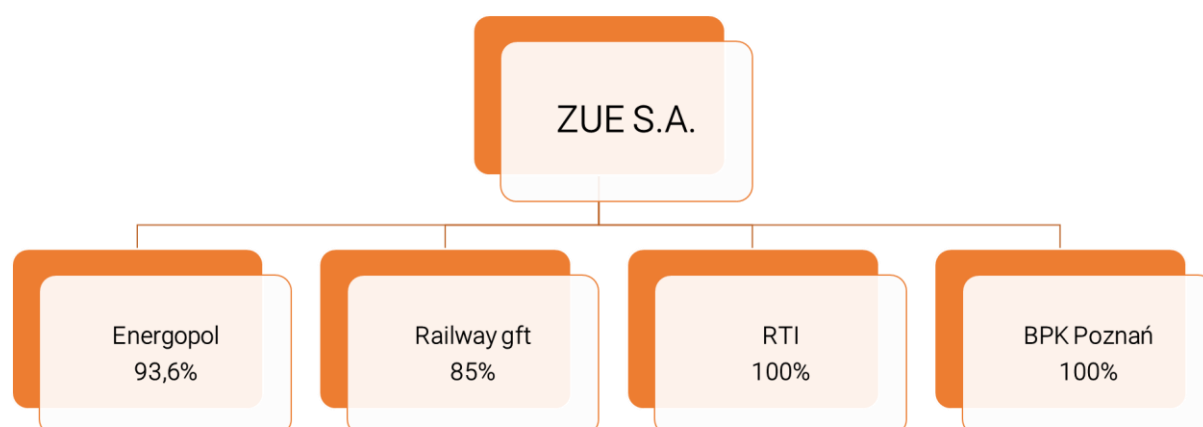
Share capital details as at 31 December 2022.

OPERATIONAL INFORMATION – NON-FINANCIAL INFORMATION

1. Organisation of the Capital Group

1.1. Structure of the Capital Group

Structure of the Capital Group as at 31 December 2022 and at the date of approval of this report.



ZUE S.A. is the **parent company** of the Capital Group. The Company has been incorporated on 1 June 1991 and operated in its current legal form since 20 May 2002. The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow XI Commercial Division of the National Court Register under entry no. KRS 0000135388. The share capital of PLN 5,757,520.75 has been paid up in full.

Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. has been established on 15 June 2009. Poznań is the company's registered office. The company has been registered with the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry no. KRS 0000332405.

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

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

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

On 28 October 2022, 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 enable the coordination of the Company's operations on the Romanian market.

The companies within the Capital Group have been incorporated for indefinite period. The financial statements of the consolidated subsidiaries have been prepared for the same reporting period as the parent company using consistent accounting policies. The parent company and the subsidiaries use a calendar year as their financial year.

Companies consolidated with a full method in 2022:

- | Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.
- | Railway gft Polska Sp. z o.o.

Full consolidation was also used for Energopol (the company's financial results for December 2022).

ZUE has the power to govern the financial and operating policies of BPK Poznań, Railway gft and Energopol because as at 31 December 2022, it held a 100%, 85% and 93.6% interest, respectively, in the companies.

As at 31 December 2022, ZUE held 100% of shares in Railway Technology International Sp. z o.o. (RTI). Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, RTI was not consolidated.

1.2. Changes in the structure of the Parent Company and the Capital Group in 2022 and their consequences

On 23 November 2022, the Company acquired 206 Energopol shares for PLN 3,296,000. The shares acquired by the Company represent 93.6% of the share capital of Energopol and 93.6% of the voting rights at the shareholders meeting of Energopol. The transaction was financed by the Company with own resources. Consequently, ZUE gained control of Energopol on 23 November 2022 and Energopol became a subsidiary.

2. Activities of the Capital Group

2.1. Business model

The Group operates in the three aggregate operating segments:

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

Construction activities mainly include:

- | **Urban infrastructure**, including:
 - o 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;
 - o Maintenance of tram and street lighting infrastructure.
- | **Rail infrastructure**, including:
 - o Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, power lines, stations and civil structures.



Energopol joined the Group in November 2022. The company's focus is on road works, bridge and road structures, reinforced concrete structures, hydrotechnical and water and sewage projects.

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 concerning urban and rail transport systems complement 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.

2.2 Principal place of business

Cracow is the registered office of ZUE, Railway gft, RTI and Energopol. Poznań has its registered office in Poznań. The Group operates mainly on the Polish market. In the second half of 2022, ZUE won the construction contracts on the Romanian railway market. The contracts will be carried out from 2023. Previously, the Company performed the construction contracts in Slovakia.

In 2022, the Group carried out urban infrastructure contracts in such cities as Szczecin, Gorzów Wielkopolski, Grudziądz, Warsaw, Dąbrowa Górnicza, Poznań or Cracow where, apart from construction works, it performed the tram and lightening infrastructure maintenance contracts. ZUE is also involved in the maintenance of tram infrastructure in Wrocław.

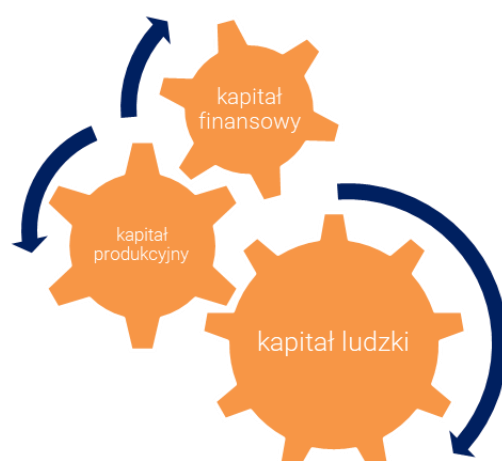
The Group executes rail infrastructure projects across the country. In 2022, the biggest rail contracts were performed in such regions as Rusiec Łódzki – Zduńska Wola Karsznice – Chorzów Batory – Maksymilianowo, Żychlin – Barłogi, Skarżysko Kamienna – Sandomierz, Częstochowa – Zawiercie, Sucha Beskidzka – Chabówka – Zakopane, Trzebinia – Czechowice Dziedzice.

2.3 Chain value

The largest portion of the Group's revenue is derived from the comprehensive performance of urban and rail infrastructure construction contracts. Revenue from construction contracts is mainly generated by the construction and modernisation of rail and tram tracks, tractions and other related infrastructure. These are complex projects of social significance and require a professional contractor and several other factors to deliver a top quality product according to the needs of an investor. A number of key factors and values are involved for the Group to meet the high expectations of its customers.

The key factors:

Financial capital, production capital and human capital



Human capital is the collective experience, knowledge and work of the people employed by the Group and the ethical values they hold. Human capital is developed through the activities undertaken to ensure the employees' self-fulfilment and development, e.g. through trainings. Safety at work is equally important.

Production capital mainly includes specialist equipment necessary to carry out construction works. The equipment base is expanded on a regular basis to meet the demands. Production capital also includes the buildings and infrastructure owned by the Group.

Financial capital is the funds necessary to carry out contracts such as cash held by the Group, credit lines, loans or bond lines.

The Group performs the contracts using its experience and know-how about the effective contract performance, including tested internal regulations and procedures, in order to provide its customers with a maximally efficient final product.

All construction contracts require the Issuer (as the contractor) and the Issuer's subcontractors to carry out their projects with respect for the natural environment according to the applicable laws (especially environmental decisions and environment protection plans relating to the projects). In addition, contracts contain the clauses dealing with safety at work.

Other contracts with counterparties do not contain any clauses dedicated to the abovementioned issues other than following from the applicable laws.

Contracts with counterparties do not contain any human rights clauses (including clauses on working children or forced labour). Certain contracts with counterparties deal with ethical issues. Contracts with subcontractors, suppliers, service providers and other major contracts contain corruption clauses.

3. Sales markets

In the reporting period, the Group continued its construction, design and sales activities. The Group's sales markets reflect the segments and the scope of the activities discussed in item 2.1.

The table below sets out the biggest contracts performed in 2022:

Contract	Contracting authority	Status	Contract value as at 31.12.2022 (PLN '000)
Preparation of design documentation and completion of construction works in connection with the project named: LOT D – Works on the railway lines no. 131, 542 and 739 of the Rusiec Łódzki (km 137.500) – Zduńska Wola Karsznice (km 170.212) section as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-14 "Works on the railway line C-E 65 of the Chorzów Batory – Tarnowskie Góry – Karsznice – Inowrocław – Bydgoszcz – Maksymilianowo section."	PKP PLK S.A.	In progress	576,048

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.	In progress	462,530
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.	In progress	418,743
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.	In progress	308,701
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.	In progress	303,050
Design and construction services in connection with the project named: "Construction of the Annopol depot."	Tramwaje Warszawskie sp. z o.o.	In progress	266,301
Reconstruction of the tramway track and traction in the Nabrzeże Wieleckie, Nowa, Dworcowa, Kolumbia, 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.	In progress	215,502
Reconstruction of the tramway track together with OCL network from the Żołnierza Square to the Niebuszewo terminus along the Żołnierza Polskiego Square – the Matejki Street – the Piłsudskiego Street (to the Rodła Square).	City of Szczecin	In progress	156,687
Maintenance and repair of tram infrastructure in Cracow in 2022-2025.	City of Cracow	In progress	120,719
Construction works in connection with the following project: "Construction of multimedia terminal in Zduńska Wola – Karsznice."	PKP Cargo Terminale Sp. z o.o.	In progress	99,990
Preparation of design documentation and completion of construction works as part of "design-build" project in connection with the Infrastructure and Environment Operational Programme (IEOP) 5.1-16 "Improvement of capacity of E 20 railway line of the Warszawa – Kutno section, Stage I: Works on the railway line no. 3 of the Warszawa – the Łowicz Local Traffic Control Centre (LCS) section."	PKP PLK S.A.	In progress	91,824
Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow and additional contract.	Zarząd Dróg Miasta Krakowa	In progress	84,802
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.	In progress	77,955

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	In progress	75,840
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.	In progress	69,615
"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	In progress	65,555
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	In progress	58,731
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	In progress	57,167
Provision of design services and completion of construction works in connection with the following project: "Construction of the Czarna - Włoszczowa Pln. railway line no. 582."	PKP PLK S.A.	In progress	47,932
Works on the E59 railway line, the Dobiegniew – Słonice section – OCL network.	Strabag Sp. z o.o.	In progress	47,418
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.	In progress	37,468
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.	In progress	22,924
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	In progress	21,287
Maintenance of tram lines and switches in Wrocław.	Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o. of Wrocław	In progress	18,576

ROMANIA			
"Quick Wins" – works carried out in C.F. Braşov area (17 Lot)	"C.F.R." S.A. – C.F. Braşov Regional Branch (Romania)	In progress	142,200
"Quick Wins" – works carried out in C.F. Cluj area (45 Lot)	"C.F.R." S.A. – C.F. Cluj Regional Branch (Romania)	In progress	342,872

* Contracts whose net value exceeds PLN 15m.

Design services relating to urban and rail transport systems are provided to both investors and companies which execute "design-build" projects. The biggest customers of BPK Poznań in the reporting period included PKP Polskie Linie Kolejowe S.A., MGGP S.A. 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. In 2022, the major customers of Railway gft other than the group included ALUSTA S.A. and Vossloh Cogifer Polska Sp. z o.o.

4. Customer profile

The structure of the Group's customer base reflected the nature of the services provided by the Group as a result of tenders and/or trade negotiations. In 2022, the companies within the Group operated as standalone contractors, consortium members or leaders, and, for some projects, as subcontractors.

Most of the contracts performed by the Group were awarded to it as a result of procurement processes. PKP Polskie Linie Kolejowe S.A. was ZUE's major customer in 2022. The company's share in ZUE's total sales revenue in 2022 was about 49%. There is no formal link between ZUE and PKP Polskie Linie Kolejowe S.A.

Other customers of ZUE mainly include self-government units such as urban infrastructure managers.

No company to which sales or design services are provided exceeded 10% of the consolidated sales revenue in 2022.

No ethical audits were carried out at the request of customers in 2022.

5. Supply sources

ZUE cooperates with the Polish suppliers of construction services, goods and materials and complements their offer with the materials provided by the EU suppliers. The Company cooperates with the suppliers depending on actual needs according to the rules of market competition.

No supplier of goods or services exceeded 10% of the Company's sales revenue in 2022.

The purchase of materials directly by Railway gft, a subsidiary, accounted for 1.29% of the materials and services purchased by ZUE and 11.3% Railway gft.'s sales volume.

No ethical audits, environmental audits or audits concerning occupational health and safety, human rights, forced labour or children's work at suppliers were conducted in 2022 at the request of the Company.



6. Backlog

The construction contracts performed by ZUE are the biggest item of the Group's backlog.

At the date of preparation of this report, the total value of the Group's backlog is PLN 1,832m including the contracted construction and assembly works performed by ZUE with the total net value of PLN 1,802m. It provides the Group with an ability to carry out the works in the period 2023-2024. As for design services, the net

value of the signed contracts scheduled for performance in 2023-2024 is PLN 58.8m. The backlog relating to the supply of materials and equipment by Railway gft in 2023-2024 is worth PLN 19.6m (net). The backlog of Energopol, construction company, is worth PLN 1.5m.

The value of the signed new construction contracts in 2022 is about PLN 899m, including the contacts of approximately PLN 462m signed in Romania. The Issuer participates in tender procedures for both railway and urban contracts in Poland and Romania.

7. Regulatory environment

The activities conducted by individual companies within the Capital Group require them to observe certain regulations which have a status of the national law (e.g. environmental protection acts and regulations, employment law, tax law or construction law) or result, to a certain extent, from investors' expectations of the Group as the entity cooperating with public companies. As regards the said expectations, the companies are obliged to observe (regardless of the documents which specify the construction work standards) the provisions of contracts, instructions and guidelines of investors binding on ZUE and relating to such issues as communication, waste management, safety or impact on fauna and flora in project execution areas.

No fines were imposed in 2022 on the Group companies in connection with any failure to conduct their activities according to the laws governing social and employee issues, the protection of natural environment, respect of human rights or counteracting corruption. Likewise, no proceedings were instigated in 2022 in connection with the companies' violation of the abovementioned laws.

8. 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 production and distribution market.



In the long-term perspective, the principal aim of the Group is to improve and develop the services provided by the Group in connection with the service and maintenance of urban and rail infrastructure.

The Issuer predicts that the strategic objectives will be pursued mainly through the organic growth and the Company states that other companies may be acquired in the future.

In 2022, the Issuer's focus was on winning new construction contracts and proper performance of previously signed contracts. The Group also aimed to achieve geographical diversification by offering its services in other European countries.

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

9. Development prospects

The railway and urban infrastructure projects (especially tramway projects) are the main source of the Group's income. Construction works are carried out mainly in the territory of Poland. In the second half of 2022, ZUE won the construction contracts on the Romanian railway market and the contracts will be performed from 2023.

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.

Polish rail infrastructure market

The European Commission released the Sustainable and Smart Mobility Strategy in 2020. Its principal aim is to reduce transport-related emissions of CO₂ 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.

Principal aims of the Strategy directly or indirectly related to railways:

- | Doubling of the **high-speed train network** throughout Europe;
- | **Carbon neutral collective travel for journeys under 500 km**;
- | Climate neutrality for 100 European cities;
- | Introduction of automated transport on a large scale

by 2030

and

- | Doubling of the rail freight traffic;
- | **Fully operational Multimodal Trans-European Transport Network (TEN-T) equipped with sustainable and smart transport with high-speed connectivity**¹

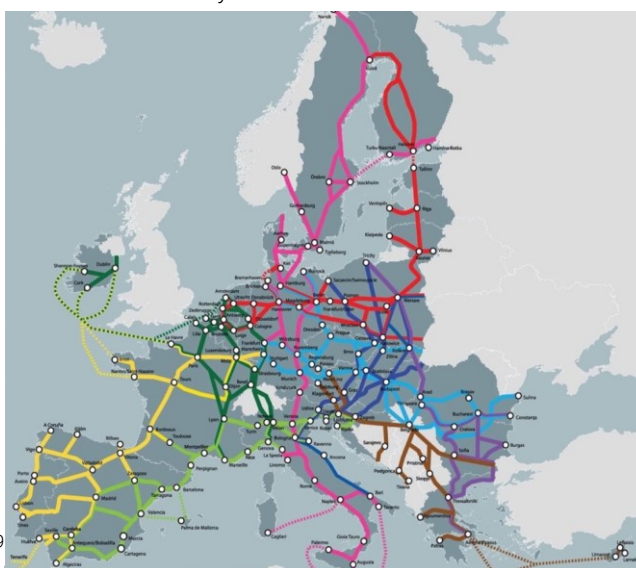
by 2050.

Achieving the above goals requires significant investment outlays in railway infrastructure. Pursuing this strategy depends on the availability of funds from which Member States can obtain the financing they need to modernize their railway networks. In the case of the years 2021-2027, these funds will primarily come from the National Reconstruction Plan, the "Connecting Europe" programme, FENIKS and EFEP (the European Funds for Eastern Poland).

The Polish rail transport system consists of approximately 19,400 km of railway lines, approximately 25,000 engineering facilities and approximately 14,500 buildings (platforms, shelters, etc.). In terms of line length, it is the 5th largest network in Europe (including Russia) and the 15th in the world. In Poland, 46% of railway lines are double-track lines, and 63% of lines are electrified. Polish railways are poorly equipped to handle high-speed passenger transport. Only 2% of lines in the country can support speeds above 160 km/h, and about 14.5% of lines can handle speeds of between 120 and 160 km/h. The percentage of lines along which trains cannot achieve speeds of more than 60 km/h remains high, i.e., approx. 22% of the entire system.²

TEN-T is a trans-European transport network comprising rail, road, air, sea and river routes, which are the most important connections from the point of view of EU development, as well as nodal infrastructure, such as sea ports, airports, and inland ports as well as road-rail terminals. Within the framework of TEN-T, 4 priority projects run through Poland, including 2 railway projects:

- | The Gdańsk–Warsaw–Brno/Bratislava–Vienna railway axis;
- | The "Rail Baltica" Warsaw–Kaunas–Riga–Tallinn–Helsinki railway axis.



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

² Report by the Office of Rail Transport on the rail transport market in 2021

In 2021, TEN-T was expanded to include the E 30 main line and the planned high-speed Warsaw - Wrocław / Poznań line. The EC also proposes incorporating within TEN-T two further projects: the construction of a HSR line from the Tri-City to the planned Central Communication Port, and the modernization of the Bydgoszcz-Tri-City³ railway line. TEN-T projects should meet the set requirements by 2030, which will require capital expenditures.

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

The key objective of the NRP is to strengthen the role of rail transport in the national integrated transport system through development of a coherent and modern railway network. An average speed of freight trains in Poland is approximately 30 km/h. In contrast, the average figure for the EU countries is approximately 50 km/h, with about 60 km/h for Germany and France. Compared with developed countries of the European Union, the Polish rail infrastructure calls for significant expenditures.

The table below sets out the key objectives of the NRP and the work already completed under the programme.

Objective	Indicator	Measurement unit	Completion as at 31.12.2021	Target (2023)
Strengthening of the role of rail transport in the national integrated transport system	Length of reconstructed railways (track km)	Km	5,770	9,000
Enhancing of the rail transport efficiency	Length of railway lines with passenger train speeds above 160 km/h	Km	296	350
Improvement of the rail transport safety	Length of railway lines fitted with ERTMS/ETCS	Km	884	2,000
Improvement of the passenger and freight transport quality	Average speed of freight trains on the PKP PLK network	km/h	30	40
	Number of provincial capitals connected by the upgraded lines with the average speed of passenger trains at least up to 100 km/h	Number	10/18	18/18

Source: Resolution no. 146/2022 of the Council of Ministers dated 30 June 2022 on the approval of the report on execution of the National Railway Programme until 2023 in 2021.

An important objective of the NRP is to increase the capacity of infrastructure serving sea ports in Gdańsk, Gdynia, Szczecin and Świnoujście. The investments in port infrastructure will increase the network capacity, improve the competitiveness of freight transport and shorten the time of freight transport as a result of which the significance of the Polish ports will increase.

Projects are also executed as part of the NRP to improve the rail transport in large urban areas. The expenditures on railway infrastructure in large urban areas will allow strengthening the alternative to road transport and building integrated transport hubs and new stations. The integration of urban and railway transport will facilitate commuting to work and school as well as improve the attractiveness of the urban public transport.

³ <https://intermodalnews.pl/2021/12/16/nowe-korytarze-transportowe-i-przyspieszenie-inwestycji-ke-zaprezentowala-nowelizacje-dyrektywy-ten-t/>

Another important railway programme is the governmental *Kolej plus* programme worth PLN 13.2bn. The programme is scheduled for completion by 2029.

Kolej plus involves:

- | 10 line restoration projects with the total length of approximately 315 km;
- | 14 line reconstruction or extension projects with the total length of approximately 516 km;
- | 7 new line construction projects with the total length of approximately 189 km; and
- | 3 documentation projects concerning approximately 183 km of railway lines.⁴

The first tender as part of the *Kolej plus* programme was announced in September 2022.

One major project is the completion of the Central Communication Port (CCP). This concept envisages a transport hub based on integrated elements - air and rail connections. The central port (airport) itself will form the nucleus of an enhanced national railway system.

A diagram of the Polish railway network illustrates differences in rail density between the western and eastern parts of the country. This is a legacy of the Partitions, during which the Prussian and Austrian authorities embarked upon much more intense railway construction in the Polish lands under their control than their Russian counterparts. This factor has had a negative impact on economic life in the east of the country (there are large areas with limited or no access to public transport) as well as on strategic flows between eastern and western regions. It has also had a debilitating effect on the international transit of goods, including intermodal freight transport and deliveries through Eurasian corridors.



One of the assumptions behind the project is to ensure that CCP can be reached by train from major Polish urban centres within 2-2.5 hours at a target speed of 250 km/h along key sections. Turning this vision into reality will entail constructing 12 new railway lines. There will be in total 30 investment projects for about 2000 km of new railway lines. The first CCP construction tender was announced in November 2022. At present, CCP is preparing technical, economic and environmental studies for about 1,300 km of new railway lines.⁵

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. The estimate cost of the CCP rail component is approximately PLN 90bn and a vast portion of the amount will be spent by 2027.⁶

PKP PLK estimates combined investment needs in railway infrastructure of approximately PLN 300bn a significant amount of which will be incurred by 2030.⁷

⁴ <https://www.gov.pl/web/infrastruktura/rzadowy-program-kolej-dla-wielkopolski>

⁵ <https://www.nakolei.pl/cpk-z-pierwszym-przetargiem-budowlanym-w-2023-roku-ma-ruszy-budowa-tunelu-kdp-pod-lodzi/>

⁶ <https://polskiprzemysl.com.pl/budownictwo/budownictwo-kolejowe-w-polsce/>

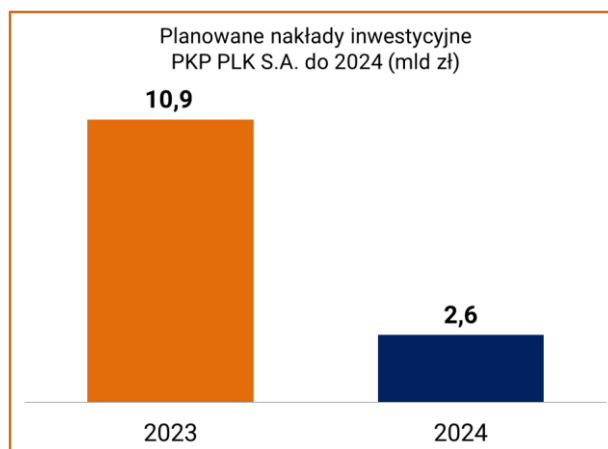
⁷ <https://www.rynek-kolejowy.pl/mobile/trako-2021-oczekiwania-przed-nowa-perspektywa-104659.html>

Despite economic problems in 2022 caused by the pandemic and the effects of the war in Ukraine, the NRP and the CCP are currently at different stages of development. Advanced construction work is under way as part of the NRP, while the railway component of the CCP is currently at the conceptual and planning stage aimed at the completion of the project. In 2022, PKP PLK announced new tenders for a total amount of approximately PLN 18bn. According to the information provided by the Ministry of Infrastructure, 2023 should see the announcement of tenders with a total value between PLN 15-20bn.⁸

Do wykresu: Planned capital expenditures of PKP PLK S.A. until 2024 (PLN billion).

Proszę zamienić przecinki na kropki.

Source: Resolution no. 146/2021 of the Council of Ministers dated 30 June 2022 on the approval of the report on execution of the National Railway Programme until 2023 for 2021.



Urban infrastructure market

Urban rail transport is one of the best examples of ecological and effective transport. Over the last few decades, more and more cities in Europe have decided to develop this form of public conveyance. The largest number of investments of this type are located in France, where most cities with more than 100,000 citizens already have their own tram networks. In Poland, Olsztyn has decided to develop its own completely new tram system.

At the present time, 15 urban centres in Poland have functioning tram services. The total length of these tram routes is approx. 900 km. The largest tram networks are located in the Silesian Agglomeration, Warsaw, Łódź and Cracow. Virtually all urban centres have developed or are planning to develop light rail systems by modernizing lines and building new ones.

The draft *FENIKS* (the EU Funds on Climate, Infrastructure and Environment) programme for 2021-2027 was published in October 2022. Under the programme, EUR 2bn will be spent on the development of urban transport in Polish cities, out of which EUR 1.44bn will be spent 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.



Indicators within the *FENIKS* programme:

- | The length of the completed subway lines is expected to be 3.4 km by 2029;
- | The length of the new tram and subway lines is expected to be 98 km by 2029 (including 5 km in 2024);
- | The length of the reconstructed tram and subway lines is expected to be 126 km by 2029 (including 6 km in 2024); and
- | The number of cities with new or upgraded digital transportation systems is expected to reach 9 by 2024.⁹

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

⁸ <https://kolejowyportal.pl/mi-w-2023-r-pkp-plk-planuja-oglosic-przetargi-o-wartosci-15-20-mld-zl/>

⁹ <https://www.transport-publiczny.pl/wiadomosci/feniks-2-mld-euro-na-transport-w-polskich-miastach-75576.html>

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).¹⁰ 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 29bn 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. Romania effectively uses the EU funds to modernize its railways as a result of which a significant number of projects have been launched to upgrade the infrastructure.

In 2022, the Company and the Romanian consortium member won the construction contracts for the upgrade of the Romanian railway lines with the total amount of approximately PLN 0.96bn, out of which 50% is attributable to ZUE. In addition, ZUE's branch was established in Romania.

10. Factors believed by the Issuer to have an influence on the Issuer's and the Group's development

The factors believed to have an impact on the Group's financial results include:

- **Untimely settlement of liabilities to the Group by Contracting Authorities**

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

- **Delays or unfavourable outcome of tenders the Group participates in**

A risk related to the terms and procedures of public tenders is specific to the industry the Group operates in. Tender participants have the right to appeal against illegal appointment of a contractor by a contracting authority or to appeal to the court against the decision issued by the authority hearing the appeal made in public procurement proceedings. The announcing of tenders or awarding contracts by contracting authorities may be delayed. Consequently, the date of signing contracts with investors may be substantially postponed both on the urban and railway infrastructure market. These events could have a negative influence on the Group's financial results.

Lengthy procurement procedures result in additional costs, a risk of increase in the prices of goods and services and uncertainty over the outcome or cancellation of the procedure. Signing a contract at a later date may make a project execution conditional on weather conditions because certain projects must not be executed in low temperatures or heavy snow or rain fall. Project execution may also be conditional on other factors such as the date of closing the tracks by the contracting authority or the dates on which trees and bushes can be cut down. A long time between the submission of tender and the conclusion of contract may also cause the expiry or non-extension of offers made by subcontractor or suppliers as a result of which the prices of their products and services may increase. For these reasons, a part of the Group's planned revenue may be transferred from the current to the next financial year.

The growing costs of contract performance may contribute to the cancellation of tender procedures because the submitted tenders go over the cost estimates prepared by investors.

¹⁰ Eurostat data.

- **Unstable prices of raw materials and liquid fuels**

The Group's construction activities involve the use of products and raw materials such as concrete, aggregates, asphalt, steel elements (including HV tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact wires) and, given a big number of machines, liquid fuels (including diesel oil and petrol). Different fees levied on materials, for instance duty, may also contribute to the increase in prices. Due to the fluctuating prices of these materials, the Group companies are exposed to price risk. The prices of raw materials and liquid fuels are also indirectly adversely affected by the war in Ukraine.

- **Higher fees charged by subcontractors**

When performing its contracts, the Group subcontracts certain construction and assembly tasks to specialised companies. The increase in remuneration relating, *inter alia*, to the increase in minimum pay entails a risk relating to the estimation of costs incurred by subcontractors and, consequently, has a direct influence on the fees charged by subcontractors. This has a negative impact on the Group's financial results. A dynamic growth in the number of executed projects may have a negative influence on the Group's ability to engage certain subcontractors and may contribute to the increase in fees charged by them.

- **Unstable foreign exchange rates**

The Group purchases certain imported products in foreign currencies, which entails a foreign exchange risk. This may have a positive or negative impact on the Group's financial results. In addition, although PLN-denominated, certain products purchased from entities operating in Poland are also indirectly exposed to foreign exchange risk as the risk is transferred from a supplier-importer to the Group companies.

- **Outcome of court proceedings**

The Group companies are the parties to the court proceedings concerning both their claims and liabilities. The outcome of these proceedings may have an impact on the financial results reported by the Group.

11. Risks believed by the Group to have influence on the Group's future results

- **Risk related to financial liquidity in the construction sector**

A large number of performed contracts and common problems relating to the growth of costs have contributed to the increase in credit risk for construction companies. Banks and credit security institutions have tightened the terms of insurance and financing. Long acceptance procedures accompanied by the obligation to pay subcontractors within 30 days make companies use considerable resources to finance ongoing operations. The situation is made worse by unpaid materials waiting to be developed.

- **Risk related to logistics**

A risk of both rail and road contracts being performed at the same time and in the same area may limit transport capacity and result in higher fees for transport services.

- **Risk related to the failure to deliver construction sites by the dates specified in contracts**

The construction contracts entered into by the Group provide for the exact completion dates. If a contracting authority fails to deliver the site in a timely fashion, works may accumulate as a result of which tasks can fail to technologically match each other or deadlines specified in a contract can be missed through no fault of the Group. This may have a negative result on the Group's financial results.

- **Risk related to obtaining administrative decisions, ability to appeal against administrative decisions and third parties' activities influencing the Group's design or construction services**

The Group sometimes needs to obtain administrative decisions required to execute certain projects. Such decisions are specified, *inter alia*, in the Construction Law, Code of Administrative Procedure or Environmental Protection Law. One cannot exclude the possibility of a failure to obtain such decisions or to avoid lengthy procedures. A risk of third parties' failure to complete or timely complete the tasks necessary for the Group companies to begin their projects may also occur. These factors could lead to the failure to execute or timely execute the construction projects and, consequently, have a considerable impact on the Group's financial results.

- **Risk related to inaccurate estimate of costs of planned and performed contracts**

A risk of inaccurate estimate of contract costs may occur, for instance, in the case of flat-rate services necessary to perform a contract, which are difficult to identify at the stage of the preparation of tenders by the Group. In addition, the terms of reference may be interpreted differently by contractors and contracting authorities as a result of which additional works may have to be performed. In such a case, contracting authorities may refuse to pay contractors and the dispute will have to be dealt with by courts. This risk cannot be excluded and its occurrence could have a negative impact on the Group's financial results.

- **Risk related to joint and several liability to subcontractors and consortium members**

The Group engages subcontractors (including service providers or suppliers) to perform construction contracts and concludes consortium agreements. According to the Polish Civil Code and the Polish Public Procurement Act (and provisions of public procurement contracts), a contractor that has entered into a contract with a subcontractor is liable on a joint and several basis for the payment for the construction services provided by further subcontractors. In addition, consortium members are liable on a joint and several basis to a contracting authority for the proper performance of their obligations under public procurement contracts. Thus, the Group may be obliged to pay remuneration for works, services or supplies to further subcontractors (including service providers and suppliers) and be liable for a consortium member's failure to perform or duly perform their obligations under public procurement contracts. These risks may have a negative impact on the Group's financial results.

- **Risk related to improper contract performance by key counterparties**

In order to carry out orders and construction contracts, the Group enters into the contracts with suppliers, subcontractors, consortium members and investors. The contracts may be improperly performed by counterparties. For instance, tasks performed by a subcontractor may be faulty or in breach of a contract, or a justified claim may be dismissed by an investor. The occurrence of these risks may have a negative influence on the Group's financial results.

- **Risk related to bonds, contractual penalties and the related court disputes**

Construction contracts and work-for-hire contracts concluded by the Group provide for the obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or insurance companies. Moreover, contracting authorities expect longer warranty periods. These contracts also provide for contractual penalties if a deadline for the completion of the tasks specified therein is missed. The Group cannot exclude the risk of missing a deadline for the completion of construction contracts or work-for-hire contracts or the failure to meet the deadline for the completion of warranty works connected with the removal of defects. Thus, a contracting authority may exercise its right to use the bonds or demand contractual penalties or damages. In addition, the Group cannot exclude the risk of disputes related to the failure to duly or timely perform the contracts. The factors could have a negative impact on the Group's financial results.

- **Risk related to bankruptcy of counterparties**

One cannot exclude the risk of bankruptcy of the Group's counterparties. The Group may not be able to perform a contract or remove defects in a timely fashion following the bankruptcy of its subcontractors, suppliers or construction members as a result of which it may be obliged to pay contractual penalty or damages. It could also be liable on a joint and several basis for the payment to further subcontractors or the failure to perform a contract by a consortium member. In addition, it would have to cover the cost of the tasks or supplies, which have not been completed by a bankrupt. If the Group's client/contracting authority go bankrupt, the Group may not receive remuneration for the performed services. These factors could have a negative influence on the financial results reported by the Group.

- **Risk related to guarantee of payment for construction works**

According to the Polish Civil Code, a contractor commissioned by a company within the Group to execute a

construction project may at any time demand the payment guarantee from the company (its client) up to the amount of remuneration payable under a contract and other agreements. The failure to provide a satisfactory payment guarantee creates an obstacle to the completion of construction works through the fault of the Group. A contractor is then entitled to terminate a contract under Art. 649[4] §1 of the Polish Civil Code and demand its remuneration under Art. 639[4]§3 of the Polish Civil Code. Consequently, costs may increase and the execution of construction projects may be delayed or even made impossible. This could have a negative impact on the Group's financial position.

- **Risk related to change of law, including tax law**

Frequent amendments to and the lack of coherence or uniform interpretation of the law including, in particular, tax law entail a substantial risk related to the legal environment the Group operates in. In particular, tax authorities relying, for instance, on interpretations of the Minister of Finance may question the Group's tax settlements related to its transactions executed as part of its ordinary course of business or other transactions (for instance capital transactions). Consequently, changes of laws or their interpretation, which are disadvantageous to the Group, may have a negative impact on the Group's financial position.

- **Risk related to winning of new contracts**

The Group participates in public tenders and includes target contracts in its financial plans. A risk that a decision will be unfavourable or the tender will be cancelled by a contracting authority cannot be excluded. In addition, the announcing of tenders or awarding contracts by contracting authorities or the signing of contracts may be delayed. If the Group company participates in a tender together with a consortium member, it faces additional risk of the consortium member's withdrawal.

- **Risk related to growing competition**

The Group operates on the competitive market among companies from the rail and urban infrastructure construction and general infrastructure construction sector. These entities may strengthen their market position in the future when they acquire other construction and repair companies and gain new sources of finance. The Group's activity may also be influenced by the emergence of new competitors attracted by positive growth prospects for the Polish infrastructure construction industry. Growing competition on the markets where the Group operates may have a negative impact on the Group's revenue and margins and, consequently, adversely influence its financial results.

- **Risk related to awarding of contracts and exclusion from public tenders**

Pursuant to the Public Procurement Act, tender participants are able to appeal against illegal appointment of a contractor by a contracting authority or to appeal to the court against the decision issued by the authority hearing the appeal made in public procurement proceedings. Consequently, the date of signing a contract with an investor may be substantially postponed. Moreover, the circumstances may occur in which the Group could be excluded from tender procedure on the terms specified in the Public Procurement Act. Such events could have a negative impact on the Group's financial results.

- **Risk related to the EU funding of railway projects**

The long-term National Railway Programme until 2023 (the "NRP") sets out the financial terms and the Poland's objectives concerning the execution of railway projects until 2024. PKP PLK SA finances NRP with considerable use of the European Union funds. However, political changes in the European Union as well as disputes between Poland and the EU and the related delays in the awarding of funds may influence the initial level of the funding of railway projects in Poland.

- **Risk related to obtaining funds for the performance of construction contracts as well as performance and bid bonds**

Given the current economic situation, there is a risk that both banks (credit facilities and bonding products) and

insurance companies (performance or bid bonds) will limit the availability of the sources of finance and other financial instruments, which may reduce the number and scope of operations.

- **Risk related to weather conditions**

The Group's construction tasks related to urban, power and rail infrastructure cannot be done in unfavourable weather conditions. Due to low temperatures in autumn and winter, many tasks have to be slowed down or even stopped to meet technological regimes. If unfavourable weather conditions continue for too long, the situation may have a negative impact on the Group's financial results.

- **Risk related to social and economic situation in Poland**

The Group's operation on the urban and rail infrastructure construction market is conditional on Poland's macroeconomic situation including, in particular, GDP growth rate, investments, inflation and unemployment rate and the level of the budget deficit. Any negative changes in Poland's macroeconomic situation may pose a risk to the Group's business activity and, consequently, influence its financial results.

- **Risk related to interest rates**

The Group is exposed to interest rate risk mainly because it uses such instruments as bank credits, loans and leases. These instruments are based on variable interest rates and expose the Group to financial risk.

- **Risk related to unstable margins**

Growing prices of materials, higher fees charged by subcontractors or higher salaries and wages for employees may be felt by entities delivering railway projects and influence original margins. The current system does not provide for the indexation of signed contracts as a result of which margins may become unstable.

- **Risk related to activities in Romania**

The Company carries out construction contracts in Romania. Therefore, the Issuer takes into account such factors as variable exchange rate (contracts should be accounted for in the local currency), different legal and institutional framework and specificity of the Romanian infrastructure construction market. These factors may influence the Group's performance.

- **Risk related to the impact of coronavirus on construction processes**

The occurrence of unpredictable and global factors such as the spread of virus may, in a short- and long-term perspective, upset the balance of global supply chain. This may lead to a number of difficulties including a slowdown in the local and global economy, problems associated with the supply goods and services or disrupted building materials production processes (limited supply). The number and scope of such events are difficult to assess.

The global COVID-19 pandemic (and other viral diseases) may have a negative influence on construction processes because administrative procedures may be slowed down or stopped. There is a risk that works carried out under certain construction contracts will be suspended.

The pandemic crisis may affect all parties of construction projects, namely contractors, subcontractors and contracting authorities.

Difficulties may also be associated with the absence or temporary exclusion of employees. During the pandemic, the Issuer took preventive measures to reduce the risk of infection among its employees and associates including remote work where possible, a different form of business meetings, comprehensive information about the activities whose aim was to reduce the risk of infection as well as the activities to be taken in case of infection and limited contacts with the employees who stayed in high risk areas.

- **Risk related to the war in Ukraine**

On 24 February 2022, Russia launched an invasion of Ukraine. The following factors may have a negative influence on the Polish economy and the construction industry:

- | 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;
- | Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs;
- | Possible migration of Ukrainian employees from Poland to Ukraine.

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

- **Risk related to greater employment costs**

Given the changeable economic conditions, the Group's aspirations for constant development, raising the quality of the provided services and insufficient number of employees practicing the professions which require proper licences, skills and experience, qualified staff may be difficult to find and the costs of employment may grow, which may influence the financial results of both ZUE and the entire Group. To reduce the risk, the Issuer undertakes the activities aimed at strengthening the relations with the Group's employees by offering benefits other than salaries and wages and providing opportunities for personal development at the Group.

- **Risk related to the outflow of qualified staff**

The combination of experienced technical and financial experts is the heart of the Company. The Issuer also employs the qualified staff who have both considerable experience and licenses required to design, build and assemble tram and railway infrastructure. Growing competition on the rail infrastructure market entails a risk that the key members of the Group's staff may change their employer. A restricted ability to find qualified staff may influence the completion of projects, the Group's development and strengthening of ZUE's market position.

- **Risk related to influence on natural environment**

The activities conducted by the Group companies require them to observe a number of environmental protection rules relating, *inter alia*, to emissions into the air, waste management, impact on groundwater or protection of flora and fauna in the project execution areas. These rules are imposed by both the common law and individual requirements of investors involved in certain projects. The Issuer takes measures to ensure full compliance with particular requirements by observing internal instructions and procedures included in the environment-related Integrated Management System.

- **Risk related to social issues and human rights**

A dispute may occur between the Issuer and the society (especially local communities) concerning a negative influence of the Issuer's operations or the violation of laws on the protection of human rights in the chain of supplies including the Group. Apart from financial consequences, if any, the dispute may result in serious damage of the Issuer's image which could have an impact on the Issuer's future relations with contracting authorities; i.e. entities which use public funds. Accordingly, activities are undertaken by the Group to eliminate, reasonably restrict or promptly remove the consequences of any negative influence. In addition, the conduct of activities with respect for human rights is the issue of key importance to the Group.

- **Risk related to corruption**

Sales and purchases are the areas at special risk of corruption. In addition, a considerable part of revenue generated by the Group comes from public funds. Therefore, the Issuer's cooperation with its major customers requires special attention and transparency. The Issuer has employed a number of solutions to reduce the risk of corruption including the Ethical Management Policy or the protection for whistleblowers.

The Management Board of ZUE believe that other entities operating on the same market experience the same situation. Accordingly, competitive entities do not gain advantage over the Company.

13. Risks related to climate and climate policy

- **Physical risk related to extreme weather events**

Weather phenomena which may influence the Group's operations:

- | Violent storms or gales and heavy rains may cause flooding at construction sites, disruption to traffic, damage to traction networks and disruption to the supply of utilities. They may also cause damage at construction sites and disrupt supply chains.
- | Heat may cause the overload of the power system and disrupt the supplies of electricity. This may lead work interruptions at construction sites and disruptions of supply chains. Heat may also make workers work shorter.
- | Fire may cause damage to the property of the Group or businesses operating within a supply chain.

- **Physical risk related to changing weather patterns**

Changing weather patterns in Europe such as temperature increases and limited rainfall entail a risk of a reduced amount of process water or groundwater, which may have a negative effect on construction processes. Long periods of high temperatures without rainfall may reduce working hours and cause health problems in people involved in construction processes.

- **Risk related to transition to zero-emission economy**

The current state of the climate, as well as forecasts of climate change in the future, necessitate the introduction of major changes in terms of the scope of decarbonisation in the economy and improvements in energy efficiency. As part of its climate and energy policy, the European Union has set a number of targets by 2030, such as reducing greenhouse gas emissions, increasing the share of energy from renewable sources and improving energy efficiency. The EU's next goal is to move towards climate neutrality in 2050. The above process will be connected, *inter alia*, with efforts to tighten energy efficiency requirements, as well as changes in the way in which fees are set for greenhouse gas emissions through the planned inclusion of other sectors, including construction, in the European emissions trading system (ETS).

The above factors, as well as the availability of low-emission technologies in the construction industry and actions taken by companies to reduce emissions, such as, for example, expenditure on modernizing vehicle fleets and machines, expenditure on green energy sources and the energy efficiency of buildings may translate into higher operating costs.

14. Influence of the coronavirus pandemic on the Group's activities

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 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 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

Below please find the factors which may influence the markets in which the Issuer operates and ZUE's activities in the next quarters should the state of emergency be declared again in Poland.

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.

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 and work had, to a certain extent, to be done remotely. These measures continued in 2022 until 16 May 2022 when the pandemic was officially rescinded. 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.

15. Influence of the situation in Ukraine on the Group's operations

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 has no assets in Russia, Belarus or Ukraine and does not conduct any activities in those countries.

The Company controls, on an ongoing basis, the safety of the 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 in 2022 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 Company's activities.

Below please find the factors which may influence the markets in which the Issuer operates and the Company'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.

16. 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 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)**

On 6 December 2022, the Consortium comprising the Company and Drum Asphalt S.R.L with registered office in Oradea (Romania) and State Railway Company “C.F.R.” S.A. – C.F. Braşov Regional Branch signed the contracts for the completion of particular stages of the railway project in Romania named: **“Quick Wins – Works relating to the removal of speed limits to restore the technical parameters of the track surface – SRCF BRAŞOV (completion), line no. 300, 17 Lot.”** The Company informed about the selection of the Company’s offer as the most economically advantageous tender in the current report 53/2022. The total net value of the signed contracts translated into the Polish currency at the contracts conclusion date is PLN 288m, out of which about 50% is attributable to ZUE. Project completion date: 18 months of the commencement of the works. **(Current report 62/2022)**

On 7 December 2022, the Consortium comprising the Company and Drum Asphalt S.R.L with registered office in Oradea (Romania) and State Railway Company - “C.F.R.” S.A. – C.F. Cluj Regional Branch entered into the package of contracts for the completion of particular stages of railway investments in Romania as part of “Quick Wins.” The total net value of the contracts translated into the Polish currency at the contracts conclusion date is approximately PLN 597.4m, out of which about 50% is attributable to ZUE. The Company informed about the submission by the Consortium of tenders in particular tender procedures and the selection thereof as the most economically advantageous tenders in the current reports 42/2022, 52/2022, 55/2022, 56/2022, 60/2022 and 61/2022. Project completion date: 24 months of the commencement of the works. **(Current report 63/2022)**

On 30 December 2022, the Company learnt about the selection by PKP PLK S.A. of the tender submitted by ZUE as the most economically advantageous offer 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 65 on the Będzin - Katowice Szopienice Pld. – Katowice – Katowice Piotrowice lines." The Company informed about the submission of tender as the most economically advantageous tender in the current report 49/2022. 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 64/2022)**

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)**

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. signed the loan agreement of up to PLN 30m. The loan will be used to finance the Company's day-to-day operations. **(Current report 58/2022)**

Corporate events

On 12 January 2022, the Extraordinary General Meeting of the Company dismissed Michał Lis from the Supervisory Board and appointed Agnieszka Klimas to the Supervisory Board. **(Current report 3/2022)**

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)**

On 23 November 2022, the Company and several dozen individuals (the Sellers) entered into the agreements for the sale of shares of P.B.I. ENERGOPOL sp. z o.o. with registered office in Cracow (ENERGOPOL). Under the agreements, the Company acquired 206 ENERGOPOL shares from the Sellers for the total amount of PLN 3,296,000. The shares acquired by the Company represent 93.6% of the share capital of ENERGOPOL and 93.6% of the voting rights at the shareholders meeting of ENERGOPOL. **(Current report 59/2022)**

17. Major events after the end of the reporting period

On 13 March 2023, the Company published the preliminary financial results for the financial year 2022. **(Current report 3/2023)**

18. Transactions with related parties

Transactions with related parties within the Group included typical transactions entered into on arm's length terms.

Sections 7.15 and 7.15, respectively, "Transactions with related parties" of the separate and the consolidated financial statements for 2022 contain detailed information about transactions with related parties.

19. Bonds and guarantees

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

Unused bond limit at the Group:

- | PLN 386,331 thousand (including PLN 15,230 thousand which can be allocated to working capital credit)
- | EUR 20,000 thousand

Unused bond limit at the Company:

- | PLN 376,190 thousand (including PLN 15,230 which can be allocated to working capital credit)
- | EUR 20,000 thousand

Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 31 December 2022 is PLN 13,285 thousand.

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 credits.

Off-balance sheet items for 2022 are discussed in detail in section 7.20 of the consolidated financial statements.

20. Policies relating to social and employee issues, natural environment, respect of human rights and counteracting corruption

Formal solutions including, for instance, policies, procedures, rules or similar regulations have not been implemented at the Group for all the areas covered by this section.

However, social and employee issues, the protection of natural environment, the respect of human rights or counteracting the corruption are the matters of great significance to the Group. Although no formal solutions/policies have been introduced to certain areas, the Group companies conduct their activities in compliance with any legal regulations as well as the internal system of universal values and social standards.

ZUE identifies certain aspects at the Group (relating especially to occupational health and safety and environment protection) and constantly assesses the impact of the Group's operations on the natural environment taking into consideration the changes (for instance legal, economic or social changes) observed in its neighbourhood. The aspects are identified and evaluated in accordance with relevant procedures relating to the identification of threats and assessment of risks in the area. No incidental violations of ethical standards by employees pursuant to the Ethical Management Policy were identified outside working hours in 2022. Certain contracts with counterparties contain clauses about ethics.

Energopol joined the Capital Group at the end of 2022 and, unless otherwise specified, the non-financial information about the company is not contained in this report. The information about the company's policies and non-financial issues will be presented in the next report.

20.1.Social issues

Sales and design activities complement the main segment of the Group's operations. Accordingly, the Group's influence on the surrounding areas relates mainly to construction services delivered by the Parent Company. The Group's products and services are offered to public companies including PKP Polskie Linie Kolejowe S.A. or the companies or the cities dealing with local infrastructure, for instance Zarząd Dróg Miasta Krakowa, Tramwaje Śląskie or the City of Szczecin. The Group carries out the construction contracts in various regions of Poland and makes any effort to ensure proper relations with customers and local communities without any negative consequences to the customers, local communities, natural environment or third parties. The Group follows the principle of prudence and, first of all, avoids any negative influence on neighbouring areas. If any negative influence occurs, the Group tries to mitigate it. The said rule is followed especially in the context of the activities conducted on the basis of the Integrated Management System discussed in greater detail in section 21 of this report.

ZUE's impact on the environment does not end the moment a particular investment is completed. This is because both passengers and transport firms use the infrastructure built or modernised by the Group long after the work is concluded. It is thus vitally important that we maintain a sufficient level of quality in our work, as this will be reflected in a high standard achieved at the close of the investment. Ensuring appropriate standards of quality is thus our priority at every stage of an investment, i.e. from the moment the right supplies and construction materials are delivered and the project is carried out in accordance with the required



construction standards right through to ensuring that the guarantee obligations are observed promptly and reliably. The services provided by the Group are based on internal regulatory arrangements (encompassing instructions and procedures) that are part of integrated management systems, including, among other things, the ISO 9001:2015 – Quality Management System. The above practices ensure the internal cohesion and effectiveness of the operating activities undertaken. Simultaneously, apart from acting in accordance with internal procedures, the implementation of every investment necessitates meeting the requirements of generally applicable laws (e.g. in terms of environmental issues or construction law) as well as the specific requirements and the technical and material standards contained in the design documentation of particular projects.

The materials used in the implementation of construction projects possess the necessary quality certificates and satisfy mandatory material standards.

In spite of precautionary measures and efforts to respect the environment in which construction works were carried out, in 2022 there were a total of 33 cases involving damage to the assets or property of third parties worth the combined sum of approximately PLN 227 thousand. In 25 cases where damage was sustained in 2022 compensation was paid and 8 cases are pending. In addition, approximately PLN 37 thousand was paid in 2022 in connection with damages which occurred in prior years.

On account of the scale of its activities, the Group likewise attaches particular importance to settling accounts with suppliers of the goods or services needed to execute construction contracts.

20.2.Social issues and issues relating to the respect of human rights

The Group's employees are the key resource with an influence on the Group's activities and the key factor of the Group's success. We attach great significance to such issues as employees' rights, clear remuneration system, creation of proper work conditions, benefits other than salaries and wages and professional development. No violation of human rights was identified at the Group in 2022. No special threats to human rights are identified by the Issuer outside the supply chain including the Issuer.

Work rules

The Company's Work Rules define the organisation of work as well as the relating rights and obligations of both employees and their employer. The Work Rules include such issues as the rights of employees, the employment of women and junior workers, occupational health and safety, fire safety, the employees' rights relating to parenthood and the raising of professional qualifications by employees. Other companies within the Group which conduct operating activities (i.e. BPK Poznań and Railway gft) also have their work rules governing similar issues.

Anti-mobbing rules

The Company makes any effort to be a reputable employer whose aim is to offer a satisfactory job and professional development to its employees. The principal aim of work culture and management at ZUE is to ensure friendly atmosphere at work free from mobbing and any other form of discrimination. In 2015, the Company's Management Board followed the solutions used both in Poland and Europe and established the anti-mobbing policy aimed at counteracting and fighting such behaviours. The anti-mobbing policy was updated in 2019. It was incorporated into the Ethical Management Policy and became one of its chapters. Pursuant to the said policy, there is the anti-mobbing committee at ZUE whose task is to consider mobbing complaints. Analogous policy is also pursued by BPK Poznań. No cases of discrimination, sexual harassment or mobbing were confirmed in 2022.

Corporate collective labour agreement

The Corporate Collective Labour Agreement was concluded between the Company and the two union organisations at ZUE (there is just one organisation today). The Corporate Collective Labour Agreement includes all the employees of ZUE but it excludes members of the Company's Management Board and the Chief Accountant. It mainly deals with the employees' remuneration and other benefits as well as social activity. There are also the Rules of the Company Social Benefits Fund at ZUE saying how the Fund should be used by employees. The employees of the subsidiaries are not the parties to any corporate labour agreement.

Diversity of employees

No formal employment diversity policy has been implemented in the Parent Company or the Group. However, the Group observes the universal standards and social values relating to employment and staff policy and ensures equal treatment during recruitment processes and employment. Accordingly, measures are taken to prevent the discrimination of both members of the governing bodies or key managers and ordinary employees of the Group. Respect of and openness to other people is one of the fundamental rules observed by the Group helping it effectively establish business connections and strengthen the bonds with its employees. In particular, we treat people as equal in terms of gender, age or origin when it comes to employment or promotion. Thus, the employment, promotion or development of an employee within the Group depend exclusively on their competence, experience and involvement.

Accordingly, the Group does not accept any obstacles to personal or professional development resulting from any individual features distinguishing a person.

20.3. Natural environment

The Group makes any effort to prevent any negative influence of its business activity on the natural environment. The Company's activity is conducted in compliance with ISO 14001:2015 Environmental Management System. The Group's priority is to ensure a rational and environmentally friendly approach to waste management and constant improvement of its activities to prevent and reduce emissions into the air. These activities are conducted in compliance with environmental regulations following from both the law and guidelines given by contracting authorities involved in particular projects.

The Group has also implemented relevant organisational procedures concerning the disposal of waste, including hazardous waste, in line with applicable laws.

20.4. Counteracting corruption

Potential areas exposed to corruption risk include, in particular, the units responsible for purchases and sales.

In 2017 ZUE adopted (as the unit coordinating the Group's activities) a policy aimed at promoting ethical management and providing protection for whistleblowers. The aim of this policy was to promote high legal, ethical and moral standards, observe the principles of integrity, objectiveness, responsibility and honesty, counteract unethical behaviour when bidding for and implementing public procurement projects as well as provide protection for people taking steps to protect the interests of the Company, consisting in reporting irregularities in the Company and its business environment that may cause harm to ZUE or damage its good reputation.

The implementation of the above policy was connected with the implementation by the Company of the public procurement project entitled "Preparation of the design documentation and performance of construction work based on the "Design and Build" formula within the framework of Infrastructure and Environment Operational Programme project 5.2-6 "Work on railway line no. 1 of the Częstochowa – Zawiercie section," which is covered by the Integrity Pact pilot scheme launched in Europe by the European Commission in conjunction with Transparency International. The social observer for the public procurement project was the Stefan Batory Foundation. ZUE is the only contractor from Poland that participates in the Integrity Pact, which is intended to prevent abuse of European funds spent within the framework of public procurement activities, such as, among other things, obtaining material benefits in exchange for awarding decisions, setting specific conditions that favour one of the bidders, engaging in price fixing or acting in a situation where there is a conflict of interest. No corruption or abuse was observed and the fact was published in the pilot evaluation available at the Foundation's website. Besides the formal connection between this policy and the contract indicated above the solutions introduced therein are also in accordance with the values recognised by the enterprise as well as the Capital Group. The above policy promoting ethical management and whistleblower protection was adopted by the management and then announced to the Employees via email as well as on the company's website – www.grupazue.pl. Representatives and sub-contractors engaged in the Task were likewise informed of the document. In accordance with the obligations arising from the Policy an advisor was appointed who would be responsible for handling reports on irregularities. Added to the contact form on the Company's webpage is a new tab entitled "Reporting incidents connected with ethical management policy" to provide a channel for anyone

wishing to contact the Advisor anonymously. In addition, subcontractor agreements and commission contracts concluded within the framework of the public task covered by the pilot scheme require ZUE's contractors to observe the principles specified in the Policy as well as implement their own internal whistleblower protection rules.

In 2019 ZUE adopted (as the unit coordinating the Group's activities) a new Ethical Management Policy whose aim is to continue and expand the ethical management policy implemented in 2017. The new regulation covers such issues as ethical standards, managing the risks of corruption, counteracting corruption, the protection of whistleblowers and the procedures relating to reported irregularities or the rules of counteracting the conflict of interests. The Policy provides, *inter alia*, for the trainings on how to counteract corruption (including the training of the Company's employees on the rules of criminal liability for corruption crimes), inserting corruption clauses in contracts with subcontractors and the extension of the Advisor's anti-corruption obligations. The additional e-mail address was provided in a corruption clause to enable a contact with the Advisor: etyka@zue.krakow.pl.

No corruption incidents involving people employed at the Group companies were identified in 2022.

No ethical audits were carried out at the request of customers in 2022.

No discrimination, sexual abuse or mobbing cases were confirmed in 2022.

No violation of human rights at the Company, including the Company's subcontractors, was reported in 2022.

Anti-corruption rules for suppliers and service providers

The anti-corruption programme addressed to subcontractors engaged by the Company to perform the Company's contracts was adopted by ZUE as part of the Ethical Management Policy. The document entitled "Anti-corruption rules for the suppliers and businesses carrying out works and providing other services to ZUE S.A. of Cracow" is available on the Company's website. The abovementioned anti-corruption rules include:

- | Corruption clause (containing statement according to which no part of the remuneration payable for the performance of a contract should be allocated to cover the cost of illegal material and/or personal benefits);
- | Declaration against corruption;
- | Obligation to counteract corruption (including a subcontractor's obligation to provide the Company, at each written request of the Company, with written statements according to which no works, deliveries or services have anything to do with expecting or accepting any gifts, favours, attractive offers or any other items or behaviours which could be perceived as bribery or corruption); and
- | Information about the Company's standards of conduct towards people who report violations relating to the performance of contracts.

Corruption clauses are inserted in contracts with subcontractors.

20.5. Protection of privacy

2022 saw no leakage or unauthorised use of customers' or employees' personal data.

No administrative proceedings were instigated in 2022 by the Personal Data Protection Office against the Company in connection with any violation of personal data protection laws (especially the provisions of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation).

No fine was imposed on the Company in connection with any non-compliance with the personal data protection laws or regulations in 2022.

21. Integrated Management System

SCOPE

The Integrated Management System has been developed and implemented at ZUE through the management of processes construed as a set of means and activities combined to pass from the initial to final state; i.e. from an offer to final acceptance accompanied by the handover of a facility and final assessment of a task.

The Integrated Management System at ZUE is based on the following standards:

- | PN-EN ISO 9001:2015-10 Quality Management Systems – Requirements;
- | PN-EN ISO 14001:2015 Environmental Management Systems. Requirements with guidance for use;
- | PN-ISO 45001:2018 Occupational Health and Safety Management Systems. Requirements with guidance for use.

The system has been entered into the Integrated Management System Register and is documented in line with the system procedures and instructions.

The Integrated Management System covers:

Design, construction, operation and repairs of:

- | Tram and railway tracks, streets and roads with infrastructure;
- | Tram, trolleybus and railway traction networks;
- | Steel and reinforced concrete structures;
- | Lighting, control and signalling systems;
- | Power and telecommunications cable and overhead networks and equipment; and
- | Repair and rental of construction vehicles, machinery and equipment.

CONTEXT – INTERNAL AND EXTERNAL FACTORS

ZUE defined certain external and internal factors significant for the aim and strategic path of the Company's operations and the factors with an influence on the Company's ability to deliver an intended result of the quality, environmental and occupational health and safety management systems.

The Company considered certain legal, technological, competition, market, social, cultural, economic, national, regional, legal and, after Russia's invasion of Ukraine in February 2022, international issues, which helped it understand the external context. The analysis of issues relating to the organization's values, culture, knowledge and operation helped it understand the internal context.

Ukraine's political and economic situation as well as changes on the raw and other materials market are constantly monitored by the Company in terms of the actual and potential impact thereof on the Company's activities and the related consequences such as greater costs and disrupted chains of supply of certain imported products and materials caused by the weakening of PLN rate or increased prices of fuels, natural gas and electricity.

In addition, the Company constantly monitors:

- Potential risks and cooperates with contracting authorities to minimize them;
- Safety of IT systems to prevent cyberattacks; and
- Risks associated with exchange and interest rates.

RISK ASSESSMENT AND IMPACT OF ACTIVITIES

The Company has developed a risk assessment process in accordance with the requirements of ISO 9001: 2015 and ISO 45001: 2018, which takes into account the risks and opportunities that arise in an organization in connection with ongoing processes, based on the adopted 'risk matrix' assessment methodology. This approach provides information on what to do to ensure that the organization operates and develops without disruption, and that a customer's requirements are constantly met, and thus ensuring customer satisfaction.

The Company's constant efforts to **reduce the impact of its processes, products and services on the environment and neighbouring community as well as strict observation of the rules of occupational health and safety imposed both by the law and the Company** are reflected in the Policy of Integrated Quality, Environmental and Occupational Health and Safety Management System discussed by the employees' representatives (including trade unions) and approved of by the Management Board President.

| CERTIFICATION – II INTERIM AUDIT

II interim audit of the Integrated Management System was carried out between 25 January 2023 and 27 January 2023 to confirm the compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. The audit was carried out to keep the certificates but also to assess the effectiveness of the management system to ensure that the Company was able to achieve the defined goals and complied with legal and contractual requirements.

For the first time since the pandemic began in 2020, the audit was carried out in the form of personal meetings with auditors.

Audits were carried out in units engaged in operational activities, including the following contract: **"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,** units included in the transport and special equipment base, infrastructure maintenance facility and units where support processes take place.

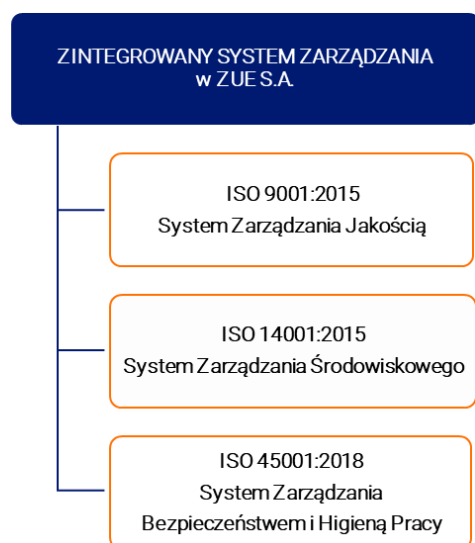
Auditors of DNV Business Assurance Poland Sp. z o.o. did not identify any non-conformities and they only had 17 observations. Accordingly, the Company was allowed to keep its certificates of compliance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards and the management system was assessed as efficient and compliant with the standards.

The certificates are available on the Company's website. They have a unique QR code so that their validity and authenticity can be checked.

As a result of the effective implementation and maintenance of the Integrated Management System, ZUE strengthens its position of a reliable company able to satisfy the needs of the most demanding customers.

An ordered and systemic approach to the management of the company and, in particular, all the employees and the great commitment of key management personnel provide the Company with an ability to properly deliver its services in Poland and on international markets.

[Do wykresu]
Integrated Management System at ZUE S.A.
Quality Management System
Environmental Management System
Occupational Health and Safety Management System



22. Impact on the natural environment

The non-financial information statement contains information about the impact on the natural environment. The said influence is reported with reference to the Group's principal activity, namely construction services. The Group identifies the environmental impacts by considering the consumption of energy, water and materials, air pollution and waste removal. For sales and design activities, the consumption of energy and materials is largely connected with office or warehouse activity. Accordingly, a combined presentation of the data for all the segments of operation would be misleading.

Given the above, the information about the consumption of energy, water and materials, air pollution and waste removal accompanied by relevant performance indicators has been presented exclusively for the Parent Company.

22.1. Consumption of energy

The table below contains information about the consumption of electric energy at ZUE.

Type of energy	Consumption		Consumption per PLN 1,000,000 of ZUE's revenue	
	2022	2021	2022	2021
Purchased electric energy (MWh)	989	590	1.2	0.8
Purchased thermal energy (GJ)	5,437	6,307	6.5	8.1

The Group companies did not generate electric or thermal energy in 2022.

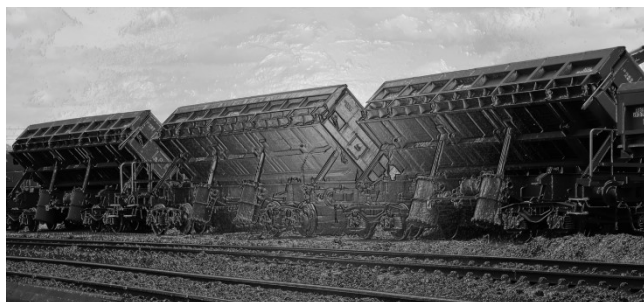
The Group companies did not use any energy from renewable sources in 2022. Energy purchased by ZUE came from low carbon sources.

22.2. Consumption of materials

Type of material	Consumption		Consumption per PLN 1,000,000 of ZUE's revenue	
	2022	2021	2022	2021
Rails (tonnes)	3,865	3,335	4.6	4.3
Breakstone and aggregate (tonnes)	396,579	711,421	476.7	910.5

Contact wire (km)	7,344	224	8.8	0.3
CU line (km)	11,948	214	14.4	0.3
Tram crossovers and switches (set)	55	71	0.1	0.1
Vibroinsulating mat (m2)	22,915	52,445	27.5	67.1
Pre-stressed concrete sleepers (pcs.)	108,169	20,524	130.0	26.3

Recycled materials, mainly **breakstone** and **aggregate**, were used in 2022.



22.3. Consumption of water

	Consumption		Consumption per PLN 1,000,000 of ZUE's revenue	
	2022	2021	2022	2021
Water	5,571	2,363	6.7	3.0
Sewage	5,571	2,363	6.7	3.0

No information about the consumption of water or carried sewage in connection with the performance of contracts is provided because projects are carried out in various parts of the country.

22.4. Waste

Type of waste	Amount		Amount per PLN 1,000,000 of ZUE's revenue	
	2022 (tonnes)	2021 (tonnes)	2022	2021
Hazardous waste	1,619	396	1.9	0.5
Other than hazardous waste	23,688	16,283	28.5	20.8

Waste was recovered in 2022 and the recovery included 4,874 tonnes of land and soil, 5,561 tonnes of concrete, 12,250 tonnes of breakstone and 47 tonnes of wood.

22.5. Emission of gases

Type of gas (kg)	Amount		Amount per PLN 1,000,000 of ZUE's revenue	
	2022	2021	2022	2021
CO2*	0	0	0	0
CO	0.46	0.38	0.0006	0.0005
Dust	1.33	1.15	0.002	0.001
NO	1.00	0.88	0.001	0.001
SO	0	0	0	0

* Emissions resulting from the consumption of fuels in buildings and systems.

No information about the emission of gases in connection with the performance of contracts is provided because projects are carried out in various parts of the country.

22.6. Impact on biodiversity

In the reporting period, construction works were carried out by ZUE in environmentally valuable areas or in their neighbourhood, especially in the areas included in the Natura 2000 network. The projects concerned the works on the railway lines of the Chabówka – Zakopane, Skarżysko Kamienna – Sandomierz, Dobiegniew – Słonice sections. No environmental damage was caused by the performance of the works in 2022.

22.7. Climate issues

Climate issues are considered significant by the Company as one of the factors influencing the environment in which the Group operates. The environment should be understood, for example, as natural environment, legal system, technologies and the conditions in the industry.

In 2022, climate issues were not taken into consideration in the management processes at the Company or the value chain including ZUE. No decisions concerning the activities carried out by ZUE were made exclusively on the basis of climate issues. There were no climate policies or procedures at ZUE. However, the issue is potentially significant and the Management Board of ZUE will consider (after relevant analyses have been carried out) the inclusion of climate issues in the Group's operation strategy and management processes.

ZUE has identified the influence on the climate in the following areas:

- | Direct influence on the climate through emissions of greenhouse gases as a result of the consumption of fuels;
- | Indirect influence on the climate related to the emission of CO₂ as a result of the consumption of energy purchased by the Group companies;
- | Indirect influence on the climate related to the supply chain (e.g. emissions by subcontractors or suppliers);
- | Indirect influence on the climate related to the nature of the construction industry ZUE operates in – construction and modernisation of railways and tramways.

Construction is the Group's main operating segment within which the Company upgrades and builds rail and tram routes. As a result of the works carried out by ZUE, train and tram transport becomes more attractive than other forms of inland transport. It should be emphasised that the scope of the infrastructure built as part of individual projects remains outside ZUE's control because the Company performs the works specified in contracts with investors. Similarly, the scope of building technologies and infrastructure elements (including environment friendly or zero-emission technologies and elements) is defined by contracting authorities.

From the point of view of the Group's business model, the following climatic changes may influence the Issuer and its business model:

- | More public funds spent on the modernisation and extension of railway and tram lines in order to develop a low-emission public transport network – this is one of the most important factors which could be significant for a dynamic development of the Polish public transport network;
- | Change of weather conditions influencing the completion of building projects (e.g. warmer winters extending the completion dates of construction works and hot summers);
- | Intensified violent weather events entailing greater risks of physical damage to construction sites (flooding, washed-out railway embankments or damage suffered as a result of storms or strong wind) as well as greater activity of animals adapting to current climate conditions;
- | Potential growth in prices of the building materials whose manufacture consumes energy and a significant amount of water; and
- | Potentially higher insurance premiums relating to the physical damage of assets.

Steel and concrete materials used in construction processes may become less available in the future as a result of which they may become more expensive. The current use of the materials depends on applied building technologies.

Greenhouse gas emissions (in total and per revenue)	Measurement unit	ZUE	
		2022	2021
Scope 1			
Emissions resulting from the consumption of fuels in buildings and systems.	Mg CO2	0	0
Emissions resulting from the consumption of fuels in transport.	Mg CO2	3,360	3,139
Total Scope 1 Emissions.	Mg CO2	3,360	3,139
Scope 1 Emissions per PLN 1,000,000 of revenue.	Mg CO2/ PLN 1,000,000 of ZUE's revenue	4.0	4.0
Scope 2			
Emissions resulting from the purchase of electric energy.	Mg CO2	452	486
Emissions resulting from the purchase of thermal energy.	Mg CO2	1,243	1,442
Total Scope 2 Emissions.	Mg CO2	1,695	1,928
Scope 2 Emissions per PLN 1,000,000 of revenue.	Mg CO2/ PLN 1,000,000 of ZUE's revenue	2.0	2.5
Scope 1+2			
Total Scope 1+2 Emissions.	Mg CO2	5,055	5,067
Scope 1+2 Emissions per PLN 1,000,000 of revenue.	Mg CO2/ PLN 1,000,000 of ZUE's revenue	6.1	6.5

22.8. EU Taxonomy

The following indicators are presented by the Group on the basis of the Regulation (EU) 2020/852¹¹ of the European Parliament and of the Council. According to the Commission Delegated Regulation (EU) 2021/2178¹² and the Commission Delegated Regulation (EU) 2021/2139¹³, the Group presents information on the indicators in proportion to turnover, capital expenditure and operating expenditure for the two of the six environmental objectives. In addition, the Group provides relevant qualitative information.

89.5% of the Group's turnover, 90.1% of the Group's capital expenditure (CapEx) and 59% of the Group's operating expenditure (OpEx) relate to economic activities qualifying as environmentally sustainable.

¹¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

¹² Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

¹³ Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

57% of the Group's turnover falls under category 6.14 *Rail transport infrastructure*, 31.6% of the Group's turnover falls under category 6.15 *Infrastructure supporting low emission road and public transport* and 0.9% of the Group's turnover falls under category 6.2 *Freight rail transport*. As for the turnover, the Group's economic activity is 89.5% Taxonomy-eligible.

The Group's core business is the delivery of comprehensive infrastructure projects as part of track infrastructure construction activity. The Group's Taxonomy-eligible net sales revenue was specified based on the analysis. It refers mainly to the following Taxonomy sections: 6.2, 6.14., 6.15 and the Taxonomy-eligibility refers both to Annex 1 to the Regulation 2139; i.e. Climate change mitigation and Annex 2 to the Regulation 2139; i.e. Climate change adaptation. The sections contain the NACE codes corresponding to the PKD codes assigned to the entities within the Group. No project dedicated to climate change adaptation was carried out by the Group in 2022. Accordingly, it was determined that no indicator or no economic activity shall qualify as contributing substantially to climate change adaptation.

Therefore, the following information about Taxonomy-alignment relates to climate change mitigation.

As the full data aggregation cannot be achieved from supply chain, or relevant documents or statements cannot be obtained, the Group cautiously state that as for turnover, Taxonomy-alignment criteria have not been fully met, especially with regard to the DNSH criteria for each activity. Certain criteria have been met but no full compliance has been confirmed. Tools are being employed by the Group to aggregate data and obtain evidence for the purposes of subsequent interim reports.

90.1% of CapEx is Taxonomy-eligible. This is the capital expenditure relating to the Group's Taxonomy-eligible activity. CapEx is not Taxonomy-aligned for the same reasons as turnover.

59% of OpEx is Taxonomy-eligible. This is the operating expenditure relating to the Group's Taxonomy-eligible activity. In addition, the numerator of the OpEx indicator was exempted from the calculation because the operational expenditure was not material for business model. According to the Issuer, it applied to the Group's business model; i.e. the provision of construction services. The total amount of the identified operating expenditure is approximately PLN 3.15m; i.e. about 0.3% of the total costs associated with operating activity understood as the total of the cost of sales and general and administrative expenses.

The data used to determine the values of particular indicators was obtained from internal accounting and management systems.

The following assumptions applied in assessing the compliance of particular activities based on the climate change mitigation criteria:

Adopted analysis methodology:

1. Turnover was calculated on the basis of the Group's consolidated revenue in 2022 disclosed in the consolidated financial statements under the item Sales revenue.
Only Taxonomy-aligned sales revenue; i.e. the sales revenue which qualifies as contributing substantially to climate change mitigation and meets all the DNHS criteria dedicated to the activity, could be allocated to the numerator. Revenue was recognised according to the international accounting standard (IAS) 1 paragraph 82 a) adopted on the basis of the Commission Regulation (EC) No. 1126/2008 and disclosed in the consolidated financial statements of the Group for 2022.
As previously stated, Taxonomy-aligned revenue was not identified.
2. Capital expenditure (CapEx) was calculated on the basis of capital expenditure; i.e. additions to *Non-current assets, Intangible assets and Rights of use* disclosed in the consolidated financial statements.
Only the CapEx relating to Taxonomy-aligned activity could be allocated to the numerator. In addition, the CapEx relating to the purchase of Taxonomy-aligned goods and services could be allocated to the numerator provided that the solution was implemented within 18 months.
The indicator was calculated on the basis of capital expenditure including the costs that are accounted based on:
 - a) IAS 16 Property, Plant and Equipment, paragraphs 73, (e), point (i) and point (iii);
 - b) IAS 38 Intangible Assets, paragraph 118, (e), point (i);
 - c) IAS 40 Investment Property, paragraphs 76, points (a) and (b) (for the fair value model);
 - d) IAS 40 Investment Property, paragraph 79(d), points (i) and (ii) (for the cost model);

- e) IAS 41 Agriculture, paragraph 50, points (b) and (e);
- f) IFRS 16 Leases, paragraph 53, point (h), and the lease is not treated by the Group as operating expenditure.

As previously stated, no capital expenditure incurred in 2022 was Taxonomy-aligned.

3. Operating expenditure (OpEx) was calculated on the basis of costs of the servicing of the Group's assets and keeping them in good condition; i.e. the costs of equipment renovation and repair, personnel costs relating to the renovation and repair and the costs of cleaning. The denominator of the OpEx KPI was determined based on the definitions contained in the Regulation 2178. As previously explained, a simpler calculation was used for the OpEx indicator by disclosing that numerator as being equal to zero.

In terms of alignment, the indicators were analysed and disclosed by the Group for the first time without any comparative information. Therefore, no changes in calculations were presented or discussed.

No major changes with reference to the execution of the Group's investment plan occurred in 2022. The Group did not develop the plan referred to in section 1.1.2.2. of Annex 1 to the Regulation 2178.

The Company avoided the double counting of turnover, CapEx and OpEx across several economic activities because an item allocated to the KPI indicator was not recognised again. No activity was assessed in terms of compliance with more than one objective.

The Group did not identify any Taxonomy-aligned economic activity pursued for own internal consumption.

No shares or bonds were issued by any company within the Group in 2022 for the purpose of financing Taxonomy-aligned activities.

No property, plant and equipment or intangible assets were acquired in 2022 through business combinations within the Group.

There was no data disaggregation for the purpose of calculating the key indicators. All indicators were calculated for the Group.

Capital expenditure was incurred in 2022 as needed. The Group intends to develop and implement the investment plan referred to in section 1.1.2. of Annex 1 to the Delegated Regulation 2178.

The Group's activity does not relate to the construction of any infrastructure dedicated to electricity generation from the fossil gas or nuclear energy. It means that the Group's activity does not qualify as the activity set out in the Commission Delegated Regulation (UE) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. Therefore, a simpler presentation was used by skipping the tabular form as set out in Annex III to the Regulation.

Minimum safeguards

Pursuant to Article 3 of the EU Non-Financial Taxonomy Regulation¹⁴ (the "Regulation"), for the purposes of establishing the degree to which an investment is environmentally sustainable, an economic activity qualifies as environmentally sustainable where that economic activity: (i) contributes substantially to one or more of the environmental objectives set out in Article 9 in accordance with Articles 10 to 16 of the Regulation; (ii) does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17 of the Regulation; (iii) is carried out in compliance with the minimum safeguards laid down in Article 18 of the Regulation; and (iv) complies with technical screening criteria that have been established by the Commission in delegated acts to the Regulation.

The minimum safeguards are procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises (the "OECD Guidelines") and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the

¹⁴ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

International Bill of Human Rights. When implementing the procedures referred to above, undertakings adhere to the principle of “do no significant harm” [“DNSH”] referred to in point 17 of Article 2 of Regulation (EU) 2019/2088¹⁵.

The compliance with minimum safeguards was assessed by ZUE after they had analysed the risk of negative impact on particular significant principles, rights and values. The analysis also covered the comments contained in the Platform Report¹⁶ and the TEG Report¹⁷, interpretations of guidelines implementation methods and assessments of compliance with minimum safeguards taking into consideration, *inter alia*, the principle of prioritisation (enterprise should prioritise the order in which it takes action based on severity and likelihood of the adverse impact) and the principle of proportionality (which includes the size and structure of the enterprise and the so-called “enterprise position” in the context of possible impact on subcontractors).

All the key areas of particular activities performed by the Company were identified as non-financial Taxonomy-eligible and aligned both for the Company and the Group and were carried out in compliance with the minimum safeguards laid down in Article 18 of the Regulation.

Due diligence in the responsible conduct of economic activity at the Group is very important. Despite no formal solutions/policies in all particular areas, the impact of the Group companies on the abovementioned areas is made in line with all legal regulations as well as the Group’s system of universal values and social standards.

In 2019, ZUE (as the unit coordinating the Group’s activities) adopted the Ethical Management Policy whose aim was to continue and expand the ethical management policy implemented in 2017. The regulation covers such issues as ethical standards, managing the risks of corruption, counteracting corruption, the protection of whistleblowers and the procedures relating to reported irregularities or the rules of counteracting the conflict of interests. The Advisor was appointed as part of the Policy to receive the reports of irregularities. The Policy provides, *inter alia*, for the trainings on how to counteract corruption (including the training of the Company’s employees on the rules of criminal liability for corruption crimes), inserting corruption clauses in contracts with subcontractors and the extension of the Advisor’s anti-corruption obligations. The additional e-mail address was provided in a corruption clause to enable a contact with the Advisor.

The anti-mobbing policy was incorporated into the Ethical Management Policy and became one of its chapters. Pursuant to the said policy, there is the anti-mobbing committee at ZUE whose task is to consider mobbing complaints.

The anti-corruption programme addressed to subcontractors engaged by the Company to perform the Company’s contracts was adopted by ZUE as part of the Ethical Management Policy. The document entitled “Anti-corruption rules for the suppliers and businesses carrying out works and providing other services to ZUE S.A. of Cracow” is available on the Company’s website. The abovementioned anti-corruption rules include:

- | Corruption clause (containing statement according to which no part of the remuneration payable for the performance of a contract should be allocated to cover the cost of illegal material and/or personal benefits);
- | Declaration against corruption;
- | Obligation to counteract corruption (including a subcontractor’s obligation to provide the Company, at each written request of the Company, with written statements according to which no works, deliveries or services have anything to do with expecting or accepting any gifts, favours, attractive offers or any other items or behaviours which could be perceived as bribery or corruption); and
- | Information about the Company’s standards of conduct towards people who report violations relating to the performance of contracts.

Corruption clauses are inserted in contracts with subcontractors.

The implementation of internal corporate rules, including the **Ethical Management Policy**, and **raising the awareness of employees through trainings and educational initiatives enable the Group to effectively** combat any activities which violate the principles and values set out in the abovementioned guidelines. The Company monitors the risks of any violation in order to prevent it. Each and every report, regardless of its content or significance, is

¹⁵ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

¹⁶ “Final Report on Minimum Safeguards, PLATFORM ON SUSTAINABLE FINANCE, OCTOBER 2022.”

¹⁷ “Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020.”

thoroughly analysed and verified by competent people. The main role in this context is played by the Advisor who reports directly to the Management Board and acts pursuant to the **Ethical Management Policy**.

The boards of subsidiaries or other competent people control whether the Policy principles are observed and the compliance is ensured in particular organisational units.

There is also a Tax Strategy at ZUE S.A. Proper taxation and tax settlements are important for the Company not only because of the tax safety and the avoidance of costs associated with incorrect tax settlement (adjustments, interest on tax arrears or sanctions) but also because of the principle of social justice and business social responsibility. The Company's tax processes are described and pursued to ensure a correct settlement of taxes.

The information on the Company's tax strategy is prepared and made available to the public on the basis of the Corporate Income Tax Act. The Tax Strategy is published at the Company's website, section Investor Relations/Corporate Documents.

In assessing the compliance with the minimum safeguards, the Company also considered the requirement to observe the OECD principle and no violation of the rules of cooperation with the National Contract Point referred to in Section II of the OECD guidelines and the Business & Human Rights Resource Centre. The assessment also took into account the fact that the Group is not subject to any "final liability" in the sense that that with respect to the companies in the Group, there is no legally binding declaration stating that the principles and rights set out in the Guidelines have been violated.

To sum up, the Group is developing a wide-ranging system of compliance aimed at the compliance with the principles and rights laid down in Article 18 of the Regulation. The system includes the following key features: the adoption of the **Ethical Management Policy**, the option of implementing contractual clauses with cooperating parties, **appointment of the Advisor** as well as the functions of reporting, verifying and mitigating the effects of possible breaches. The Company is also developing the risk management system. The above measures indicate that in the vast majority of cases the Company meets the requirements for minimum safeguards referred to in Article 18 of the Regulation. The Company plans to further develop its compliance system in accordance with the guidelines in this provision by deepening structured dialogue with stakeholders, broadening the spectrum of supply chain analysis and expanding the risk management system to include factors from the ESG area.

Turnover indicator				Substantial contribution criteria						“Do no significant harm” criteria											
Economic activity (1)		Code(s) (2)	Turnover (absolute value) (3) [PLN ' 000]	Proportion of turnover (4) [%]	Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [T/N]	Climate change adaptation (12) [T/N]	Water and marine resources (13) [T/N]	Circular economy (14) [T/N]	Pollution (15) [T/N]	Biodiversity and ecosystems (16) [T/N]	Minimum safeguards (17) [T/N]	Proportion of taxonomy-aligned turnover, year N (18) [%]	Proportion of taxonomy-aligned turnover, year N-1 (19) [%]	Category (enabling economic activity) (20) [E]	Category (transitional economic activity) (21) [T]
A. TAXONOMY-ELIGIBLE ACTIVITY																					
A.1. Types of environmentally sustainable activity (Taxonomy-aligned activity)																					
Turnover from environmentally sustainable activity (Taxonomy-aligned activity) (A.1)			0	0.0%	0.0%	0.0%	n/a	n/a	n/a	n/a	N	N	N	N	N	N	N	0%	0.0%	0.0%	0.0%
A.2 Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity)																					
6.14 Rail transport infrastructure	42,12,Z		525,467	57.0%	100%	0%	n/a	n/a	n/a	n/a	N	N	N	N	Y	N	Y	0%	0%	0%	0%
6.15 Infrastructure supporting low emission road and public transport	42,12,Z		291,295	31.6%	100%	0%	n/a	n/a	n/a	n/a	N	N	N	N	Y	N	Y	0%	0%	0%	0%
6.2 Freight rail transport	49,20,Z		8,033	0.9%	100%	0%	n/a	n/a	n/a	n/a	N	N	N	N	Y	N	Y	0%	0%	0%	0%
Total (A.1+A.2)			824,795	89.5%																	
B. NOT TAXONOMY-ELIGIBLE ACTIVITY																					

Turnover from not Taxonomy-eligible activity (B)		96,625	10.5%
Total (A+B)		921,420	100%

CapEx				Substantial contribution criteria						“Do no significant harm” criteria												
Economic activity (1)		Code(s) (2)	CapEx (absolute value) (3) [PLN ' 000]	Proportion of turnover (4) [%]	Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8) [%]	Pollution (9) [%]	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [T/N]	Climate change adaptation (12) [T/N]	Water and marine resources (13) [T/N]	Circular economy (14) [T/N]	Pollution (15) [T/N]	Biodiversity and ecosystems (16) [T/N]	Minimum safeguards (17) [T/N]	Proportion of taxonomy-aligned turnover, year N (18) [%]	Proportion of taxonomy-aligned turnover, year N-1 (19) [%]	Category (enabling economic activity) (20) [E]	Category (transitional economic activity) (21) [T]	
A. TAXONOMY-ELIGIBLE ACTIVITY																						
A.1. Types of environmentally sustainable activity (Taxonomy-aligned activity)																						
Environmentally sustainable activity CapEx (Taxonomy-aligned activity) (A.1)			0	0.0%	0.0%	0.0%	0.0%	n/a	n/a	n/a	n/a	N	N	N	N	N	N	N	0%	0.0%	0.0%	0.0%
A.2 Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity)																						

6.14 Rail transport infrastructure	42,12,Z	3,486	45%	100%	0%	n/a	n/a	n/a	n/a	N	N	N	N	Y	N	Y	0%	0%	0%	0%
6.15 Infrastructure supporting low emission road and public transport	42,12,Z	232	3%	100%	0%	n/a	n/a	n/a	n/a	N	N	N	N	Y	N	Y	0%	0%	0%	0%
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	42,12,Z	3,205	42%	100%	0%	n/a	n/a	n/a	n/a	N	N	N	N	Y	N	Y	0%	0%	0%	0%
7.3 Installation, maintenance and repair of energy efficiency equipment	42,12,Z	23	0.3%	100%	0%	n/a	n/a	n/a	n/a	N	N	N	N	Y	N	Y	0%	0%	0%	0%
Total (A.1+A.2)		6,945	90.1%																	
B. NOT TAXONOMY-ELIGIBLE ACTIVITY																				
Not Taxonomy-eligible activity CapEx (B)		766	9.9%																	
Total (A+B)		7,711	100%																	

OpEx					Substantial contribution criteria					“Do no significant harm” criteria											
Economic activity (1)		Code(s) (2)	OpEx (absolute value) (3) [PLN ' 000]	Proportion of turnover (4) [%]	Climate change mitigation (5) [%]	Climate change adaptation (6) [%]	Water and marine resources (7) [%]	Circular economy (8) [%]	Pollution (9) [%]	Biodiversity and ecosystems (10) [%]	Climate change mitigation (11) [T/N]	Climate change adaptation (12) [T/N]	Water and marine resources (13) [T/N]	Circular economy (14) [T/N]	Pollution (15) [T/N]	Biodiversity and ecosystems (16) [T/N]	Minimum safeguards (17) [T/N]	Proportion of taxonomy-aligned turnover, year N (18) [%]	Proportion of taxonomy-aligned turnover, year N-1 (19) [%]	Category (enabling economic activity) (20) [E]	Category (transitional economic activity) (21) [T]
A. TAXONOMY-ELIGIBLE ACTIVITY																					
A.1. Types of environmentally sustainable activity (Taxonomy-aligned activity)																					
Environmentally sustainable activity OpEx (Taxonomy-aligned activity) (A.1)	n/a		0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
A.2 Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity)																					
Total (A.1+A.2)			0	0.0%																	
B. NOT TAXONOMY-ELIGIBLE ACTIVITY																					
Not Taxonomy-eligible activity OpEx (B)			3,152	100%																	
Total (A+B)			3,152	100%																	

22.9. Public funds

About 90% of the Group's revenue in 2022 was generated by ZUE. The vast majority of ZUE's revenue comes from the performance of contracts awarded under competitive tendering processes for infrastructure projects.

The Company did not take advantage of any public aid in 2022.

23. Human capital management

At 31 December 2022, the Group employed 842 people, including 176 women.

The total number of employees included 446 white-collar workers and 396 blue-collar workers.

In addition, Energopol, which joined the Group on 23 November 2022, employed 64 employees as at 31 December 2022, including 10 women.

Information about male and female representation at the Company's Management and Supervisory Boards (the end of 2022):

	2022				2021			
	Management Board		Supervisory Board		Management Board		Supervisory Board	
	Number of people	%	Number of people	%	Number of people	%	Number of people	%
Women	1	20%	3	60%	1	20%	1	20%
Men	4	80%	2	40%	4	80%	4	80%
Total	5	100%	5	100%	5	100%	5	100%

Number of employees at the end of the reporting period according to the type of employment contract:

Type of contract	Sex	ZUE		Group	
		2022	2021	2022	2021
Employment contract for indefinite period	F	105	105	136	140
	M	542	550	560	573
Total		647	655	696	713
Employment contract for definite period	F	38	38	40	42
	M	105	112	106	112
Total		143	150	146	154

Number of new full-time employees:

	Sex	ZUE		Group	
		2022	2021	2022	2021
Number of new employees	F	26	25	29	28
	M	73	80	75	81
Total		99	105	104	109
Number of employees who left	F	27	24	39	27
	M	85	111	94	121
Total		112	135	133	148

Age structure for new employees:

	ZUE		Group	
	2022	2021	2022	2021
20-30	37	35	38	36

31-40	36	27	38	30
41-50	18	28	20	28
51-60	7	9	7	9
61+	1	6	1	6
Total	99	105	104	109

Age structure for leaving employees:

	ZUE		Group	
	2022	2021	2022	2021
20-30	24	28	27	33
31-40	28	43	36	49
41-50	28	28	33	29
51-60	12	17	14	17
61+	20	19	23	21
Total	112	135	133	149

In 2022, the Group companies were the parties to civil law agreements concluded with 42 people. The total gross amount of remuneration paid under the said agreements was PLN 442 thousand.

The Group companies did not hire any temporary workers.

At the end of 2022, the Company employed eight disabled persons who accounted for 1% of the Group's total employment.

The average monthly salary of the Company's employees employed under employment contracts in 2022 was PLN 9.2 thousand for women and PLN 10.4 thousand for men. The average wages of blue-collar workers in 2022 amounted to PLN 7.6 thousand. The ratio of the average wages of blue-collar workers to the minimum pay in 2022 was 254% (245% in 2021). The ratio of the average wages of blue-collar workers to the average pay in business sector amounted to 104% in December 2022.

At the end of 2022, the companies within the Group employed 32 foreigners whose average monthly salary was PLN 7.4 thousand.

The ratio of the average gross salary of women to the average gross salary of men at ZUE in 2022 was 89%.

The total amount of contributions to the State Fund for Rehabilitation of Disabled Persons (*PFRON*) was PLN 968 thousand (including PLN 896 thousand for ZUE).

There were no cases in 2022 in which a woman returned to work after childbirth and resigned within 12 months after the return.

Employment structure at the Group in 2022 according to the types of activity:

Activity	ZUE		Group	
	2022	2021	2022	2021
Management and administration	195	195	207	214
Sales and marketing	21	23	31	34
Production	383	405	383	405
Engineers and technicians	191	182	221	220
Total	790	805	842	873

The ratio of the average gross salary of women to the average gross salary of men employed in the following groups/categories (e.g. directors, managers, other employees).

	2022	2021
Engineers and technicians	58%	66%
Management and administration	49%	50%

Production	67%	73%
Sales and marketing	98%	89%

Employment structure at the Group according to education:

	ZUE		Group	
Education	2022	2021	2022	2021
Elementary	85	75	85	76
Vocational	170	195	170	195
Secondary	184	197	189	203
Higher	351	338	398	399
Total	790	805	842	873

Employment structure at the Group according to age:

	ZUE		Group	
Age	2022	2021	2022	2021
20-30	128	135	135	149
31-40	258	259	279	279
41-50	204	202	218	222
51-60	126	138	134	147
61+	74	71	76	76
Total	790	805	842	873

Average seniority at the Group was 8.2 years in 2022 and 6.9 years in 2021.

In 2022, ZUE paid salaries and wages under employment contracts in the gross amount of PLN 96,898 thousand.

No fines were imposed in 2022 on ZUE in connection with the employment.

	ZUE		Group	
Trainings	2022	2021	2022	2021
Number of external trainings	123	151	131	164
Number of internal trainings*	416	350	425	354
Total number of trainings	539	501	556	518
Number of trained people – internal trainings	101	105	139	117
Total number of employees receiving trainings	742	707	804	722
Total number of participants	843	812	943	839
Language courses, external trainings - number of trained people (number of people / month)	39	0	46	22

* including trainings for new employees

ZUE S.A. organised 123 external trainings whose total cost amounted to PLN 347 thousand and 416 internal trainings.

In 2022, 742 employees received trainings. When combined with internal trainings, the number of participants was 843. The courses were designed to familiarise them with changes in the regulatory frameworks (covering such issues as personnel and payroll, taxes, railway safety etc.). Mandatory periodic training with a train ride simulator was provided for the staff directly involved in railway operations - controllers, train managers, and engine drivers. Other railway employees also had an opportunity to upgrade their skills and extend the validity of their licenses.

The training workshops gave employees the opportunity to acquire such new skills and qualifications as welding licences (methods 111, 114, 121), category C driving license for goods vehicles, the right to operate pile drivers (six people), the right to drive emergency vehicles, and an SEP license. In addition, thermite welding licences were extended.

In addition, in 2022, training sessions were organised for the following purposes: updating employees on changes in the regulations, arranging work schedules in an equivalent working time system, providing instruction in the safe use of equipment designed to protect employees from falls from a height, and operating air brakes. A total of 18 people were trained in the functioning of railway commissions, while 22 received training on how to supervise work on an active rail track.

Bearing in mind the need to promote a positive image, the Company participated in both the Engineering Job Fair, held in the Sports and Recreation Centre of the Cracow University of Technology, as well as the Student Job and Internship Fair, hosted by the Kielce University of Technology. In addition, it took part in a meeting with students of the Cracow University of Technology organized by the Municipal Department and the Railway Department, in which it provided a presentation of its activities.

ZUE employees are provided with benefits other than salaries and wages such as medical packages, additional life insurance, benefits under the Company Social Benefits Fund (for instance funding for holidays, theatre or swimming pool tickets), housing loans and aids or Multisport cards.

The Issuer communicates with employees via a trade organisation. Issues, which are reported and need to be discussed, are analysed on an ongoing basis depending on their significance and their impact on the employer-employee relations.

24. Management of occupational health and safety

An occupational health and safety management system consistent with OHSAS 18001:1997 was implemented by ZUE in 2003 to ensure the maximum safety of the Company's employees. In 2020, the occupational health and safety management system OHSAS 18001:2007 was audited and the audit result was positive.

At the end of 2020, the Company launched the process of recertification and transition from OHSAS 18001:2007 to ISO 45001:2018. ZUE Spółka Akcyjna was issued ISO 45001:2018 occupational health and safety management system certificate on 15 February 2021. The certificate is valid until 15 February 2024.

The system is supervised, improved and corrected on an ongoing basis by regular inspections, audits and records of the controlled activities made by the management of ZUE S.A. The effectiveness of the Integrated Management System has been confirmed by the certificates awarded in February 2021 for the next three years by DNV GL.

Positive effects of occupational health and safety at the Group have been produced by:

- | A systemic approach to quality, environment and occupational health and safety management;
- | Regular occupational health and safety trainings for employees;
- | Preventive measures and risks monitoring;
- | Regular assessment of workplace and contract risks; and
- | Provision of proper facilities and resources to improve work conditions.

There is a Social Work Standards and Safety Inspector at ZUE whose role is focussed on the three areas, namely occupational safety, occupational health and legal protection of employees. Detailed tasks of the Inspector are defined by the applicable laws.

There is a five-member Occupational Health and Safety Committee at ZUE comprising a manager of the Occupational Health and Safety Section, a company Social Work Standards and Safety Inspector, an occupational medicine doctor, a representative of social committee and a chairperson.

Work conditions are inspected by the Occupational Health and Safety authority and the abovementioned Occupational Health and Safety Committee. Relevant inspection protocols are prepared. In 2022, about 180 work safety inspections were carried out at the sites where construction works are performed by the Company. The inspections covered both the employees of ZUE and subcontractors delivering their services in connection with certain projects. The inspection results are entered into protocols and the register of near misses. The conditions of work are inspected to prevent accidents and their frequency depends on the risk relating to particular jobs. If any irregularities are detected, motions and recommendations are submitted to the company's managing personnel in order to remove them and take appropriate measures against people responsible for occupational health and safety.

No fatal accident at the Group was reported in 2022. The inspections carried out in 2022 by the National Work Standards and Safety Inspectorate did not reveal any major deviations from the applicable laws.

	2022	2021
Total accidents, including:	14	19
Fatal	0	1*
Serious	0	0
Light	14	18

*Accident qualified as an accident at work.

At the Capital Group, accidents took place exclusively at the Parent Company.

The most common reasons for accidents at work in 2022 included human error, technical factor, inattention, carelessness, haste and insufficient focus on a task.

Accident frequency rate (accidents at work per 1000 of employees) was 17 for the Company and the Group.

The total number of days of employees' incapacity for work due to accidents was 627 days.

Accident seriousness rate (number of days of incapacity for work / 1 accident) in 2022 was 45.

Trainings in occupational health and safety organised for the Group's employees are an important preventive measure. The table below sets out the number of trainings at the Group in 2021-2022.

	2022	2021
Occupational health and safety trainings for employees, including:*	468	490
ZUE	448	485
Railway GFT	4	3
BPK Poznań	16	2

*Periodic trainings + trainings for new employees.

No fines relating to occupational health and safety were imposed on the companies within the Group in 2022.

No on-the-job illnesses were reported in 2022. The number of employees working in the conditions where maximum admissible concentration (MAC) or maximum admissible intensity (MAI) values are exceeded was 121.

25. Engagement with local communities

ZUE S.A. has for many years appreciated the great value of the involvement in social activity and the support of local initiatives. Therefore, the Company pursued in 2022 the aims of the ethical management policy and continued to cooperate with the institutions, foundations and associations which support social and charity projects in the province of Małopolska.

In 2022, ZUE supported eighteen such projects and offered the support in the total gross amount of more than PLN 155,000, including more than PLN 58,000 for social and charity projects. In 2021, ZUE supported fifteen projects for almost PLN 94,000, including PLN 40,000 for social and charity projects.

In 2022, the Company pursued the policy of social responsibility and offered the support to: (in alphabetical order):

- | The Cracow Archdiocese in connection with the project known as "Christmas Tree under the Papal Window 2022 – 16th edition." The event is organised to prepare Christmas gifts for children from poor families, children's homes and school and education centres located in Cracow and the province of Małopolska;
- | The *Funkomitywa* Foundation organising shows for children treated in the St. Louis Hospital in Cracow and children undergoing rehabilitation in the Rehabilitation Centre in Radziszów;
- | The *Gramy do Końca* Foundation organising swimming competitions for the disabled, including the Polish Junior Swimming Championships for the Disabled at the University of Physical Education in Cracow and the 11th Integration Swimming Marathon for the Cup of the Rector of Cracow University of Economics;
- | The Foundation for the Disabled in Stróże organising hippotherapy classes for youth and children to improve their physical, emotional, cognitive and/or social skills;
- | The *Serca dla Maluszka* Foundation and *SŁONECZKO* Foundation for the Disabled raising money for the

treatment and rehabilitation as well as the purchase of rehabilitation equipment for their patients;

- | The *EDEN* Association of Catholic Families organising financial help for the Ukrainian refugees, especially mothers with children, taken care of by the Aid Centre at the *Eden* Catholic Community Centre in Cracow-Bieżanów;
- | The *Kazimierz Wielki* Elementary School No. 1 in Grybów by providing the school's library with books, including the books helping Ukrainian children learn Polish and the books promoting ethical, patriotic and civil conduct among youth and children;
- | The *Spadochroniarzy Wojska Polskiego* Elementary School in Babice by providing the school with laptops;
- | The Primary School and Nursery Unit No. 15 in Cracow by helping it buy teaching and therapeutic materials for therapy offices where teaching and psychological assistance is provided to youth and children with disabilities such as aphasia or physical disabilities.

Taking into consideration the importance of cultural heritage as a material and spiritual generational bequest as well as the achievements of our times, the Company has for several years cooperated with the National Museum of Cracow. In 2022, (the Year of Polish Romanticism) ZUE was a Partner in connection with the *Romantic Jacek Malczewski* exhibition devoted to the topic of romanticism in the works by Jacek Malczewski. More than 150 paintings by Malczewski from museum and private collections were brought to the wider public.

The promotion of cultural heritage also includes ZUE's involvement in the organization of Music Trail Festival 2022 in Kościelisko. The event plays a key role in promoting the culture and tradition of Kościelisko and making the region attractive.

Another example of the Company's engagement with local communities is the promotion of the Bulgarian diaspora in the Małopolska region by offering the support to institutions promoting Bulgaria and the Bulgarian culture, for example the Institute of Slavic Studies at the Jagiellonian University, the *IGLIKA* Balkan Dance and Song Group and, in particular, students of the *Dora Gabe* Bulgarian school in Cracow, their teachers and parents.

The cooperation and dialogue with the Bulgarian diaspora build a support network and the resulting feeling of belonging to the community helps Bulgarian citizens see themselves as part of bigger community and appreciate its value.

The support given by ZUE S.A. in 2022 included:

- | Buying of teaching materials and equipment for the school;
- | Sponsoring of cultural events such as the Day of Bulgarian Education and Culture and Slavic Writing on 21 May 2022; and
- | Submission of books in Bulgarian to the Airport Library in Balice as part of the Multicultural Library project.

The total gross amount of the support given in 2022 exceeded PLN 14,000.

The Company's involvement in such issues as the respect of human rights and freedom is manifested by the Company's cooperation with the Villa Decius Association which has continued uninterruptedly since 2013. As part of the cooperation, ZUE sponsored in 2022 the 19th edition of the Polish Prize of Sergio Vieira de Mello, UN High Commissioner for Human Rights (2002-2003). The prize is awarded to people and non-governmental organisations for special merits in peaceful coexistence and cooperation of communities, religions and cultures.

In the 19th edition, the prize committee including Wiesław Nowak, the President of the Management Board of ZUE, awarded the Prize of Sergio Vieira de Mello to:

- | Serhij Żadan of Ukraine, a poet, writer and activist actively involved in the defence of the city and help to its citizens since the beginning of the war through the organization and support of the transports of drugs, food and hygienic products for civilians and cars for the hospitals of Kharkov - **in the category "PERSON;"** and
- | The Irish Glencree Centre for Peace and Reconciliation, a non-governmental organisation dealing with resolution of conflicts throughout inclusive dialogue process, mediation, negotiations and peace - **in the category "NON-GOVERNMENTAL ORGANISATION."**

The honorary prize was awarded to Sr. Michaela Rak of Poland, founder and director of the Priest Michał Sopoćko Hospice in Vilnius.

2022 was also the year in which our Ukrainian neighbours experienced the horror of war and humanitarian crisis. Like many companies, ZUE and its employees provided help and support to Ukraine and Ukrainian refugees who found shelter in the Małopolska province. The costs associated with the support were incidental and the value thereof was insignificant to the financial statements.

The Company's help to Ukraine involved:

- | Purchase of radio stations for Ukrainian soldiers;
- | Giving mobile phones to refugees;
- | Giving accommodation and providing social benefits to Ukrainian families.

Help was also effectively organised by ZUE's employees who repeatedly collected gifts for Ukrainian refugees.

25.1. Corporate policy and social involvement

The charity and sponsorship policy is consistent with the Company's strategy and long-term goals based on the rules of social responsibility and sustainable development. It plays a significant role in building the Company's relations with the neighbourhood by sharing such values as taking care of environment, education as well as social and cultural development of the region.

The Company offers financial help in the form of sponsorship, donations or volunteering to support, first of all, local initiatives; i.e. the foundations, associations, organisations and institutions of the Małopolska province whose social, cultural, educational and health activities often go beyond the region.

The charity and sponsorship policy pursued by the Company helps to:

- | Give equal opportunities and break social barriers for the people and social groups experiencing economic, political and cultural discrimination;
- | Expand the educational offer for youth and children, especially to raise their awareness of law, ecology and economy;
- | Develop professional skills and secure the staff, especially by financing scholarships and traineeships;
- | Transfer the knowledge, exchange thoughts and ideas and integrate with the Company's environment through the support of scientific projects, conferences or congresses;
- | Improve health conditions and promote healthy living, especially by promoting the development of amateur physical culture and supporting rehabilitation processes;

Enhance the appeal of the region through the patronage of the arts and the support of the initiatives aimed at the protection of the national heritage and monuments.

25.2. Complaints made by the local community and the Company's response

In 2022, local communities complained about nuisances caused by the construction works carried out by the Company under several contracts. The Company promptly reacted to the complaints and tried to settle the reported issues on an ongoing basis.

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Construction and assembly services delivered by the Parent Company generate the largest portion of the Group's income. The results reported by the sales segment had a greater influence on the Group's overall performance in 2022.

26. Discussion of major items of the statement of profit or loss

The Company's sales revenue generated in 2022 was PLN 831,921 thousand. The revenue increased by 6% compared to the figure reported in 2021. In the fourth quarter of 2022, ZUE generated 31% of annual revenue.

The Group's sales revenue in 2022 amounted to PLN 921,420 thousand and grew by 8% compared to 2021.

Seasonality of sales of ZUE in 2022:

Item	I quarter	II quarter	III quarter	IV quarter
Sales revenue (PLN '000)	141,936	192,084	236,285	261,616
% - quarter	17%	23%	28%	31%
% - half year	40%		60%	

The seasonal sales at ZUE look similar every year and the biggest sales volume is reported during the second half of a year.

The table below presents the results reported in the reporting period by the Group and the Company:

	Group		ZUE	
	2022	2021	2022	2021
Sales revenue	921,420	851,450	831,921	781,383
Cost of sales	878,634	816,414	802,842	751,471
Gross profit (loss) on sales	42,786	35,036	29,079	29,912
Gross margin	4.6%	4.1%	3.5%	3.8%
General and administrative expenses	26,163	25,123	20,991	20,377
Other operating income	8,481	5,686	8,260	5,478
Other operating expenses	8,123	1,435	8,000	1,303
Gain from bargain purchase	1,154	0	0	0
Operating profit (loss) (EBIT)	18,135	14,164	8,348	13,710
EBIT margin	2.0%	1.7%	1%	1.8%
EBITDA	31,900	27,057	21,852	26,370
EBITDA margin	3.5%	3.2%	2.6%	3.4%
Financial income	7,886	2,505	8,958	2,778
Financial expenses	3,914	1,305	3,409	1,051
Pre-tax profit (loss)	22,107	15,364	13,897	15,437
Corporate income tax	4,819	3,543	3,656	3,296
Net profit (loss) from continuing operations	17,288	11,821	10,241	12,141
Net profit (loss)	17,288	11,821	10,241	12,141
Net margin	1.9%	1.4%	1.2%	1.5%

In 2022, the Company and the Group reported positive results at all profit levels.

Gross profit on sales reported by the Company decreased over the year by 3%. The Company's net profit dropped over the year by 16%.

The Group's gross profit on sales climbed 22% **year-on-year**. The Group's net profit increased over the year by 46%. This significant growth was mainly influenced by the highest ever net profit of PLN 5,517 thousand reported by Railway gft, the Group's sales company. Railway gft posted a gross margin of 12% and its revenue stood at PLN 87,688 thousand.

The factors with a bearing on the consolidated result included the gain from bargain purchase of shares in Energopol. The amount of adjustment was PLN (+) 1.15m. The transaction was for accounting purposes and had no influence on the Group's liquidity.

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

Like in previous years, railway and tram markets were the main markets driving the Company's activity in Poland. Following the slowdown in 2022, the Polish railway market is expecting new contracts to be quickly awarded to contractors. The situation was caused by **unclear situation about the funding under the new EU perspective**, including the National Recovery Plan. No liquidity or stability in new projects led to a slowdown on the national

railway market and made competition stronger. Contractors mainly perform the contracts won in previous years. 2023 should see the announcement of new railway tenders for a total amount of approximately PLN 15-20bn. Several billion zlotys a year are expected afterwards. In the second half of 2022, PKP PLK (the major railway investor) was joined by CCP (the Central Communication Port), which announced the first construction tender as part of the CCP railway component.

In 2022 in Poland, the Company was successful in winning new contracts, mainly on the tram market. This market was less affected by the slowdown.

In 2022, the Company won the contracts on the national market with the total amount of PLN 437m, out of which 61% were the urban infrastructure contracts.

In the fourth quarter of 2022, the Company signed the first construction contracts for the upgrade of the Romanian railway lines. As a consequence, ZUE began to provide its basic services on the Romanian market. The contracts were signed together with the Romanian consortium member. The total amount of the contracts signed by the consortium is about PLN 966m, out of which 50% is attributable to ZUE. A branch was established by ZUE in Romania to ensure better coordination of works. The Company is planning to win more contracts on the Romanian market.

In total, the amount of the contracts obtained by the Company in 2022 on the Polish and Romanian markets is about PLN 899m (for ZUE). Railway contracts are still the biggest item of ZUE's backlog. The backlog is expected to grow following the conclusion of the Będzin - Katowice railway contract with the net value of PLN 785m (ZUE's offer has been selected as the most economically advantageous tender) and the launch of a greater number of new railway projects. The Company also continues to strengthen its position on the urban market by submitting new tenders.

27. Discussion of major balance sheet items

The table below sets out the main items of the consolidated and separate statement of financial position reported by the Group and ZUE as at 31 December 2022 and the comparative information as at 31 December 2021.

Item	Group		ZUE	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
(PLN '000)				
ASSETS				
Non-current assets				
Property, plant and equipment	72,128	64,718	67,945	64,623
Investment property	16,095	6,145	9,615	6,145
Intangible assets	2,491	2,716	2,479	2,697
Right-of-use assets	33,234	41,510	32,360	41,356
Goodwill	31,172	31,172	31,172	31,172
Investments in subordinates	328	0	4,440	221
Investments in other entities	0	0	0	0
Long-term receivables	0	0	0	0
Retentions on construction contracts	21,882	7,431	21,714	7,393
Deferred tax assets	19,110	21,778	18,784	21,606
Advanced loans	2,931	0	2,931	0
Other financial assets	62	42	0	0
Other assets	0	0	0	0
Total non-current assets	199,433	175,512	191,440	175,213
Current assets				

Inventories	81,667	37,822	61,408	30,359
Trade and other receivables	170,637	131,279	159,699	120,921
Valuation of long-term construction contracts	128,191	107,149	119,207	98,329
Retentions on construction contracts	16,668	9,491	15,563	9,165
Advance payments	12,043	3,425	12,341	3,994
Current tax assets	0	32	0	0
Advanced loans	1,186	0	4,736	3,572
Other financial assets	0	105	0	0
Other assets	1,618	616	1,164	463
Cash and cash equivalents	63,251	108,736	60,256	106,612
Current assets	475,261	398,655	434,374	373,415
Assets held for sale	0	3,340	0	3,544
Total current assets	475,261	401,995	434,374	376,959
Total assets	674,694	577,507	625,814	552,172
Item	Group		ZUE	
(PLN '000)	31.12.2022	31.12.2021	31.12.2022	31.12.2021
EQUITY AND LIABILITIES				
Equity				
Share capital	5,758	5,758	5,758	5,758
Share premium account	93,837	93,837	93,837	93,837
Treasury shares	-2,690	-2,690	-2,690	-2,690
Retained earnings	82,476	69,287	75,803	68,765
Total equity	179,381	166,192	172,708	165,670
Equity attributable to non-controlling interests	1,387	211	-	-
Total equity	180,768	166,403	172,708	165,670
Non-current liabilities				
Long-term loans and bank credits	8,696	0	8,696	0
Long-term lease liabilities	15,212	14,248	12,563	14,178
Retentions on construction contracts	16,337	24,068	15,376	23,231
Other financial liabilities	0	0	0	0
Liabilities under employee benefits	1,801	1,864	1,628	1,789
Provision for deferred tax	1,322	284	0	0
Long-term provisions	16,002	16,570	15,093	16,127
Other liabilities	0	0	0	0
Total non-current liabilities	59,370	57,034	53,356	55,325
Current liabilities				
Trade and other payables	150,676	134,916	130,625	122,266
Accruals	91,065	70,258	85,586	66,463
Valuation of long-term construction contracts	47,775	49,539	47,453	49,426
Retentions on construction contracts	21,226	17,760	19,916	16,628

Advance payments	31,217	6,737	30,191	6,737
Short-term loans and bank credits	19,639	7,964	16,304	4,443
Short-term lease liabilities	5,070	6,289	4,995	6,244
Other financial liabilities	36	36	36	36
Liabilities under employee benefits	50,355	42,057	47,343	40,220
Current tax liabilities	131	1,098	12	1,098
Short-term provisions	17,366	17,050	17,289	17,250
Total current liabilities	434,556	353,704	399,750	330,811
Lease liabilities associated with assets held for sale	0	366	0	366
Total liabilities	493,926	411,104	453,106	386,502
Total equity and liabilities	674,694	577,507	625,814	552,172

As at 31 December 2022, ZUE's total assets and liabilities amounted to PLN 625,814 thousand and increased over the year by 13%. The Group's total assets and liabilities amounted to PLN 674,7694 thousand and increased over the year by 17%.

Items with the biggest influence on the said total assets and liabilities of ZUE:

Item	PLN '000		
	Change compared to 31.12.2021	Balance at 31.12.2022	Description
<u>Assets</u>			
Trade and other receivables	+38,778	159,699	Increase is driven by the increased sales values in the last quarter of 2022.
Inventories	+31,049	61,408	Increase in inventories in connection with the performance of contracts and the purchase of materials to provide security in connection with growing prices.
Cash and cash equivalents	-46,356	60,256	Use of own resources to conduct operating activities.
<u>Liabilities</u>			
Accruals	+19,123	85,586	Increase in the value of construction works performed by subcontractors.
Short-term loans and bank credits	+11,861	16,304	Taking of a loan.
Advance payments	+23,454	30,191	Receiving of advance payments.

28. Discussion of items of the statement of cash flows

In 2022, the Company generated negative cash flows from operating activities mainly in connection with significant increase in inventories (PLN +31,049 thousand) and the increase in unsettled trade receivables (PLN +59,497 thousand). In the period under analysis, the Company repaid credits, loans, and lease liabilities in the total amount of PLN 11,130 thousand and paid the dividend of PLN 3,415 thousand. At the end of the reporting period, the amount of cash was PLN 60,256 thousand.

Item (PLN '000)	Group		ZUE	
	2022	2021	2022	2021

Cash flows from operating activities	-42,599	109,826	-44,252	111,809
Cash flows from investing activities	-11,496	-3,995	-11,306	-5,792
Cash flows from financing activities	8,603	-20,597	9,195	-19,650
Total net cash flows	-45,492	85,234	-46,363	86,367
Foreign exchange gains / losses	7	15	7	15
Cash and cash equivalents at the beginning of the period	108,736	23,487	106,612	20,230
Cash and cash equivalents at the end of the period	63,251	108,736	60,256	106,612

29. Discussion of results reported by segments

The total amount of revenue generated by the Group is PLN 921,420 thousand. The largest portion of the Group's revenue is derived from construction activity conducted by ZUE and Energopol (90% generated by both companies).

Item (PLN '000)	Construction	Sales	Design	Exclusions	Total
Sales revenue	837,715	87,688	9,731	-13,714	921,420
Gross profit on sales	31,115	10,934	1,263	-526	42,786
Net profit	11,762	5,517	-111	120	17,288

In 2022, sales activities conducted at the Group by Railway gft generated 9% of the consolidated revenue (before exclusions). Design activities conducted by BPK Poznań generated 1% of the consolidated revenue (before exclusions). Design activities complement construction activities.

Since December 2022, the construction activities include the activity conducted by the acquired company Energopol.

30. Analysis of ratios

The information on the following ratios is monitored on a cyclical basis and presented in subsequent interim reports. The definitions of alternative measurements and calculation methodologies have been presented below and they are consistent with selected alternative measurements contained on the Issuer's website.

30.1. Debt ratios

Item	Group		ZUE		Calculation rules
	2022	2021	2022	2021	
Net debt	-15,784	-79,833	-17,662	-81,345	(long- and short-term loans and bank credits and other financing sources + long- and short-term other financial liabilities) – cash and cash equivalents – other financial assets

Debt ratio	0.7	0.7	0.7	0.8	<i>(non-current and current liabilities + provisions for liabilities) / total assets</i>
Debt to equity ratio	2.7	2.5	2.6	2.3	<i>(non-current and current liabilities) / equity</i>
Equity to assets ratio	0.3	0.3	0.3	0.3	<i>equity / total assets</i>
Fixed capital to non-current assets ratio	1.2	1.3	1.2	1.3	<i>(equity + non-current liabilities) / non-current assets</i>
Short-term debt ratio	0.6	0.6	0.6	0.6	<i>current liabilities / total assets</i>
Long-term debt ratio	0.3	0.3	0.3	0.3	<i>non-current liabilities / equity</i>
Interest coverage ratio	11.4	12.3	6.6	13.8	<i>EBIT / interest paid</i>

30.2.Liquidity ratios

Item	Group		ZUE		Calculation rules
	2022	2021	2022	2021	
Working capital	40,705	48,291	34,624	46,148	<i>current assets – current liabilities</i>
Current ratio	1.1	1.1	1.1	1.1	<i>current assets / current liabilities</i>
Quick ratio	0.9	1.0	0.9	1.0	<i>(current assets – inventory) / current liabilities</i>
Cash ratio	0.15	0.31	0.15	0.32	<i>cash and cash equivalents / current liabilities</i>

30.3.Financing structure ratios

Item	Group		ZUE		Calculation rules
	2022	2021	2022	2021	
Equity to assets	0.3	0.3	0.3	0.3	<i>equity / total assets</i>
Equity to non-current assets	0.9	0.9	0.9	0.9	<i>equity / non-current assets</i>
Debt ratio	0.7	0.7	0.7	0.7	<i>(total assets - equity) / total assets</i>
Debt to equity ratio	2.7	2.5	2.6	2.3	<i>(total assets - equity) / equity</i>

30.4.Profitability ratios

Item	Group		ZUE		Calculation rules
	2022	2021	2022	2021	
Gross profit margin	4.6%	4.1%	3.5%	3.8%	<i>gross profit / revenue</i>
EBITDA	31,900	27,057	21,852	26,370	<i>operating profit + depreciation / amortisation</i>
EBITDA margin	3.5%	3.2%	2.6%	3.4%	<i>EBITDA / revenue</i>
EBIT margin	2.0%	1.7%	1.0%	1.8%	<i>EBIT / revenue</i>
Gross margin	2.4%	1.8%	1.6%	2.0%	<i>gross profit / (revenue + other operating income + other financial income + extraordinary gains)</i>
Net margin	1.8%	1.4%	1.2%	1.5%	<i>net profit / (revenue + other operating income + other financial income + extraordinary gains)</i>
ROA	2.6%	2.05%	1.6%	2.2%	<i>net income / total assets</i>
ROE	10.57%	7.65%	6.30%	7.9%	<i>net income / equity</i>

31. Unusual factors and events with significant influence on the Group's results

Factors and events with significant influence on the Group's results have been discussed in the "Financial Information" section. No unusual factors or events with significant bearing on the Group's results other than specified in this report occurred in the reporting period.

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

No separate or consolidated financial projections for the financial year 2022 were published by the Company.

33. Investments

33.1.Investments made in 2022

The total capital expenditure in the statement of cash flows disclosed in the reporting period amounted to PLN 4,821 thousand.

As at 31 December 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 127 thousand. As at 31 December 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 239 thousand.

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

- | Purchase of cars – PLN 686 thousand;
- | General repair of profiling machine and pile driver – PLN 948 thousand;
- | Purchase of OCL network hoisting device – PLN 400 thousand;
- | Complete overhauls of vehicles (mainly wagons) – PLN 1,280 thousand;

- | Purchase of firewall – PLN 64 thousand;
- | Purchase of servers – PLN 89 thousand;
- | Purchase of generators – PLN 82 thousand;
- | Purchase of server licenses – PLN 53 thousand.

Capital expenditure was also financed by means of leasing. Leases were entered into for a total amount of PLN 3,082 thousand. Major transactions concerned the purchase of elevator for maintenance and assembly works (PLN 366 thousand) and a van (PLN 152 thousand).

The total amount of capital expenditure from financial flows and financed through leasing amounted to PLN 7,903 thousand.

In 2022, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 379 thousand. In 2021, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 1,313 thousand.

33.2. Assessment of intended investments

New investments in property, plant and equipment as well as intangible assets will be made by the Company and the Group as needed.

34. Management of financial resources

The Group cooperates with a number of banks to ensure proper financing and bank guarantees required to carry out the intended projects.

The table below sets out the use of bank credits, multipurpose lines and loans as at 31 December 2022

Group					
Bank / entity	Description	Principal according to the agreement	Interest	Use as at 31.12.2022	Repayment date
		PLN '000		PLN '000	
mBank (i)	Overdraft	10,000	ON WIBOR + margin	0	07.07.2023
mBank (ii)	Cooperation agreement	25,000	1M WIBOR + margin	0	31.05.2023
	including:				
	sublimit for bonds	25,000		11,770	
	sublimit for working capital credits	25,000		0	
mBank (iii)	Master Agreement	80,000	1M WIBOR + margin	43,255	31.05.2023
	including:				
	sublimit for bonds	80,000		43,255	
BNP Paribas (iv)	Multipurpose credit limit agreement	100,000	At the agreed rates	46,644	26.05.2023
	including:				

	sublimit for bonds	100,000		46,644	
Alior Bank (v)	Multicurrency credit limit agreement	30,000		0	27.06.2023
	including:				
	sublimit for bonds	30,000	At the agreed rates	0	
	overdraft	2,000	1M WIBOR + margin	0	
PEKAO (vi)	Multipurpose credit limit agreement	75,000	At the agreed rates	46,097	30.11.2023
	including:				
	sublimit for bonds	50,000		46,097	
CaixaBank (vii)	Bank bonds limit agreement	45,000	At the agreed rates	10,735	30.04.2023
	including:				
	Sublimit for bank bonds	45,000		10,735	
Agencja Rozwoju Przemysłu	Loan agreement	30,000	1M WIBOR + margin	25,000	31.08.2025
Magdalena Nowak	Loan agreement concerning BPK	285	1M WIBOR + margin	285	Indefinite
Railway gft					
mBank (viii)	Working capital credit	3,050	1M WIBOR + margin	3,050	31.05.2023
mBank (ix)	Master Agreement	5,700	At the agreed rates	4,745	31.05.2023
	including:				
	sublimit for bonds	5,700		4,745	
Total use of credits at the Group				28,335	
Total use of bonds at the Group				163,246	

- (i) On 6 July 2022, the Company and mBank S.A. signed an annex to the overdraft of 29.11.2004 whereby the maturity date was extended by one year.
- (ii) On 31 May 2022, the Company and mBank S.A. signed an annex to the Master Agreement of 29 July 2014 whereby the maturity date was extended by one year.
- (iii) On 31 May 2022, the Company and mBank S.A. signed an annex to the Master Agreement of 29 June 2016 whereby the limit was set as PLN 80m and could be used until 31 May 2023.
- (iv) On 25 May 2022, the Company and BNP Paribas S.A. signed an annex to the multipurpose line of credit agreement whereby the limit for bonds could be used until 26 May 2023.
- (v) On 28 June 2022, the Company and Alior SA signed the multicurrency credit limit agreement effective as of 27 June 2023.
- (vi) On 1 December 2022, the Company and Bank Pekao signed an annex to the multipurpose line of credit agreement whereby the limit for bonds could be used until 30 November 2023.
- (vii) On 28 April 2023, the Company and CaixaBank S.A. Polish Branch signed the agreement for bank bonds limit whereby the limit of PLN 45m was increased and was effective until 30 April 2023.

- (viii) On 31 May 2022, the subsidiary signed an annex whereby the credit repayment date was extended by one year and the new repayment schedule was prepared.
- (ix) On 26 May 2022, the subsidiary signed an annex to the Master Agreement whereby the limit was decreased and could be used until 31 May 2023.

35. Financial risk management

The main financial instruments used by the Company include:

- | Finance leases and agreements for the financing of property, plant and equipment whose aim is to obtain funds to finance capital expenditures;
- | Overdraft non-revolving special purpose credit to finance day-to-day operations and a selected contract;
- | Loan to finance day-to-day operations;
- | Trade and other receivables and payables and cash earned during the course of the Company's day-to-day operations.

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

Foreign exchange risk

As part of their operations, the companies within the Group make settlements in foreign currencies, mainly in EUR and RON. The foreign exchange risk is mainly hedged by concluding contracts with counterparties whereby the risk is transferred to them.

Interest rate risk

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

Price risk

The Group is exposed to price risk relating to the increase in prices of the most popular products and raw materials such as concrete, aggregates, steel elements (including tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact wires) and, given a big number of machines, liquid fuels (including diesel oil and petrol).

Changes in prices of materials or labour costs may contribute to a change in service fees charged by subcontractors. Prices contained in contracts with investors remain fixed throughout the term of such contracts (usually from 6 to 36 months). However, contracts with subcontractors may be concluded at later dates as the works progress. The Group protects itself against the price risk by signing master agreements for the supply of strategic materials.

Credit risk

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

Before a contract is signed, each counterparty is assessed in terms of their ability to fulfil their financial obligations. If the assessment is negative, signing of the contract is conditional at least on the provision of proper security on property or financial security. In addition, the Group tries to make sure that contracts with investors provide for the right to stop the works if the payment for the services already performed is delayed. If possible, contracts provide for the Group's ability to pay its subcontractors after the Group has been paid by an investor.

Liquidity risk

The Group reduces liquidity risk by using external financing such as multi-purpose lines of credit and other financing products as an additional safeguard against the loss of liquidity. The Group uses own funds, credits or long-term finance leases to finance capital expenditures and ensures proper stability of financing structure for this type of assets.

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

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

36. Scope of application of corporate governance principles

The information about the Company's compliance with the principles and recommendations contained in 2021 Code of Best Practice for WSE Listed Companies as well as relevant statement made by the Company's Management Board are available on ZUE's website: www.grupazue.pl; tab: Investor Relations > Corporate Governance.

Since 1 July 2021, ZUE has been subject to 2021 Code of Best Practice for WSE Listed Companies (2021 Code of Best Practice) corporate governance principles contained in the appendix to the Resolution no. 13/1834/2021 passed by the Warsaw Stock Exchange Supervisory Board on 29 March 2021 (effective since 1 July 2021).

The Management Board of ZUE state that in the financial year 2022, the Company complied with the majority of the corporate governance principles set out in the appendix to the Resolution no. 13/1834/2021 passed by the Warsaw Stock Exchange Supervisory Board on 29 March 2021, except for the following principles.

Chapter I – Disclosure Policy, Investor Communications

1.3.1.) - Content

"Companies integrate ESG factors in their business strategy, including in particular: 1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development."

1.3.1.) – Company's comment

ESG factors (E – Environment, S – Social and G – Governance) have not been formally integrated in ZUE's business strategy. However, the Company is aware of the negative effects of human activity and the related legal requirements and treats these factors seriously. The Company respects all the applicable laws and regulations. The Company's strategic objectives are pursued with due regard to non-financial aspects such as human rights or employee factors as well as impact on local communities and natural environment. The Company is in the processes of integrating ESG factors in ZUE's business strategy.

1.3.2.) - Content

"Companies integrate ESG factors in their business strategy, including in particular: 1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations."

1.3.2.) – Company's comment

ESG factors (E – Environment, S – Social and G – Governance) have not been formally integrated in ZUE's business strategy. However, the Company is aware of the negative effects of human activity and the related legal requirements and treats these factors seriously. The Company respects all the applicable laws and regulations. The Company's strategic objectives are pursued with due regard to non-financial aspects such as human rights or employee factors as well as impact on local communities and natural environment. The Company is in the processes of integrating ESG factors in ZUE's business strategy.

1.4.) - Content

"To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term

goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others;"

1.4.) – Company's comment

According to applicable laws, the information on strategic objectives pursued by the Company is provided to stakeholders in interim reports published on the Company's website. The Company's strategic objectives are pursued with due regard to non-financial aspects such as human rights or employee factors as well as impact on local communities and natural environment. The Company is in the processes of integrating ESG factor's in ZUE's business strategy.

2.1.) - Content

"Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%."

2.1.) – Company's comment

The Company does not apply the diversity policy to the management board or the supervisory board. Members of the management supervisory boards are appointed on the basis of their competence, skills and effectiveness. **The appointment decisions are made on the basis of these criteria. The Company believes that these assessment criteria help it select the candidates able to pursue the Company's strategy and ensure its development.** However, it is possible that the diversity policy, including gender diversity, will be implemented in the future.

2.2.) - Content

"Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1."

2.2.) – Company's comment

The Company does not apply the diversity policy to the management board or the supervisory board. Members of the management supervisory boards are appointed on the basis of their competence, skills and effectiveness. **The appointment decisions are made on the basis of these criteria. The Company believes that these assessment criteria help it select the candidates able to pursue the Company's strategy and ensure its development.** However, it is possible that the diversity policy, including gender diversity, will be implemented in the future.

3.5.) - Content

"Persons responsible for risk and compliance management report directly to the president or other member of the management board."

3.5.) – Company's comment

The principle according to which persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board is not observed by the Company. Given the type and scope of the Company's activities, not every person responsible for any of these activities reports directly to the president or other member of the management board. The internal audit activities are monitored by

the Audit Committee as part of the Committee's tasks and powers. However, relevant changes are planned by the Company and an internal audit unit may be separated from its structures.

3.6.) - Content

"The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee."

3.6.) – Company's comment

Given the type and scope of the Company's activities, no independent organisational units responsible for internal audit tasks have been separated from its structures. Consequently, there are no objective reasons to state that these standards are observed by the Company. The internal audit activities are monitored by the Audit Committee as part of the Committee's tasks and powers. However, relevant changes are planned by the Company and an internal audit unit may be separated from its structures.

3.7.) - Content

"Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks."

3.7.) – Company's comment

Given the type and scope of the activities conducted by the companies within the Group, no independent organisational units responsible for internal audit tasks have been separated from their structures. Consequently, there are no objective reasons to state that these standards are observed by the companies within the Group.

4.1.) - Content

"Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed."

4.1.) – Company's comment

According to Art. 406(5) of the Act, the participation in a general meeting with the use of electronic communication means is not mandatory and a decision about the participation is made by the entity convening the meeting. The Issuer believes that the Company's Articles of Association, the provisions of the Act and the Company's Regulations of the General Meeting govern the course of and the participation in general meetings in a comprehensive and sufficient manner. In addition, the Management Board state that the Company's expenses associated with the holding of a general meeting with the use of electronic communication means are incommensurate with the advantages for investors.

4.3.) - Content

"Companies provide a public real-life broadcast of the general meeting."

4.3.) – Company's comment

Due to the Company's shareholding structure, the proceedings of general meetings have not been transmitted in real time. The Company's general meetings have been held in a standard manner typical for such kind of meetings. Therefore, the Issuer believes that shareholders' rights are properly protected by the laws governing the provision of

information about the course of general meetings binding on public companies. In addition, shareholders have an access to material information about the course of general meetings contained in the reports published on the Company's website.

4.8.) - Content

"Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting."

4.8.) – Company's comment

As for shareholders' rights, the Company complies with the applicable laws according to which shareholder or shareholders holding at least **one twentieth of the Company's share capital may** table draft resolutions on matters put on the agenda or matters to be put on the agenda before the date of the general meeting. In addition, each shareholder may table draft resolutions on matters put on the agenda during the general meeting. The Company has no influence on shareholders' activities, however it encourages them to table draft resolutions with reasonable notice.

4.9.1.) - Content

"Candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website."

4.9.1.) – Company's comment

As for shareholders' rights, the Company complies with the applicable laws according to which shareholder or shareholders holding at least **one twentieth of the Company's share capital may** table draft resolutions on matters put on the agenda or matters to be put on the agenda before the date of the general meeting. In addition, each shareholder may table draft resolutions on matters put on the agenda during the general meeting. The Company has no influence on shareholders' activities, however it encourages them to name candidates with reasonable notice.

37. Key characteristics of ZUE's risk management internal control system in relations to preparation of financial statements

Separate / consolidated financial statements of the ZUE Group are prepared in accordance with the International Financial Reporting Standards, as approved by the European Union.

The responsibility for the implementation of an internal control system in the Group rests with the Management Board of ZUE. Supervision over the preparation of financial statements is entrusted to a person holding the position of Chief Accountant, who is charged with ongoing monitoring of the work through all its stages. Risks are identified and mitigated by qualified staff of the Group's financial unit. To guarantee an adequate level of security in the preparation of financial statements, accounting books were maintained in 2022 with the use of ERP software by IFS, which could be accessed by authorised personnel only. The system was implemented in 2021 to significantly improve the safety and efficient circulation of information within the organisation. The financial reporting process is controlled on an ongoing basis, through its successive stages. The Company's complete separate / consolidated financial statements are submitted to the Management Board for final approval.

38. Assessment of internal control and risk management systems as well as supervision of compliance with the law and internal audit

Due to the type and scope of the Company's activities, there is no need for separate internal control, risk management or compliance supervision in separate organizational units. These tasks are dispersed and carried out by the Company's individual organizational units. The aim of internal control is to enhance the efficiency of business activities by supplying objective information about identified irregularities and inefficiencies, and the ways to remove them. Internal control includes all the areas to which potential material risks relate, including the areas relating to non-financial issues (especially environmental protection and employee issues). The efficiency of the Company's dispersed internal control, risk management and compliance supervision systems have been favourably assessed by the Company's Management Board.

Due to the type and scope of the Company's activities, there are no grounds to identify any separate unit responsible for internal audit. At this report preparation date, the said tasks are monitored by the Audit Committee. However, relevant changes are anticipated by the Company and an internal audit unit may be separated from its structures.

39. Shares and shareholding structure

39.1.Share capital structure

As at 31 December 2022, the registered share capital disclosed in the financial statements was PLN 5,757,520.75.

Share capital as at 21 March 2023

(PLN)

Class/issue	Type of shares	Number of shares	Value of class/issue at nominal value	Contribution	Registration date (Right to dividend from registration date)
Class A	Ordinary bearer shares	16,000,000	4,000,000.00	Contribution in kind	12 July 2002
Class B	Ordinary bearer shares	6,000,000	1,500,000.00	Fully paid up in cash by way of issue	19 October 2010
Class C	Bearer – "Merger shares"	1,030,083	257,520.75	Fully paid up in cash by way of issue	20 December 2013
Total		23,030,083	5,757,520.75		

Class A, B or C shares are not preferred and rights to shares are not limited.

At 31 December 2022, the share capital structure was the same as at 21 March 2023.

39.2.Treasury shares

At the date of preparation of this report, the Company holds 264,652 treasury shares. 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. The shares were bought back in 2015 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 shares were acquired by the Company outside organised trading for resale. The Company's Management Board intend to sell the shares in favourable market conditions on the stock exchange or outside organised trading. No treasury shares were acquired by the Company in 2022.

39.3.Shareholding structure

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

preparation date:

Shareholder	Number of shares/votes at 21 March 2023	% of the share capital / total number of votes	Number of shares/votes according to previous interim report ⁽¹⁾	% of the share capital / total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
Funds managed by Generali PTE ⁽²⁾	1,461,659 ⁽³⁾	6.35%	1,460,000 ⁽³⁾	6.34%
PKO Bankowy OFE	1,780,786 ⁽⁴⁾	7.73%	1,780,786	7.73%
Other	5,387,318 ⁽⁵⁾	23.39%	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 three quarters of 2022): 16 November 2022.

(2) Shareholding on the basis of the notice of exceeding 5% of the total vote received on 6 February 2023. According to the Company's best knowledge, the information is valid as at the date of publication of this report.

(3) NNlife OFE was disclosed as the shares owner in the previous interim report.

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

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

39.4. Shares of ZUE and related parties held by members of the Issuer's management and supervisory bodies

Holdings of ZUE shares by members of the Issuer's management and supervisory bodies (according to the information held by the Management Board of ZUE on this report preparation date).

Shareholder	Position at ZUE	Number of shares/votes at 21 March 2023	Nominal value (PLN)	% of 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 three quarters of 2022): 16 November 2022.

According to the best knowledge of the Company's Management Board, no Company shares were held by other members of the Issuer's management or supervisory bodies at this report preparation date.

No shares in the Group companies were held by members of the Issuer's management or supervisory bodies on the date of publication of the last interim report or the date of preparation of this report.

39.5. Holders of securities conferring special control powers

The Company did not issue any securities conferring special control powers.

39.6. Restrictions on exercise of voting rights

There are no restrictions on the exercise of voting rights at the Company.

39.7. Restrictions on transferability of securities

There are no restrictions on the transferability of the Issuer's securities at the Company.

39.8. Agreements known to the Issuer likely to cause changes to the proportions of shares held by the existing shareholders

Buy-back of ZUE treasury shares

No treasury shares were bought back by the Company in 2022.

Apart from this fact, the Issuer is not aware of any agreements likely to change the proportions of shares held by the existing shareholders in the future. In addition, the Company is not aware of any major agreements between the shareholders.

39.9. Issue of securities

No securities were issued by the Group companies in 2022.

GOVERNING BODIES

40. Composition and rules governing the operation of the Company's management and supervisory bodies and their committees

40.1. Management Board of ZUE

Pursuant to the Articles of Association and the Regulations of the Management Board of ZUE, members of the Management Board are appointed and dismissed by the Company's Supervisory Board. Management Board members are appointed for the common term of three years. The Management Board is composed of one or more members and the number of members is defined by the Supervisory Board. The Supervisory Board appoints one member of the Management Board to the position of Management Board President and may appoint one or more members to the positions of Management Board Vice-Presidents.

The Management Board manages the affairs of the Company and represents the Company, subject to the powers vested in the General Meeting or the Supervisory Board under applicable laws or the Articles of Association.

The Management Board makes the decisions independently, subject to the activities which pursuant to applicable laws or the Articles of Association require the approval of other bodies of the Company.

The President of the Management Board supervises all employees and organisational units of the Company.

The President of the Management Board has the right to make final decisions in one person with regard to internal relations including, in particular, employee relations, including the right to reverse the decision of another Management Board member (unless otherwise stated in a resolution previously adopted by the Management Board or applicable laws).

During his/her absence, the President of the Management Board may appoint another Management Board member. The appointed member has all the powers of the President of the Management Board.

Statements of will on behalf of the Company can be made by the President of the Management Board acting independently or two Management Board members acting jointly or one Management Board member together with a commercial proxy or a commercial proxy independently.

At this report preparation date, the Management Board was composed of:

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

Section 7.18 Remuneration of key management personnel of the separate financial statements presents the remuneration paid to the members of the Company's Management Board.

40.2. Agreements between the Issuer and managing personnel providing for compensation for resignation or dismissal

All employment contracts signed by members of the Company's Management Board contain a competition clause, which continues in force for one year after the contract has been terminated due to the circumstances attributable to both the employer and the employee.

During the said one-year period, the Company is obliged to pay damages equal to annual remuneration, excluding additional remuneration, in monthly instalments. If an employment contract is terminated by a member of the Company's Management Board, the Company may decide, within 14 days of the receipt of termination notice, to release the member from their obligation to observe the competition clause without having to pay damages.

40.3. Supervisory Board of ZUE

Pursuant to the Articles of Association and the Regulations of the Supervisory Board of ZUE, the Company's Supervisory Board is composed of five to seven members appointed and dismissed by the General Meeting for the common term of three years.

Members of the Supervisory Board cannot include any members of the Management Board, proxies, liquidators, branch or facility managers, the chief accountant, legal counsel or advocate employed by the Company, other employees directly reporting to a member of the Management Board or a liquidator, or members of the management board or liquidators of the Company's subsidiaries.

Meetings of the Supervisory Board are convened as needed at least three times in a financial year.

The Supervisory Board meetings are held in the Company's premises or another venue specified in the notice of the Supervisory Board meeting.

Resolutions of the Supervisory Board are passed by an absolute majority of votes. In the event of a tied vote, the Chairperson of the Supervisory Board has the casting vote.

The Supervisory Board perform their duties: 1/ at the Supervisory Board meetings, 2/ through the on-going and *ad hoc* supervisory activities as part of which they are entitled to:

- | Review the scope of responsibilities of each of the Company departments;
- | Request the Company's Management Board and employees to provide relevant reports and explanation;
- | Review the Company's assets;
- | Monitor the Company's financial standing;
- | Inspect records and documents;
- | Oblige the Management Board to engage experts to prepare assessments or opinions to be used by the Supervisory Board if a given matter requires specialist knowledge, qualifications, activities or an independent expert's assessment.

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

- | On 12 January 2022, the Extraordinary General Meeting of ZUE resolved to dismiss Mr. Michał Lis and appoint Ms. Agnieszka Klimas to the Supervisory Board;
- | On 23 May 2022, Mr. Mariusz Szubra resigned from the position of the Supervisory Board member as of 23 May 2022;
- | On 31 May 2022, the Ordinary General Meeting of the Company resolved to appoint the five members to the Company's Supervisory Board for the new term of office as of 31 May 2022, namely Piotr Korzeniowski, Barbara Nowak, Irena Piekarska-Konieczna, Agnieszka Klimas and Maciej Szubra;
- | On 31 May 2022, the Company's Management Board was appointed by the Supervisory 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.

Composition of the Company's Supervisory Board at the date of preparation of this report:

Piotr Korzeniowski	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
Irena Piekarska-Konieczna	Supervisory Board Member

Supervisory Board Member

Supervisory Board Member

Section 7.18 Remuneration of key management personnel of the separate financial statements presents the remuneration paid to the members of the Company's Supervisory Board.

41. Rules governing the appointment and removal from office of managing personnel and the managing personnel's powers, including authority to decide about share issues or buybacks

Members of the Management Board of ZUE are appointed for the common term of three years and removed from the office by the Supervisory Board. The Management Board of ZUE has no power to decide about the issue of shares. Such decisions can only be made by the General Meeting. Powers of the Management Board of ZUE to make decisions concerning share buybacks are as stipulated in the Act.

42. Audit Committee

On 18 October 2017, the Supervisory Board of ZUE appointed the Audit Committee referred to in Art. 128.1 in connection with Art. 129.1 of the Act on Auditors, Audit Firms and Public Supervision of 11 May 2017 (the “Act on Auditors”).

Until 31 May 2022, the Audit Committee was composed of:

- Mariusz Szubra – Chairperson of the Audit Committee (independent member within the meaning of the Act on Auditors) (he resigned from the position of a member of the Company's Supervisory Board on 23 May 2022);
- Barbara Nowak – Member of the Audit Committee; and
- Piotr Korzeniowski – Member of the Audit Committee (independent member within the meaning of the Act on Auditors).

From 31 May 2022, the Audit Committee is composed of:

- Irena Piekarska-Konieczna – Chairperson of the Audit Committee (independent member within the meaning of the Act on Auditors);
- Barbara Nowak – Member of the Audit Committee; and
- Maciej Szubra – Member of the Audit Committee (independent member within the meaning of the Act on Auditors).

In 2022, the Audit Committee held four meetings.

Ms. Irena Piekarska-Konieczna meets the requirements relating to skills and knowledge of accountancy or financial statements auditing referred to in Art. 129.1 of the Act on Auditors gained through her economic education and professional career at commercial companies where she worked, *inter alia*, as chief accountant or financial director. She has long-term experience in maintaining accounting records and preparing financial statements of construction and assembly companies and in tax settlements.

Ms. Barbara Nowak, on the other hand, meets the requirements relating to skills and knowledge of the industry the Issuer operates in specified in Art. 129. 5 of the Act on Auditors. Ms. Nowak has worked for ZUE for more than thirty years. At the beginning she dealt with electronics and radio communications and then with power electronics, power industry and traction works, also by holding various positions such as managing director of ZUE.

The tasks (including statutory tasks) of the Audit Committee of ZUE include, in particular:

- Monitoring of financial reporting;
- Monitoring of effectiveness of the Company's internal control systems, risk management systems and internal audit, including financial reporting;

- | Monitoring of financial audit including, in particular, audits of the Company's financial statements conducted by audit firms and taking into consideration any comments and findings of the Auditing Oversight Committee following from an inspection carried out at the audit firm;
- | Control and monitoring of independence of an auditor or audit firm delivering services to the Company;
- | Informing the Supervisory Board about the results of the Company's financial statements audit and explaining how the audit contributes to reliable financial reporting at the Company and the role of the Committee during the audit;
- | Assessment of an auditor's independence and giving consent to the provision of services to the Company by the said auditor;
- | Developing the policy of appointing an audit firm to conduct the audit of the Company's financial statement;
- | Developing the policy of delivering non-audit services by an audit firm conducting the audit of the financial statements, entities related to the said audit firm and a member of the audit firm network;
- | Defining the procedure of appointment of an audit firm by the Company; and
- | Making recommendations to ensure reliable financial reporting at the Company.

Pursuant to the Audit Committee's policy on the appointment of an audit firm, the Supervisory Board take into consideration such criteria as the experience of the appointed audit firm as well as the skills and experience of the firm's employees appointed to audit the financial statements, knowledge of the industry ZUE operates in, the fee of the audit firm and the firm's reputation. In addition, the Supervisory Board must obtain the recommendations of the Audit Committee including, in particular, the assessment of the audit firm's independence and the audit firm must be appointed without any influence, pressure or suggestions of third parties. The Supervisory Board must also consider the restrictions concerning the appointment of audit firms following from the law, especially the grace period and rotation of audit firms and auditors.

The Audit Committee's policy concerning the sale by an audit firm or entities related to the firm or the firm's network member of permitted non-audit services provides, first and foremost, for the independence of audit firms and auditors and the restricted likelihood of the conflict of interests when non-audit services are provided by the firm. This likelihood is restricted by defining permitted and prohibited services. The examples of permitted services include the due diligence of financial and economic condition, attestation of pro forma financial information, projected or estimate results, disclosures in a prospectus, audit of historical financial information for the prospectus or verification of consolidation packages. The list of prohibited services includes, in particular, tax services relating to preparation of tax forms, payroll tax, customs duties, book-keeping and preparing accounting records and financial statements, designing and implementing internal control or risk management procedures related to the preparation or control of financial information or designing and implementing financial information technology systems or services related to internal audit function. Permitted services may only be delivered to the extent unrelated to the Company's tax policy after the Audit Committee have assessed the risks and threats relating to the independence of an audit firm, key auditor and other members of audit team.

The Audit Committee's recommendation concerning the appointment of Polinvest-Audit Sp. z o.o., an audit firm with registered office in Cracow (Polinvest) to audit the financial statements of ZUE for 2021 and 2022 and to review the half-yearly financial statements of the Company prepared in the abovementioned period meets the applicable requirements.

Apart from the review of the half-yearly financial statements for 2022, Polinvest evaluated the Report on remuneration of members of the Company's Management and Supervisory Boards for 2021. The Audit Committee assessed the independence of Polinvest-Audit Sp. z o.o. and approved of the provision of audit services by the audit firm.

There is no Remuneration Committee at the Supervisory Board.

43. Amendments to ZUE's Articles of Association

Pursuant to the Act, the Company's Articles of Association may be amended by a resolution passed by the General Meeting. The amendment is reported by the Management Board to the registry court.

The General Meeting may authorise the Supervisory Board to prepare a uniform text of the amended Articles of Association or to make other editorial amendments as specified in a resolution of the General Meeting.

44. Operation of the General Meeting of ZUE

Pursuant to the Act and the Articles of Association of ZUE, the General Meeting is convened by the Company's Management Board.

General Meetings are held in the Company's registered office or in Warsaw.

The powers of the General Meeting include:

- | Review and approval of the Management Board Report on the Company's operations and financial statements for the preceding financial year;
- | Distribution of profit or coverage of loss and appropriation of funds established by the Company;
- | Granting discharge to members of the Company's governing bodies in respect of performance of their duties;
- | Amendments to the Company's Articles of Association;
- | Issue of bonds, including convertible bonds or bonds with pre-emptive rights, or issue of subscription warrants;
- | Sale or lease of the Company's business or any organised part thereof and creation of a limited right *in rem* over them;
- | Adoption of resolutions on the Company's merger or transformation;
- | Dissolution and liquidation of the Company; and
- | Other matters reserved for the General Meeting according to the law or the Articles of Association.

General Meetings may be held as Ordinary or Extraordinary General Meetings. Ordinary General Meetings are held within six months of the end of each financial year. The Ordinary General Meeting may be convened by the Supervisory Board if the Management Board fails to do so by the date stipulated by the law. Extraordinary General Meetings are convened by the Supervisory Board as it sees fit. The Company's shareholders representing at least a half of the Company's share capital are also entitled to convene an Extraordinary General Meeting.

Shareholders may also participate in the General Meeting by means of electronic communication, unless the Articles of Association provide otherwise. A decision about such a participation is made by the entity convening the meeting.

Moreover, shareholders representing at least one twentieth of the Company's share capital may request that an Extraordinary General Meeting be convened and certain items be put on its agenda.

The notice of the General Meeting is published at least twenty six days before the date scheduled for the General Meeting on the Company's corporate website and in a current report in accordance with 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.

A request by a shareholder or shareholders representing at least one twentieth of the share capital to put certain matters on the agenda of the General Meeting should be submitted to the Management Board at least twenty one days before the date of the General Meeting. The request should state the grounds for and a draft resolution pertaining to the proposed item of the agenda. The request may be sent in electronic form.

Any changes to the agenda requested by a shareholder or shareholders representing at least one twentieth of the share capital are announced by the Management Board promptly and in any case within eighteen days prior the scheduled date of the General Meeting. The announcement is published as prescribed for convening the General Meeting.

The General Meeting may only be attended by persons that are the Company's shareholders sixteen days before the date scheduled for the General Meeting.

A person entitled to participate in the General Meeting may obtain a full text of documents to be submitted to the Extraordinary General Meeting and draft resolutions or comments of the Management and Supervisory Boards from the Company's registered office. Also a list of shareholders entitled to participate in the General Meeting is available in the Company's registered office for three weekdays before the date of the General Meeting.

During the General Meeting, each shareholder may propose draft resolutions concerning items put on the agenda.

Shareholders may participate in the General Meeting in person or by proxy. A power of attorney to participate in the general shareholders meeting of a public company and to exercise voting rights must be granted in written or electronic form.

A General Meeting is opened by the Chairperson of the Supervisory Board or a person appointed by them. Failing them, a General Meeting is opened by the President of the Management Board or a person appointed by the Management Board.

The person opening the General Meeting ensures that a ballot is properly conducted, announces a winner and passes the chairing of the General Meeting to the elected Chairperson.

The Chairperson of the General Meeting is elected from among persons entitled to participate in the General Meeting that are recommended by persons entitled to participate in the General Meeting upon their consent, subject to the Extraordinary General Meeting being convened by shareholders representing at least a half of the Company's share capital or at least a half of the total vote at the Company. In such a case, the Chairperson of the General Meeting is elected by such shareholders.

The Chairperson of the General Meeting is elected in a secret ballot and the candidatures are voted on separately. A person who scores the most votes becomes the Chairperson.

The Chairperson presides over the General Meeting in line with the adopted agenda and in compliance with the applicable laws, the Code of Best Practice for WSE Listed Companies, the Articles of Association and the Regulations of the General Meeting.

Upon the election, the Chairperson of the General Meeting signs the attendance list containing the names of all participants of the General Meeting, the number of shares they represent and the number of votes conferred by those shares and then – either in person or through designated secretaries of the General Meeting – prepares the attendance list based on the list of shareholders entitled to participate in the General Meeting.

Any appeals, objections, comments and other matters pertaining to the participation in the General Meeting are submitted to the Chairperson of the General Meeting who resolves them at his/her discretion. Decisions of the Chairperson of the General Meeting may be appealed against to the General Meeting.

A Ballot Counting Committee composed of three members is appointed, unless the General Meeting decides otherwise.

Members of the Ballot Counting Committee are elected from among candidates proposed by the Chairperson or persons entitled to participate in the General Meeting and each shareholder of the Company may propose one candidate.

Members of the Ballot Counting Committee are elected by the General Meeting in a secret ballot and the candidatures are voted on separately in alphabetical order. The Ballot Counting Committee is composed of persons who score the most votes.

Once the attendance list is signed and checked, the Chairperson of the General Meeting puts to vote the agenda determined by the Management Board.

The General Meeting may adopt the proposed agenda as it is, rearrange items placed on the agenda or remove certain matters from the agenda. A resolution not to consider an item included in the agenda may only be adopted for important reasons. A motion not to consider an item included in the agenda should be justified to the extent ensuring that a resolution in this respect is well informed. A decision to remove an item from the agenda or not to consider an item placed on the agenda at the request of a shareholder of the Company requires a resolution of the General Meeting, subject to prior consent of all the shareholders present who submitted the request.

The Chairperson of the General Meeting may not at their sole discretion remove items from the agenda, rearrange items on the agenda or add any substantive matters to the agenda. Upon presentation of each agenda item, the Chairperson of the General Meeting prepares a list of persons who have registered for discussion and – when the list is closed – opens the discussion giving the floor to speakers in the order in which they registered for discussion.

A decision to close the discussion is made by the Chairperson of the General Meeting.

Once all items on the agenda have been dealt with, the General Meeting is closed by the Chairperson.

Shareholders of the Company have no rights other than specified by the law.

45. Changes to basic rules of management of the Issuer's enterprise and its capital group

The organisational structure of the Company in 2022 did not change considerably when compared with 2021. Section 1.2 of this Report deals with major changes concerning the Group's organisation.

46. Diversity policy applied to the Issuer's governing and key managers

The Company does not apply any diversity policy to the Company's governing bodies or key managers. The appointment of members of the Company's governing or supervisory bodies or key managers depends on their competence, skills and effectiveness. The appointment decisions are made on the basis of these criteria. The Company believes that these assessment criteria help it select the candidates able to pursue the Company's strategy and ensure its development.

OTHER INFORMATION ABOUT THE GROUP

47. Employee share scheme control system

ZUE has no employee share scheme control system.

48. Liabilities under pension and similar benefits

Liabilities under pensions and similar benefits for former management and supervisory personnel as well as liabilities incurred in connection with the said pensions are presented in the note no. 7.18 of the consolidated financial statements for 2022.

49. Preparation basis

This Management Board Report on the Activities of ZUE between 1 January – 31 December 2022 contains the information whose scope has been defined out in § 70 and § 71 of 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 (the "Regulation"). On the basis of § 71.8 of the Regulation, this report also contains the disclosures required in the case of the Report on the Activities of the Parent Company referred to in § 70.1.4 of the Regulation. Accordingly, no separate Report on the Activities of the Parent Company has been published by the Issuer.

The financial statements of the Company and the Group for the financial year 2022 have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (the "IFRS"). The IFRS include the standards and interpretations approved of by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC").

The annual report including the abovementioned financial statements and this report on activities has been prepared on the basis of Section 1.3 and Section 2 of § 60 of the Regulation.

This report contains the non-financial information statement referred to in Art. 55.2b) of the Accountancy Act. Pursuant to § 71.8 of the Regulation, the statement also includes the disclosures about the Parent Company referred to in Art. 49b.2 of the Accountancy Act necessary for the assessment of the Parent Company's development, performance and standing as well as the impact of its operations on the issues stipulated in Art. 49b.2.3 of the Accountancy Act.

The non-financial information statement has been prepared on the basis of the Non-Financial Information Standard (the Standard) developed by the Reporting Standards Foundation. The non-financial information statement contained in this report substantially complies with the Standard except for the incompatibility of certain sectors of the Standard with the activity conducted by the Group as well as the Group's organisational and corporate solutions as a result of which, a reference to certain items is impossible. However, the non-financial information statement does contain the data likely to have a material impact on the reliable description of the influence of the Parent Company and the Group on social and employee issues, the natural environment, the respect of human rights and counteracting corruption.

50. Major research and development projects

ZUE's core business does not require it to engage in any basic research or development projects.

51. Appointment of entity authorised to audit financial statements

On the basis of a resolution passed by the Company's Supervisory Board, Polinvest-Audit Sp. z o.o. with registered office in Cracow, the Łukasiewicza Street no. 1, 31-429 Cracow, was appointed to audit the separate and consolidated financial statements of ZUE for the financial year 2022.

The Agreement with Polinvest-Audit Sp. z o.o. provides for:

- a) audit of the separate and consolidated financial statements of the Company for 2021 and 2022;
- b) review of the half-yearly separate and consolidated financial statements of the Company for the first half of 2021 and 2022.

The agreement was concluded on 19 July 2021 for the duration of the audit.

The net remuneration of Polinvest-Audit Sp. z o.o. for the audit and review of the financial statements for 2022 was set as PLN 133 thousand.

The remuneration of Polinvest-Audit Sp. z o.o. for the audit and review of the financial statements for 2021 was PLN 133 thousand.

In the reporting period, Polinvest-Audit Sp. z o.o. evaluated the Report on remuneration of members of the Company's Management and Supervisory Boards for 2021. No other services were provided in the reporting period by Polinvest-Audit Sp. z o.o. to the Issuer.

Polinvest-Audit Sp. z o.o. also reviewed and audited the separate and consolidated financial statements of the Company for 2019 and 2020.

52. Court proceedings

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 next trial was set as 1 June 2023.

Cases concerning the following project: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadolin – 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 Biadolin – 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 set by the Court as 13 April 2023.

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 all of the cases and applied for the dismissal thereof. The Petitioner responded to the Defendant's statements and the exchange of pleadings between the parties came to an end. The parties are waiting for the trial.

Two inflation claims for the total amount of approximately PLN 8m were submitted by the Issuer in December 2022. The claims concern the following projects:

- | Protection of civil structures on the Dęblin – Lublin section as part of the project named: "Works on the Warszawa Wschodnia Osobowa – Dorohusk railway line no. 7 of the Warszawa – Otwock – Dęblin – Lublin section, stage I;" and
- | Preparation of design documentation and completion of construction works in connection with a "design-build" contract as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-16 "Improvement of capacity of E 20 railway line of the Warszawa – Kutno section, Stage I: Works on the railway line no. 3 of the Warszawa – the Łowicz Local Traffic Control Centre (LCS) section."

Case numbers were assigned to these cases. The Issuer is waiting for the claims to be submitted to the defendant.

Other court cases in connection with inflation claims relating to urban contracts

In November 2022, the Issuer and the consortium members, namely Energopol and Przedsiębiorstwo Inżynieryjne "IMB-Podbeskidzie" sp. z o.o., submitted an inflation claim relating to the urban project named "**Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow**" managed by the City of Cracow, the defendant. ZUE's claim amounts to approximately PLN 6m. The defendant responded to the claim and applied for the claim to be dismissed. The petitioner is waiting for the date of the trial to provide their statement on the said response.

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

The Management Board of ZUE believe there is no information significant for the assessment of the staff, economic and financial position, profit or loss or changes therein, or information significant for the assessment of the Company's or the Group's ability to perform their obligations other than presented in this report.

STATEMENTS BY THE MANAGEMENT BOARD OF S.A.

54. Statement of compliance

The Management Board of ZUE state that according to their best knowledge, the annual separate and consolidated financial statements of ZUE for 2022 and the comparative information have been prepared in accordance with applicable accounting principles and give a true and fair view of the economic and financial position of the Company and the Group and their profit or loss. The report on the activities of the Group contains a true view of the development and achievements of both the Company and the Group and their standing, including the description of fundamental risks and threats.

55. Statement of the appointment of auditor

(Prepared according to § 70.1.7 and § 71.1.7 of 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)

On the basis of the statement by the Company's Supervisory Board of 15 March 2023 on the appointment of the audit firm to audit the annual separate and consolidated financial statements of ZUE and the Group, respectively, the Management Board of ZUE S.A. (the Company, ZUE) inform that:

— Acting pursuant to applicable laws and ZUE's internal regulations; i.e. relevant policies and procedures governing the appointment of an audit firm, the Supervisory Board of ZUE resolved, based on the recommendation of the Audit Committee, to appoint Polinvest-Audit Sp. z o.o. with registered office in Cracow, the Łukasiewicza Street no. 1, 31-429 Cracow (Polinvest), to:

a) audit the separate and consolidated financial statement of the Company for 2021 and 2022;

b) review the half-yearly separate and consolidated financial statements of the Company for the first half of 2021 and 2022;

— Polinvest Audit Sp. z o.o. and members of the team involved in the audit of the separate and consolidated financial statements of the Company and the Group for 2022 have met the requirements necessary to prepare an unbiased and independent audit report in accordance with the applicable laws, professional standards and professional ethics;

— ZUE observes the laws relating to the rotation of audit firms and key auditors and mandatory grace periods; and

— ZUE has the policy concerning the appointment of an audit firm and the policy concerning the provision by an audit firm or entities related to the firm or the firm's network member of additional non-audit services, including services conditionally exempt from the ban.

56. Signatures of the management personnel

Wiesław Nowak	Management Board President
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Anna Mroczek	Management Board Vice-President
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Jerzy Czeremuga	Management Board Vice-President
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Maciej Nowak	Management Board Vice-President
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Marcin Wiśniewski	Management Board Vice-President
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Cracow, 21 March 2023