



ZUE Capital Group

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CONSOLIDATED QUARTERLY REPORT  
FOR 3 MONTHS ENDED 31 MARCH 2023

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Cracow, 17 May 2023

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**Content of the consolidated quarterly report:**

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

Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the 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 3,000,000 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 Inżynierskiego 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.
Act	Polish Companies Act (Uniform text, Journal of Laws of 2022, item 1467).

Share capital details as at 31 March 2023.

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## I. Selected financial data of the Capital Group

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

	31-03-2023		31-12-2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	203,125	43,445	199,433	42,524
Current assets	417,278	89,248	475,261	101,337
<b>Total assets</b>	<b>620,403</b>	<b>132,693</b>	<b>674,694</b>	<b>143,861</b>
Equity	181,958	38,917	180,768	38,544
Non-current liabilities	55,214	11,809	59,370	12,659
Current liabilities	383,231	81,967	434,556	92,658
<b>Total equity and liabilities</b>	<b>620,403</b>	<b>132,693</b>	<b>674,694</b>	<b>143,861</b>

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

	3 months ended 31 March 2023		3 months ended 31 March 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	249,287	53,034	153,599	33,052
Cost of sales	240,766	51,221	145,287	31,263
<b>Gross profit (loss) on sales</b>	<b>8,521</b>	<b>1,813</b>	<b>8,312</b>	<b>1,789</b>
Operating profit (loss)	1,913	407	3,604	776
Gross profit (loss)	2,010	428	4,909	1,056
<b>Net profit (loss) from continuing operations</b>	<b>1,190</b>	<b>253</b>	<b>3,759</b>	<b>809</b>
Total comprehensive income	1,190	253	3,759	809

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

	3 months ended 31 March 2023		3 months ended 31 March 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-29,598	-6,297	-28,948	-6,229
Cash flows from investing activities	-1,062	-226	-935	-201
Cash flows from financing activities	-2,308	-491	-5,164	-1,111
<b>Total net cash flows</b>	<b>-32,968</b>	<b>-7,014</b>	<b>-35,047</b>	<b>-7,541</b>
Cash at the beginning of the period	63,251	13,487	108,736	23,641
Cash at the end of the period	30,248	6,469	73,694	15,840

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	31-03-2023	31-12-2022	31-03-2022
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6755	4.6899	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.7005	n/a	4.6472
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.6755	4.6899	4.6525

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

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

	31-03-2023	31-03-2023	31-12-2022	31-12-2022
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	194,880	41,681	191,440	40,820
Current assets	378,540	80,962	434,374	92,619
<b>Total assets</b>	<b>573,420</b>	<b>122,643</b>	<b>625,814</b>	<b>133,439</b>
Equity	173,920	37,198	172,708	36,826
Non-current liabilities	49,822	10,656	53,356	11,377
Current liabilities	349,678	74,789	399,750	85,236
<b>Total equity and liabilities</b>	<b>573,420</b>	<b>122,643</b>	<b>625,814</b>	<b>133,439</b>

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

	3 months ended 31 March 2023		3 months ended 31 March 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	222,712	47,380	141,936	30,542
Cost of sales	215,857	45,922	134,573	28,958
<b>Gross profit (loss) on sales</b>	<b>6,855</b>	<b>1,458</b>	<b>7,363</b>	<b>1,584</b>
Operating profit (loss)	1,894	403	3,727	802
Gross profit (loss)	2,318	493	5,227	1,125
<b>Net profit (loss) from continuing operations</b>	<b>1,212</b>	<b>258</b>	<b>4,109</b>	<b>884</b>
Total comprehensive income	1,212	258	4,109	884

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

	3 months ended 31 March 2023		3 months ended 31 March 2022	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-29,644	-6,307	-28,887	-6,216
Cash flows from investing activities	-755	-161	-859	-185
Cash flows from financing activities	-2,215	-471	-4,945	-1,064
<b>Total net cash flows</b>	<b>-32,614</b>	<b>-6,939</b>	<b>-34,691</b>	<b>-7,465</b>
Cash at the beginning of the period	60,256	12,848	106,612	23,180
Cash at the end of the period	27,607	5,905	71,926	15,460

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	31-03-2023	31-12-2022	31-03-2022
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6755	4.6899	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.7005	n/a	4.6472
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.6755	4.6899	4.6525





ZUE Capital Group

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR 3 MONTHS ENDED 31 MARCH 2023

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Cracow, 17 May 2023

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

#### Consolidated statement of comprehensive income

Continuing operations	Note	3 months ended	3 months ended
		31-03-2023	31-03-2022
Sales revenue	4.3.1.	249,287	153,599
Cost of sales	4.3.2.	240,766	145,287
<b>Gross profit (loss) on sales</b>		<b>8,521</b>	<b>8,312</b>
General and administrative expenses	4.3.2.	6,799	5,261
Other operating income	4.3.3.	535	829
Other operating expenses	4.3.4.	344	276
<b>Operating profit (loss)</b>		<b>1,913</b>	<b>3,604</b>
Financial income	4.3.5.	715	1,745
Financial expenses	4.3.6.	618	440
<b>Pre-tax profit (loss)</b>		<b>2,010</b>	<b>4,909</b>
Corporate income tax	4.3.7.	820	1,150
<b>Net profit (loss) from continuing operations</b>		<b>1,190</b>	<b>3,759</b>
<b>Net profit (loss)</b>		<b>1,190</b>	<b>3,759</b>
<b>Other net comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>0</b>	<b>0</b>
Actuarial gains (losses) relating to specific benefit schemes		0	0
<b>Other total net comprehensive income</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>1,190</b>	<b>3,759</b>
Number of shares		23,030,083	23,030,083
<b>Consolidated net profit attributable to:</b>			
Shareholders of the Parent Company		1,112	3,759
Non-controlling interests		78	0
Net profit (loss) per share (PLN) attributable to shareholders of the Parent Company (basic and diluted)		0.05	0.16
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Parent Company		1,112	3,759
Non-controlling interests		78	0
Total comprehensive income per share (PLN)		0.05	0.16

## Consolidated statement of financial position

ASSETS	Note	31-03-2023	31-12-2022
<b>Non-current assets</b>			
Property, plant and equipment		71,250	72,128
Investment property		15,944	16,095
Intangible assets		2,337	2,491
Right-of-use assets		33,207	33,234
Goodwill	4.7.1.	31,172	31,172
Investments in subordinates		328	328
Retentions on construction contracts		26,578	21,882
Deferred tax assets	4.3.7.	18,049	19,110
Advanced loans		4,117	2,931
Other financial assets		143	62
<b>Total non-current assets</b>		<b>203,125</b>	<b>199,433</b>
<b>Current assets</b>			
Inventories		74,537	81,667
Trade and other receivables	4.5.1.	152,432	170,637
Valuation of long-term construction contracts	4.4.1	129,616	128,191
Retentions on construction contracts		16,465	16,668
Advance payments		12,350	12,043
Current tax assets	4.3.7.	0	0
Advanced loans		0	1,186
Other assets		1,630	1,618
Cash and cash equivalents		30,248	63,251
<b>Total current assets</b>		<b>417,278</b>	<b>475,261</b>
<b>Total assets</b>		<b>620,403</b>	<b>674,694</b>

EQUITY AND LIABILITIES	Note	31-03-2023	31-12-2022
<b>Equity</b>			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		83,588	82,476
<b>Total equity attributable to shareholders of the Parent Company</b>		<b>180,493</b>	<b>179,381</b>
Equity attributable to non-controlling interests		1,465	1,387
<b>Total equity</b>		<b>181,958</b>	<b>180,768</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	4.6.1.	7,391	8,696
Long-term lease liabilities	4.6.2.	14,448	15,212
Retentions on construction contracts		13,919	16,337
Liabilities under employee benefits		1,801	1,801
Deferred tax liabilities	4.3.7.	920	1,322
Long-term provisions	4.4.2.	16,735	16,002
<b>Total non-current liabilities</b>		<b>55,214</b>	<b>59,370</b>
<b>Current liabilities</b>			
Trade and other payables	4.5.2.	109,447	150,676
Accrued liabilities	4.4.4.	84,222	91,065
Valuation of long-term construction contracts	4.4.1.	48,117	47,775
Retentions on construction contracts		23,630	21,226
Advance payments		26,826	31,217
Short-term loans and bank credits	4.6.1.	20,948	19,639
Short-term lease liabilities	4.6.2.	4,742	5,070
Other financial liabilities		36	36
Liabilities under employee benefits		51,819	50,355
Current tax liabilities	4.3.7.	23	131
Short-term provisions	4.4.2.	13,421	17,366
<b>Total current liabilities</b>		<b>383,231</b>	<b>434,556</b>
<b>Total liabilities</b>		<b>438,445</b>	<b>493,926</b>
<b>Total equity and liabilities</b>		<b>620,403</b>	<b>674,694</b>

### Consolidated statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
<b>Balance at 1 January 2023</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>82,476</b>	<b>179,831</b>	<b>1,387</b>	<b>180,768</b>
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	1,112	1,112	78	1,190
Other net comprehensive income	0	0	0	0	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,112</b>	<b>1,112</b>	<b>78</b>	<b>1,190</b>
<b>Balance at 31 March 2023</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>83,588</b>	<b>180,493</b>	<b>1,465</b>	<b>181,958</b>

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
<b>Balance at 1 January 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>69,287</b>	<b>166,192</b>	<b>211</b>	<b>166,403</b>
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	3,759	3,759	0	3,759
Other net comprehensive income	0	0	0	0	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,759</b>	<b>3,759</b>	<b>0</b>	<b>3,759</b>
<b>Balance at 31 March 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>73,046</b>	<b>169,951</b>	<b>211</b>	<b>170,162</b>

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
<b>Balance at 1 January 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>69,287</b>	<b>166,192</b>	<b>211</b>	<b>166,403</b>
Change of interest in subsidiaries	0	0	0	0	0	304	304
Payment of dividend	0	0	0	-3,415	-3,415	-24	-3,439

Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	16,392	16,392	896	17,288
Other net comprehensive income	0	0	0	212	212	0	212
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,189</b>	<b>13,189</b>	<b>1,176</b>	<b>14,365</b>
<b>Balance at 31 December 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>82,476</b>	<b>179,381</b>	<b>1,387</b>	<b>180,768</b>

## Consolidated statement of cash flows

	3 months ended 31-03-2023	3 months ended 31-03-2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before tax	2,010	4,909
Adjustments for:		
Depreciation and amortisation	3,555	3,346
Foreign exchange gains / (losses)	35	-5
Interest and share in profit (dividends)	117	146
Gain / (loss) on disposal of investments	-121	-718
<b>Operating profit (loss) before changes in working capital</b>	<b>5,596</b>	<b>7,678</b>
Change in receivables and retentions on construction contracts	13,579	-9,970
Change in inventories	7,130	-14,612
Change in provisions and liabilities under employee benefits	-1,749	3,565
Change in payables and retentions on construction contracts	-41,346	-75,616
Change in valuation of construction contracts	-1,083	16,165
Change in accrued liabilities	-6,843	-1,315
Change in advance payments	-4,698	46,545
Change in other assets	-11	-259
Income tax paid / (tax refund)	-173	-1,129
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-29,598</b>	<b>-28,948</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	129	296
Purchase of property, plant and equipment and intangible assets	-1,541	-1,431
Repayment of loans	22	0
Interest received	328	200
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-1,062</b>	<b>-935</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans and bank credits	0	-2,372
Decrease in lease liabilities	-1,536	-2,262
Lease interest paid	-688	-429
Other interest paid	-84	-101
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-2,308</b>	<b>-5,164</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-32,968</b>	<b>-35,047</b>
Net foreign exchange differences	-35	5
<b>TOTAL NET CASH FLOWS NET OF FOREIGN EXCHANGE DIFFERENCES</b>	<b>-33,003</b>	<b>-35,042</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>63,251</b>	<b>108,736</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>30,248</b>	<b>73,694</b>
- of limited availability	6,740	23,640

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

### 1. General information

#### 1.1. Composition of the Capital Group

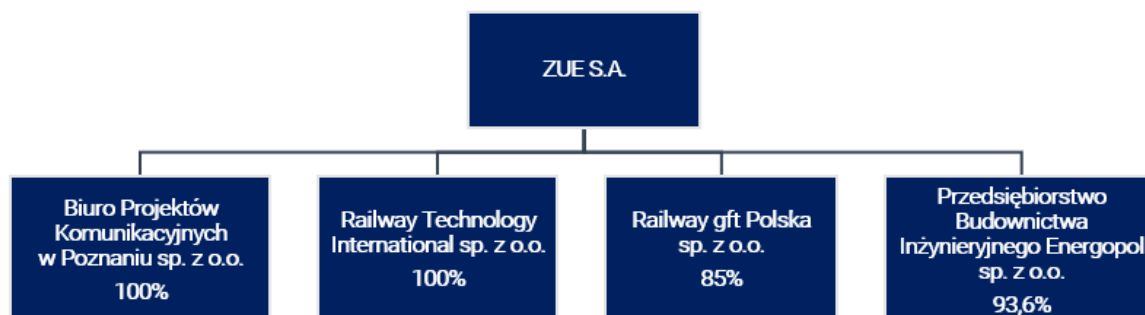
At the end of the reporting period, the Capital Group was composed of ZUE S.A. (Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Przedsiębiorstwo Budownictwa Inżynieryjnego Energopol Sp. z o.o.

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

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

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

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



**Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.** has been established on 15 June 2009. Poznań is the company's registered office. The company has been entered into the National Court Register maintained by the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division, 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 Inżynieryjnego 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.

The companies within the Capital Group have been incorporated for indefinite period. The financial statements of all the subsidiaries have been prepared for the same reporting period as the Parent Company using consistent accounting principles. The Parent Company and the companies within the Group use a calendar year as their



financial year.

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.

## 1.2. Consolidated companies

Consolidated companies as at 31 March 2023:

Company name	Registered office	Shares as at		Consolidation method
		31 March 2023	31 December 2022	
ZUE S.A.	Cracow	Parent Company	Parent Company	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	85%	85%	Full
Przedsiębiorstwo Budownictwa Inżynieryjnego ENERGOPOL Sp. z o. o	Cracow	93.6%	93.6%	Full

ZUE has the power to govern the financial and operating policy of Railway gft, BPK Poznań, RTI and Energopol because as at 31 March 2023, it held a majority stake in the companies.

As at 31 March 2023, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

On 12 April 2023, the Ordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 1,000 thousand to PLN 3,000 thousand through the creation of 20,000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 2,000 thousand were proportionally acquired by the existing shareholders. The increase was registered in the National Court Register.

## 1.3. Changes in the Group's structure in 2023 and their consequences

No changes to the Group's structure occurred between the beginning of 2023 and the date of approval of this report.

## 1.4. Activities of the Capital Group

The Group operates in the three aggregate operating segments:

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

**Construction** activities include:

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

- ❖ Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, power lines, stations and civil structures.
- ✓ **Works carried out by Energopol:**
  - ❖ Execution of road works, bridge and road structures, reinforced concrete structures, hydrotechnical and water and sewage works.

In 2023, the Group focuses on the provision of rail and urban infrastructure construction services.

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

**Design activities** relating to urban and rail transport systems 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.

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

#### 1.5. Functional and reporting currency

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

## 2. Operational information

### 2.1. Sales markets

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

Construction activities are carried out by ZUE mainly on the urban and railway infrastructure markets. The table below sets out the biggest construction contracts in progress.

Contract	Contracting authority	Contract value as at 31.03.2023 (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.	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.	482,917
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.	424,183
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.	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.	303,153
Design and construction services in connection with the project named: "Construction of the Annapol depot."	Tramwaje Warszawskie Sp. z o.o.	266,301
Reconstruction of the tramway track and traction in the Nabrzeże Wieleckie, Nowa, Dworcowa, Kolumba, Chmielewskiego and Smolańska Streets and the Powstańców Wlkp. Avenue and the extension of the Pomorzany terminus in Szczecin.	City of Szczecin, Szczecińska Energetyka Ciepła Sp. z o.o., Zakład Wodociągów i Kanalizacji Sp. z o.o.	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	156,687
Maintenance and repair of tram infrastructure in Cracow in 2022-2025.	City of Cracow	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.	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.	91,824
Provision of bicycle lanes and reconstruction of road infrastructure along the Królowej Jadwigi and Piłsudskiego Streets (county 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	Dąbrowa Górnicza / Tramwaje Śląskie S.A.	75,840

Kasprzaka Street section."		
Restoration of railway infrastructure on the Dorota - Sosnowiec Dańdówka section, line no. 171, as part of the following investment project: "Works on the south eastern part of the Upper Silesian Industrial Region ring road and adjacent sections."	PKP PLK S.A.	69,615
"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 S.A.	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	58,731
Works on the E59 railway line, the Dobiegniew – Słonice section – OCL network.	Strabag Sp. z o.o.	47,418
Construction of a railroad siding with a handling yard and power connection in the south-western part of Jawor WSSE „INVEST-PARK” subzone near the line 137 railway stop.	Wałbrzyska Specjalna Strefa Ekonomiczna "Invest-Park" Sp. z o.o.	37,468
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.	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	21,287
Maintenance of tram lines and switches in Wrocław.	Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o. in Wrocław	18,576
<b>ROMANIA</b>		
"Quick Wins" – works carried out in C.F. Braşov area (17 Lot)	"C.F.R." S.A. – C.F. Braşov Regional Branch (Romania)	141,750
"Quick Wins" – works carried out in C.F. Cluj area (45 Lot)	"C.F.R." S.A. – C.F. Cluj Regional Branch (Romania)	341,787

\* Contracts whose net value exceeds PLN 15m.

Design services relating to urban and rail transport systems are provided to both public 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., LPW Sp. z o.o., the City of Łódź - Zarząd Inwestycji Miejskich and Budimex S.A. Sales activities conducted by Railway gft include the sale of rails, track accessories, sleepers, rail fastening systems and aggregate. In the first quarter of 2023, the major customers of Railway gft other than the Group included Contraxim Sp. z o.o. and Vossloh Cogifer Polska Sp. z o.o.

## 2.2. Backlog

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

At the date of preparation of this report, the total value of the Group's backlog is PLN 1,660m including the

contracted construction and assembly works performed by ZUE with the total net value of PLN 1,618m. It provides the Group with an ability to carry out the works in the period 2023-2025. As for design services, the net value of the signed contracts scheduled for performance in 2023-2025 is PLN 7.2m. The backlog relating to the supply of materials and equipment by Railway gft in 2023-2025 is worth PLN 20.6m (net). The backlog of Energopol, construction company, is worth PLN 20.4m.

The Issuer participates in tender procedures for both railway and urban contracts in Poland and Romania.

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

Sales revenue generated by the Group in the first quarter of 2023 amounted to PLN 249,287 thousand – up by 62% compared to the analogous period of 2022 (ZUE: PLN 222,712 thousand – up by 57%). Gross margin reported by the Group was 3.4% and gross margin reported by the Company was 3.1%.

ZUE is expecting the conclusion of the Będzin - Katowice railway contract with the net value of PLN 785m. The tender submitted by the Company was selected as the most economically advantageous tender. Following the conclusion, the value of the Company's backlog will increase by 48%.

Financial results are discussed in detail in section no. 4.2.

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

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

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

### 2.5. Major events in the reporting period

#### Financial:

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

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

On 7 April 2023, the Company informed that following the conclusion of an annex to the contract between the Company and PKP Polskie Linie Kolejowe S.A. (PKP PLK), the total net value of the contracts between the companies within the PKP PLK capital group and the companies within the ZUE capital group since 2 June 2022 amounted to approximately PLN 110m. **(Current report 4/2023)**

On 9 May 2023, 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 2022 of PLN 10,241 thousand in the following manner: 1) The part of the net profit for the financial year 2022 of PLN 1,594 thousand should be paid as dividend (PLN 0.07 per share); 2) The residual net profit for the financial year 2022 of PLN 8,647 thousand should be allocated to reserve funds. The Supervisory Board gave a favourable opinion on the said proposal on 9 May 2023. **(Current report 5/2023)**

### 2.7. Bonds, guarantees, lines of credit and loans

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

As at 31 March 2023:

- The amount of bonds issued by the Group to third parties: PLN 481,775 thousand;
- The amount of bonds issued by the Company to third parties: PLN 469,536 thousand;
- The amount of unused bond lines at the Group: PLN 399,660 thousand;  
(including PLN 16,309 thousand which can be allocated to working capital credit);
- The amount of unused bond lines at the Company: PLN 398,559 thousand;  
(including PLN 16,309 thousand which can be allocated to working capital credit);
- The amount of unused credit lines at the Group: PLN 31,309 thousand;  
(including PLN 15,000 thousand with no possibility of allocating to bonds);

- The amount of unused credit lines at the Company: PLN 31,309 thousand; (including PLN 15,000 thousand with no possibility of allocating to bonds).

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

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 31 March 2023 is PLN 13,271 thousand, including PLN 12,575 thousand to guarantee the liabilities of Railway gft.

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

At the end of the reporting period, the amount of the loans granted by ZUE (net of write-downs) was PLN 7,679 thousand. At the end of the reporting period, the amount of the loans granted by the Group (net of write-downs) was PLN 4,117 thousand.

No loans or bonds of significant total value were granted or provided in the first quarter of 2023 by the Parent Company or any subsidiary to any single entity outside the Capital Group (or any subsidiary thereof).

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

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

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

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

- Untimely settlement of liabilities to the Group by Contracting Authorities;
- Delays or unfavourable outcome of tender procedures including the Group;
- Unstable prices of raw materials and liquid fuels;
- Increase in the fees charged by subcontractors;
- Unstable exchange rates; and
- Outcome of court proceedings.

The Management Board Report on the activities of the Parent Company and the Capital Group for 2022 contains a detailed discussion of the factors. No significant changes to the catalogue or discussion of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

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

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

- Risk related to weather conditions;
- Risk related to social and economic situation in Poland;
- Risk related to interest rates;
- Risk related to unstable margins;
- Risk related to activities in Romania;
- Risk related to the influence of COVID-19 on construction processes; and
- Risk related to the war in Ukraine.

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

The Management Board Report on the activities of the Parent Company and the Capital Group for 2022 contains a detailed discussion of the factors. No significant changes to the catalogue or discussion of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

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

- Risk related to greater employment costs;
- Risk related to the outflow of qualified staff;
- Risk related to the influence on natural environment;
- Risk related to social issues and human rights;
- Risk related to corruption;
- Physical risk related to extreme weather conditions;
- Physical risk related to changing weather patterns;
- Physical risk related to changing weather conditions.

The Management Board Report on the activities of the Parent Company and the Capital Group for 2022 contains a detailed discussion of the factors. No significant changes to the catalogue or discussion of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

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

##### **Measures taken by the Group (during the pandemic)**

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.

##### **Impact of the coronavirus pandemic on the Group's activity and financial standing in the first quarter of 2023**

No impact of the coronavirus pandemic on the Group's activity or financial standing was reported in 2023.

##### **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

No impact of the coronavirus pandemic on social and employee issues, natural environment, respect of human rights and counteracting corruption was reported in 2023.

#### **2.13. 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 constantly monitors the safety of the Group's IT systems to prevent cyberattacks as well as the risks associated with foreign exchange rates and interest rates.

Ukraine's political and economic situation as well as changes on the raw and other materials markets are constantly monitored by the Group in terms of the actual and potential impact thereof on the Group's activities.

Below please find the factors which may influence the markets in which the Issuer operates and the Group's activities in the next quarters:

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

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

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

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

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

#### **2.15. Strategic objectives**

The Group's principal objective in 2023-2024 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 2023, the Issuer's focus is 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.

#### Prospects of the markets on which the Group operates:

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. However, in the second half of 2022, ZUE won the construction contracts on the Romanian railway market and the contracts have been performed since 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.

#### Urban infrastructure market

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

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

According to the programme:

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

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

#### Rail infrastructure market

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

The Central Communication Port (CCP) project is also underway. The railway component of the project will entail constructing approximately 2,000 km of brand new railway lines and revamping of existing routes. Contracts are being signed for preparatory works on the new lines. The new sections under construction will serve as essential additions to the existing national network, which will be more capable of satisfying the nation's transport needs.

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

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

According to the CCP, the construction works relating to the CCP railway component will commence in 2023 and the entire plan provides for 30 projects. At present, the CCP is preparing technical, economic and environmental studies for about 1,300 km of new railway lines.<sup>3</sup>

In the EU financial perspective for 2021-2027, a significant focus is on the development of railway transport. The principal aim of the Sustainable and Smart Mobility Strategy is to reduce transport-related emissions in the EU by 90% by 2050. The document should serve as a basis for ecological and digital transition in the EU. It should also make the EU transport system more resistant to future crises. The Strategy focusses on the ambitious development of the EU railway infrastructure, for instance the doubling of the high-speed train network and carbon neutral collective travel for journeys under 500 km by 2030, and doubling of the rail freight traffic and fully operational Multimodal Trans-European Transport Network (TEN-T) equipped with sustainable and smart transport with high-speed connectivity by 2050.<sup>4</sup>

Apart from the EU main budget, funds can be obtained from the Recovery Fund whose aim is to support the EU economy after the COVID-19 pandemic. Funds will also come from the *Connecting Europe* programme and a vast portion will be spent on railway projects.<sup>5</sup>

Advanced construction work is underway as part of the NRP, while the railway component of the CCP is currently at the conceptual and planning stage aimed at the completion of the projects. In 2022, PKP PLK announced new tenders for the total amount of PLN 18 billion. According to the information provided by the Ministry of Infrastructure, 2023 should see the announcement of tenders for the amount between PLN 15-20 billion.<sup>6</sup> Public consultations concerning the National Railway Programme until 2030 (with the perspective until 2032) began in April 2023. It is the extension of the National Railway Programme until 2023 and the estimated budget for the new NRP is PLN 80 billion.<sup>7</sup>

Due to the changes in prices of building materials, labour, energy or fuels, businesses must use effective valorisation formulas in their investor-contractor relations.

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

<sup>3</sup> <https://www.nakolei.pl/cpk-z-pierwszym-przetargiem-budowlanym-w-2023-roku-ma-ruszyc-budowa-tunelu-kdp-pod-lodzia/>

<sup>4</sup> [https://ec.europa.eu/commission/presscorner/detail/pl/ip\\_20\\_2329](https://ec.europa.eu/commission/presscorner/detail/pl/ip_20_2329)

<sup>5</sup> <https://www.rynekinfrastruktury.pl/wiadomosci/drogi/nowy-cef-bez-drog-i-lotnisk-unia-stawia-na-kolej-77436.html>

<sup>6</sup> <https://kolejowyportal.pl/mi-w-2023-r-pkp-plk-planuja-oglosic-przetargi-o-wartosci-15-20-mld-zl/>

<sup>7</sup> <https://forsal.pl/transport/kolej/artykuly/8193533,pkp-plk-chca-oglosic-przetargi-na-ponad-10-mld-zl-do-konca-tego-roku.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).<sup>8</sup> The network includes about 18,000 bridges and footbridges as well as 176 tunnels. The two European transport corridors, namely the Rhine-Danube and the North Sea-Mediterranean corridors, run through Romania. Like in other Eastern European countries, the Romanian rail infrastructure calls for major capital expenditures in order to meet the EU environmental objectives. In September 2021, the European Commission approved the Romanian National Recovery Plan for about EUR 29 billion and a portion of the amount will be allocated to railways.

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

Objectives:

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

Major expenditures on infrastructure are required to meet these objectives and the investments are already financed with, *inter alia*, the use of the EU funds. 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 0.96 billion, out of which 50% is attributable to ZUE. In addition, ZUE's branch was established in Romania.

### **3. Corporate information**

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

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

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

#### Management Board:

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

#### Supervisory Board:

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

#### Audit Committee:

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

<sup>8</sup> Eurostat data.

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

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

### 3.2. Share capital structure

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

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

### 3.3. Treasury shares

At this report preparation date, the Company holds 264,652 treasury shares whose purchase value is PLN 2,690 thousand. The shares were acquired by the Company from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., the company which merged with ZUE S.A., as part of the buy-back effected in 2015.

The buy-back was effected on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back own shares. The transaction is discussed in detail in the note no. 25 of the consolidated financial statements for the financial year ended 31 December 2015.

### 3.4. Shareholders of the Parent Company

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

Shareholder	Number of shares/votes at 17 May 2023	% of the share capital / total number of votes	Number of shares/votes according to previous interim report <sup>(1)</sup>	% of the share capital / total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
Funds managed by Generali PTE	1,461,659 <sup>(2)</sup>	6.35%	1,461,659	6.35%
PKO Bankowy OFE	1,780,786 <sup>(3)</sup>	7.73%	1,780,786	7.73%
Other	5,387,318 <sup>(4)</sup>	23.39%	5,387,318	23.39%
<b>Total</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>

<sup>(1)</sup> Publication of the last interim report (Consolidated Report of the Group for 2022): 21 March 2023.

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

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

<sup>(4)</sup> Contains 264,652 ZUE shares repurchased by the Company as part of the buy-back of own shares.

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

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

Shareholder	Position at ZUE	Number of shares/votes at 17 May 2023	Nominal value (PLN)	% of share capital / total number of votes	Changes in shareholding since the publication of the last interim report <sup>(1)</sup>
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

<sup>(1)</sup> Publication of the last interim report (Consolidated Report of the Group for 2022): 21 March 2023.

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

No members of the Management Board or the Supervisory Board had any shares in other entities within the Capital Group at the date of publication of the last interim report or the date of preparation of this report.

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

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

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

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

### 3.8. Dividend

No dividend was paid by the Company in the reporting period.

On 9 May 2023, after the end of the reporting period, 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 2022 of PLN 10,241 thousand in the following manner:

1) The part of the net profit for the financial year 2022 of PLN 1,594 thousand should be paid as dividend (PLN 0.07 per share);

2) The residual net profit for the financial year 2022 of PLN 8,647 thousand should be allocated to reserve funds.

The Company's Supervisory Board gave a favourable opinion on the said proposal on 9 May 2023.

## 4. Financial information

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

No financial projections for the financial year 2023 were published by the Company.

### 4.2. Factors and events with significant influence on the Group's financial results for the first quarter of 2023

#### Current situation of the markets in which the Issuer operates and winning of new contracts

Following the slowdown in 2022, the Polish railway market is expecting new contracts to be quickly awarded to contractors. The situation is caused by unclear situation about the funding under the new EU perspective, including the National Recovery Plan. No liquidity or stability in entering 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 the total amount of approximately PLN 15-20 billion. Several billion zlotys a year are expected afterwards.

The Polish urban market is planning major investments. The situation is also linked to the EU funding. Earlier projects are being carried out. In addition, smaller projects are offered by the market. The Company continues to submit tenders and to strengthen its position on the urban market.

ZUE is expecting the conclusion of the Będzin - Katowice railway contract with the net value of PLN 785m. The tender submitted by the Company was selected as the most economically advantageous tender.

The execution phase begins for the railway contracts won on the Romanian market in the fourth quarter of 2022.

The Company is helping Energopol, the company acquired in 2022, rebuild its market position. In April 2023, the ZUE-Energopol consortium won the long-term contract for the maintenance of the Cracow roads with the total net amount of PLN 20.3m. Energopol has also submitted the best tenders for the total net amount of approximately PLN 45m in connection with the road construction projects.

#### Discussion of major items of the profit and loss account

In the first quarter of 2023, ZUE's sales revenue amounted to PLN 222,712 thousand – up by 57% compared to the first quarter of 2022. The Group's sales revenue grew over the year by 62% and stood at PLN 249,287 thousand.

Comparison of the results reported by the Group and ZUE:

	ZUE		GROUP	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Sales revenue	222,712	141,936	249,287	153,599
Cost of sales	215,857	134,573	240,766	145,287
<b>Gross profit (loss) on sales</b>	<b>6,855</b>	<b>7,363</b>	<b>8,521</b>	<b>8,312</b>
<i>Gross margin</i>	3.1%	5.2%	3.4%	5.4%
General and administrative expenses	5,143	4,190	6,799	5,261
Other operating income	337	819	535	829
Other operating expenses	155	265	344	276
<b>Operating profit (loss) (EBIT)**</b>	<b>1,894</b>	<b>3,727</b>	<b>1,913</b>	<b>3,604</b>
<i>EBIT margin**</i>	0.9%	2.6%	0.8%	2.3%
<i>EBITDA***</i>	5,295	7,031	5,468	6,950
<i>EBITDA margin**</i>	2.4%	5.0%	2.2%	4.5%
Financial income	826	1,813	715	1,745
Financial expenses	402	313	618	440
<b>Pre-tax profit (loss)</b>	<b>2,318</b>	<b>5,227</b>	<b>2,010</b>	<b>4,909</b>
Income tax	1,106	1,118	820	1,150
<b>Net profit (loss) from continuing operations</b>	<b>1,212</b>	<b>4,109</b>	<b>1,190</b>	<b>3,759</b>

<b>Net profit (loss)</b>	<b>1,212</b>	<b>4,109</b>	<b>1,190</b>	<b>3,759</b>
<i>net margin</i>	0.5%	2.9%	0.5%	2.4%

\* Operating profit + depreciation / amortisation.

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

### Discussion of major balance sheet items

As at 31 March 2023, the Group's total assets and liabilities amounted to PLN 620,403 thousand and the Company's total assets and liabilities amounted to PLN 573,420 thousand.

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

Item	Change compared to 31-12-2022	Balance as at 31-03-2023	Description
<u>Assets</u>			
Inventories	-7,130	74,537	Decrease in inventories in connection with performed contracts.
Trade and other receivables	-18,205	152,432	Accounting for certain completed construction works.
Cash and cash equivalents	-33,003	30,248	Use of own resources to conduct operating activities.
<u>Liabilities</u>			
Trade and other payables	-41,229	109,447	Accounting for certain completed construction works.
Accrued liabilities	-6,843	84,222	Decrease in provisions for subcontractors.

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

Negative cash flows from operating activities mainly result from a decrease in liabilities and retentions on construction contracts.

Negative cash flows from financing activities mainly result from a decrease in lease liabilities.

	ZUE		ZUE Group	
	Period ended 31-03-2023	Period ended 31-03-2022	Period ended 31-03-2023	Period ended 31-03-2022
Cash flows from operating activities	-29,644	-28,887	-29,598	-28,948
Cash flows from investing activities	-755	-859	-1,062	-935
Cash flows from financing activities	-2,215	-4,945	-2,308	-5,164
<b>Total net cash flows</b>	<b>-32,614</b>	<b>-34,691</b>	<b>-32,968</b>	<b>-35,047</b>
Cash and cash equivalents at the beginning of the period	60,256	106,612	63,251	108,736
Cash and cash equivalents at the end of the period	27,607	71,926	30,248	73,694

### Discussion of the results reported by segments

The Group generated the total revenue of PLN 249,287 thousand. 86% of the amount comes from construction activities.

13% of the Group's revenue was generated by Railway gft, a sales company.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	224,882	32,014	1,987	-9,596	249,287
Gross profit on sales	6,422	1,809	340	-50	8,521
Net profit/loss	490	798	-88	-10	1,190

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

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

#### 4.3.1. Revenue

	Period ended 31-03-2023	Period ended 31-03-2022
Revenue from construction contracts	215,563	138,916
Revenue from the rendering of services	2,674	1,578
Revenue from the sale of goods, raw and other materials	31,050	13,105
<b>Total</b>	<b>249,287</b>	<b>153,599</b>

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

In the reporting period, the Group operated in the territory of Poland and Romania.

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

	Period ended	
	31-03-2023	31-03-2022
Counterparty A	113,599	106,231
Counterparty B	31,647	
Counterparty C	26,062	

#### 4.3.2. Operating expenses

	Period ended 31-03-2023	Period ended 31-03-2022
Change in products	-1,569	-1,573
Depreciation and amortization	3,555	3,346
Consumption of materials and energy, including:	64,113	29,672
- consumption of materials	60,353	27,520
- consumption of energy	3,760	2,152
Contracted services	113,107	74,300
Costs of employee benefits	35,166	30,117
Taxes and charges	627	430



Other expenses	4,920	4,462
Value of goods and materials sold	27,646	9,794
<b>Total</b>	<b>247,565</b>	<b>150,548</b>

	Period ended 31-03-2023	Period ended 31-03-2022
Cost of sales	240,766	145,287
General and administrative expenses	6,799	5,261
<b>Total</b>	<b>247,565</b>	<b>150,548</b>

The year-on-year increase in general and administrative expenses in the first quarter of 2023 results, *inter alia*, from higher consultancy fees charged in connection with a change of the law and disclosure requirements for public companies as well as higher costs of the business activity. However, the ratio of general and administrative expenses to revenue is as intended by the Management Board of ZUE; i.e. it does not exceed 3%.

#### Depreciation and amortisation

	Period ended 31-03-2023	Period ended 31-03-2022
Depreciation of property, plant and equipment	2,455	2,321
Depreciation of right-of-use assets	781	777
Amortisation of intangible assets	154	152
Depreciation of investments in real property	165	96
<b>Total</b>	<b>3,555</b>	<b>3,346</b>

#### 4.3.3. Other operating income

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Gain on disposal of assets:</b>	<b>121</b>	<b>718</b>
Gain on disposal of non-current assets	121	718
<b>Other operating income:</b>	<b>414</b>	<b>111</b>
Damages and penalties	80	0
Release of allowances for receivables	7	48
Refund of the costs of court proceedings	16	30
Substitute performance	134	24
Other	177	9
<b>Total</b>	<b>535</b>	<b>829</b>

#### 4.3.4. Other operating expenses

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Loss on disposal of assets:</b>	<b>0</b>	<b>0</b>
Loss on disposal of non-current assets	0	0
<b>Other operating expenses:</b>	<b>344</b>	<b>276</b>
Donations	16	22
Damages and penalties	0	33
Allowances for receivables	4	0

Costs of litigations	14	161
Substitute performance	134	24
Other	176	36
<b>Total</b>	<b>344</b>	<b>276</b>

#### 4.3.5. Financial income

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Interest income:</b>	<b>455</b>	<b>256</b>
Interest on bank deposits	451	249
Interest on loans	4	0
Interest on receivables	0	7
<b>Other financial income:</b>	<b>260</b>	<b>1,489</b>
Foreign exchange gains	33	11
Discount of long-term items	199	1,478
Other	28	0
<b>Total</b>	<b>715</b>	<b>1,745</b>

#### 4.3.6. Financial expenses

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Interest expenses:</b>	<b>487</b>	<b>376</b>
Interest on credits	84	57
Interest on loans	4	45
Interest on leases	377	246
Interest on trade and other payables	22	28
<b>Other financial expenses:</b>	<b>131</b>	<b>64</b>
Foreign exchange losses	88	63
Discount of long-term items	36	0
Other	7	1
<b>Total</b>	<b>618</b>	<b>440</b>

#### 4.3.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 31-03-2023	Period ended 31-03-2022
Current income tax	161	31
Deferred tax	659	1,119
<b>Total tax expense (income)</b>	<b>820</b>	<b>1,150</b>

Current income tax

	Period ended 31-03-2023	Period ended 31-03-2022
Gross profit (loss)	2,010	4,909

<b>Difference between gross profit (loss) and income tax base:</b>	<b>-17,056</b>	<b>-5,190</b>
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	-16,456	1,100
- other differences (including loss brought forward)	-600	-6,290
<b>Income/Loss</b>	<b>-15,046</b>	<b>-281</b>
Income tax base	848	161
Income tax at the applicable rate of 19%	161	31
<b>Current income tax</b>	<b>161</b>	<b>31</b>

#### Income tax according to effective interest rate

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Gross profit (loss)</b>	<b>2,010</b>	<b>4,909</b>
Income tax at the applicable rate of 19%	382	933
<b>Effect of tax recognition of:</b>	<b>-3,243</b>	<b>-1,024</b>
- Use of tax losses brought forward	114	1,195
- Costs that are not tax-deductible under tax regulations	-1,021	2,155
- Revenue not classified as revenue under tax regulations	444	-2,505
- Tax-deductible expenses not classified as balance sheet expenses	2,054	4,504
- Taxable revenue not classified as balance sheet revenue	390	15
Revaluation of deferred tax assets (current year loss)	3,022	122
Deferred tax	659	1,119
<b>Income tax according to effective tax rate</b>	<b>820</b>	<b>1,150</b>
Effective tax rate	41%	23%

#### Current tax assets and liabilities

	Balance at 31-03-2023	Balance at 31-12-2022
<b>Current tax assets</b>		
Tax refundable	0	0
<b>Current tax liabilities</b>		
Tax payable	23	131

## Deferred tax

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Deferred tax balance at the beginning of the period</b>	<b>17,788</b>	<b>21,494</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>56,675</b>	<b>50,166</b>
Provisions for expenses and accrued liabilities	29,984	26,576
Receivables discounting	620	421
Operating lease liabilities	3,481	2,906
Write-downs	856	936
Bonds and insurances accounted for over time	1,492	1,961
Tax work in progress	11,070	7,147
Valuation of long-term contracts	9,143	9,702
Other	29	517
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>42,493</b>	<b>32,738</b>
Valuation of long-term contracts	24,627	17,576
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	15,007	13,467
Payables discounting	2,859	1,695
<b>Unused tax losses and other tax credits carried forward:</b>	<b>2,947</b>	<b>2,947</b>
Tax losses	2,947	2,947
<b>Total temporary differences relating to deferred tax assets:</b>	<b>59,622</b>	<b>53,113</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>42,493</b>	<b>32,738</b>
<b>Deferred tax balance at the end of the period</b>	<b>17,129</b>	<b>20,375</b>
<b>Change in deferred tax, including:</b>	<b>-659</b>	<b>-1,119</b>
- recognised in income	-659	-1,119
- recognised in equity	0	0

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

### 4.3.8. Operating segments

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

- Construction;
- Design; and
- Sales.

The segments comply jointly with the following rules:

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

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

The construction activities conducted by Energopol include the execution of road works, bridge and road structures, reinforced concrete structures, hydrotechnical and water and sewage works.

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

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

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

#### Operating segments' results for the first quarter of 2023:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>224,882</b>	<b>32,014</b>	<b>1,987</b>	<b>-9,596</b>	<b>249,287</b>
including:					
Revenue from external customers	223,752	23,510	1,717	308	249,287
Inter-segment revenues	1,130	8,504	270	-9,904	0
including:					
Revenue from construction contracts	214,271	0	1,987	-695	215,563
Revenue from the provision of services	3,071	0	0	-397	2,674
Revenue from the sale of goods, raw and other materials	7,540	32,014	0	-8,504	31,050
<b>Gross profit</b>	<b>6,422</b>	<b>1,809</b>	<b>340</b>	<b>-50</b>	<b>8,521</b>
Financial income / expenses	377	-232	-74	26	97
Interest received	395	0	0	-67	328
Interest paid	-686	-152	-1	67	-772
<b>Pre-tax profit</b>	<b>1,218</b>	<b>914</b>	<b>-112</b>	<b>-10</b>	<b>2,010</b>
Corporate income tax	728	116	-24	0	820
<b>Net profit</b>	<b>490</b>	<b>798</b>	<b>-88</b>	<b>-10</b>	<b>1,190</b>
Depreciation and amortisation	3,515	10	19	11	3,555
Property, plant and equipment	68,496	323	33	2,398	71,250
Non-current assets	206,547	680	252	-4,354	203,125
<b>Total assets</b>	<b>587,869</b>	<b>35,808</b>	<b>11,983</b>	<b>-15,257</b>	<b>620,403</b>
<b>Total liabilities</b>	<b>408,396</b>	<b>28,148</b>	<b>12,447</b>	<b>-10,546</b>	<b>438,445</b>

In the first quarter of 2023, the Group operated in the territory of Poland and Romania.

#### Operating segments' results for the first quarter of 2022:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>141,936</b>	<b>14,159</b>	<b>2,032</b>	<b>-4,528</b>	<b>153,599</b>
including:					
Revenue from external customers	140,802	11,058	1,761	-22	153,599
Inter-segment revenues	1,134	3,101	271	-4,506	0
including:					
Revenue from construction contracts	137,150	0	2,032	-266	138,916
Revenue from the provision of services	2,739	0	0	-1,161	1,578

Revenue from the sale of goods, raw and other materials	2,047	14,159	0	-3,101	13,105
<b>Gross profit</b>	<b>7,363</b>	<b>997</b>	<b>192</b>	<b>-240</b>	<b>8,312</b>
Financial income / expenses	1,500	-231	29	7	1,305
Interest received	255	0	0	-55	200
Interest paid	-472	-104	-9	55	-530
<b>Pre-tax profit</b>	<b>5,227</b>	<b>164</b>	<b>-281</b>	<b>-201</b>	<b>4,909</b>
Corporate income tax	1,118	33	37	-38	1,150
<b>Net profit</b>	<b>4,109</b>	<b>131</b>	<b>-318</b>	<b>-163</b>	<b>3,759</b>
Depreciation and amortisation	3,304	6	36	0	3,346
Property, plant and equipment	69,213	15	104	0	69,332
Non-current assets	182,488	155	761	-623	182,781
<b>Total assets</b>	<b>537,899</b>	<b>17,641</b>	<b>10,935</b>	<b>-7,592</b>	<b>558,883</b>
<b>Total liabilities</b>	<b>368,120</b>	<b>16,001</b>	<b>11,518</b>	<b>-6,918</b>	<b>388,721</b>

The Group operated in Poland in the first quarter of 2022. In addition, the Group earned revenue from the sale of materials to Germany in the total amount of PLN 53 thousand.

#### 4.4. Contracts, provisions, write-downs and accrued liabilities

##### 4.4.1. Construction contracts

	31-03-2023	31-12-2022
<b>Assets (selected items)</b>	<b>241,280</b>	<b>240,264</b>
- Valuation of long-term construction contracts	129,616	128,191
- Advance payments made in connection with performed contracts	12,200	11,893
- Retentions on construction contracts retained by customers	43,043	38,550
- Inventories	56,421	61,630
<b>Liabilities (selected items)</b>	<b>222,376</b>	<b>235,803</b>
- Valuation of long-term construction contracts	48,117	47,775
- Provisions for contract costs	79,931	86,920
- Advance payments received in connection with performed contracts	26,634	30,191
- Retentions on construction contracts retained for suppliers	37,549	37,563
- Provisions for warranty claims	19,104	18,572
- Provisions for expected losses on contracts	11,041	14,782

##### 4.4.2. Provisions

###### Change in provisions

Provisions	01-01-2023	Created	Used	Released	Reclassified	31-03-2023	Item
<b>Long-term provisions:</b>	<b>17,803</b>	<b>1,101</b>	<b>3</b>	<b>0</b>	<b>-365</b>	<b>18,536</b>	
Provisions for employee benefits	1,801	0	0	0	0	1,801	Liabilities under employee benefits (long-term)
Provisions for warranty	16,002	1,101	3	0	-365	16,735	Long-term provisions

claims							
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>55,416</b>	<b>6,575</b>	<b>7,127</b>	<b>5,375</b>	<b>365</b>	<b>49,854</b>	
Provisions for employee benefits	38,050	6,365	6,545	1,437	0	36,433	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,570	210	576	200	365	2,369	Short-term provisions
Provision for loss on contracts	14,782	0	3	3,738	0	11,041	Short-term provisions
Other provisions	14	0	3	0	0	11	Short-term provisions
<b>Total provisions:</b>	<b>73,219</b>	<b>7,676</b>	<b>7,130</b>	<b>5,375</b>	<b>0</b>	<b>68,390</b>	

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

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

#### Comparative information

Provisions	01-01-2022	Created	Used	Released	Reclassified	31-12-2022	Item
<b>Long-term provisions:</b>	<b>18,434</b>	<b>3,885</b>	<b>122</b>	<b>3,517</b>	<b>-877</b>	<b>17,803</b>	
Provisions for employee benefits	1,864	471	0	534	0	1,801	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,570	3,414	122	2,983	-877	16,002	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>48,491</b>	<b>43,465</b>	<b>21,204</b>	<b>16,213</b>	<b>877</b>	<b>55,416</b>	
Provisions for employee benefits	31,441	32,077	20,385	5,083	0	38,050	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,489	697	802	691	877	2,570	Short-term provisions
Provision for loss on contracts	14,530	10,691	0	10,439	0	14,782	Short-term provisions
Other provisions	31	0	17	0	0	14	Short-term provisions
<b>Total provisions:</b>	<b>66,925</b>	<b>47,350</b>	<b>21,326</b>	<b>19,730</b>	<b>0</b>	<b>73,219</b>	

#### 4.4.3. Write-downs and allowances

## Change in write-downs and allowances

Write-downs and allowances	01-01-2023	Creation	Use	Release	31-03-2023
<b>Write-downs and allowances:</b>	<b>36,180</b>	<b>57</b>	<b>0</b>	<b>241</b>	<b>35,992</b>
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	32,790	57	0	219	32,628
Allowances for trade receivables for expected credit losses	309	0	0	0	309
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	47	0	0	0	43
Write-downs of shares	251	0	0	0	251
Write-downs of loans	2,001	0	0	22	1,979
<b>Total:</b>	<b>36,180</b>	<b>57</b>	<b>0</b>	<b>241</b>	<b>35,992</b>

Allowances for trade receivables of PLN 32.6m include:

- Debit notes issued by the Group in the past years for penalties, damages and substitute performance of PLN 30.8m. The amount is for presentation purposes only because the notes are not the Group's revenue at the date of issue.
- Receivables under court and enforcement cases of PLN 1.1m.
- Doubtful debt of PLN 0.7m of the past years.

## Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 7 thousand and the creation of allowances of PLN 4 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

## Comparative information:

Write-downs and allowances	01-01-2022	Creation	Use	Release	31-12-2022
<b>Write-downs and allowances:</b>	<b>30,476</b>	<b>22,981</b>	<b>2,269</b>	<b>15,008</b>	<b>36,180</b>
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	28,642	21,197	2,269	14,780	32,790



Allowances for trade receivables for expected credit losses	489	0	0	180	309
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	47	0	0	0	47
Write-downs of shares	231	20	0	0	251
Write-downs of loans	285	1,764	0	48	2,001
<b>Total:</b>	<b>30,476</b>	<b>22,981</b>	<b>2,269</b>	<b>15,008</b>	<b>36,180</b>

#### 4.4.4. Accrued liabilities

	Balance at 31-03-2023	Balance at 31-12-2022
Provisions for contract costs	79,931	86,920
Other accrued liabilities	4,291	4,145
<b>Total</b>	<b>84,222</b>	<b>91,065</b>

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

##### 4.5.1. Trade and other receivables

	31-03-2023	31-12-2022
Trade receivables	180,008	199,577
Allowances for trade receivables in connection with the increase of credit risk	-32,628	-32,790
Allowance for trade receivables for expected credit losses	-309	-309
Receivables from the government budget other than corporate income tax	1,184	2
Other receivables	4,177	4,157
<b>Total trade and other receivables</b>	<b>152,432</b>	<b>170,637</b>

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

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

	31-03-2023	31-12-2022
Counterparty A	61,540	77,318
Counterparty B	27,248	21,601

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

##### 4.5.2. Trade and other payables

	31-03-2023	31-12-2022
Trade payables	104,223	135,902
Liabilities to the government budget other than corporate income tax	4,809	14,476
Other payables	415	298
<b>Total trade and other payables</b>	<b>109,447</b>	<b>150,676</b>

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

### 4.6.1. Loans and bank credits

	31-03-2023	31-12-2022
<b>Long-term</b>	<b>7,391</b>	<b>8,696</b>
Bank credits	0	0
Loans received	7,391	8,696
<b>Short-term</b>	<b>20,948</b>	<b>19,639</b>
Bank credits	3,050	3,050
Loans received	17,898	16,589
<b>Total</b>	<b>28,339</b>	<b>28,335</b>

### Summary of loan and credit agreements as at 31 March 2023

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2023	Amount of available loans/credits as at 31-03-2023	Use as at 31-03-2023	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		10,691	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	14,309	10,691		
		non-revolving working capital credit	25,000	14,309	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		overdraft	2,000	2,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	30,000	5,000	25 000	1M WIBOR + margin	August 2025
5	mBank S.A.	Working capital credit	3,050	0	3 050	1M WIBOR + margin	May 2023
6	Magdalena Nowak	Loan agreement	289	0	289	3M WIBOR + margin	indefinite
	<b>Total amount of available loans and credits</b>			<b>31,309</b>			
	<b>Total debt under loans and credits</b>				<b>28,339</b>		
	<b>Total use for bonds</b>				<b>10,691</b>		

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

The types of security and liabilities in connection with the concluded credit agreements did not change in the first quarter of 2023. A detailed list of the types of security and liabilities in connection with the concluded loan and credit agreements is contained in the note 6.1. of the consolidated financial statements for the financial year ended 31 December 2022.

No amendments were made in the reporting period to any credit agreements entered into by the Group.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2022	Amount of available loans/credits as at 31-12-2022	Use as at 31-12-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		11,770	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	13,230	11,770		
		non-revolving working capital credit	25,000	13,230	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		overdraft	2,000	2,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	30,000	5,000	25 000	1M WIBOR + margin	August 2025
5	mBank S.A.	Working capital credit	3,050	0	3 050	1M WIBOR + margin	May 2023
6	Magdalena Nowak	Loan agreement	285	0	285	3M WIBOR + margin	indefinite
	<b>Total amount of available loans and credits</b>			<b>30,230</b>			
	<b>Total debt under loans and credits</b>				<b>28,335</b>		
	<b>Total use for bonds</b>				<b>11,770</b>		

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

#### 4.6.2. Leases

##### Lease liabilities

	31-03-2023	31-12-2022
Long-term lease liabilities	14,448	15,212
Short-term lease liabilities	4,742	5,070
<b>Total</b>	<b>19,190</b>	<b>20,282</b>

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

Lease contracts in the total amount of PLN 764 thousand were concluded by the Group in the reporting period.

#### 4.6.3. Management of capital

	31-03-2023	31-12-2022
Long- and short-term loans and bank credits	28,339	28,335
Long- and short-term lease liabilities	19,190	20,282
Long- and short-term other financial liabilities	36	36
<b>Total financial liabilities</b>	<b>47,565</b>	<b>48,653</b>
Cash and cash equivalents	30,248	63,251
<b>Net debt</b>	<b>17,317</b>	<b>-14,598</b>
Equity	181,958	180,768
<b>Net debt to equity ratio</b>	<b>9.52%</b>	<b>-8.08%</b>

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

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

The Group uses own resources, credits, loans, leases, trade credit, prepaid deliveries to finance day-to-day operations.

Positive net debt is due to the fact that total financial liabilities at the end of the first quarter of 2023 exceeded the amount of cash at the Group.

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

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

##### 4.7.1. Goodwill

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

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

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

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

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

At cost	31-03-2023	31-12-2022
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

##### Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Group carried out the tests for the impairment of assets. The impairment tests carried out as at 31 December 2022 according to IAS 36 *Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 31 March 2023, the Group reviewed the assumptions used to carry

out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Group intends to carry out the test at the end of the year.

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

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 1,541 thousand.

As at 31 March 2023, net liabilities incurred to purchase property, plant and equipment amounted to PLN 189 thousand.

As at 31 March 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 38 thousand.

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

- Purchase of cars – PLN 516 thousand;
- Complete overhauls of vehicles (mainly wagons) – PLN 153 thousand;
- Purchase of storage containers – PLN 41 thousand.

In the first quarter of 2023, the Group sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 11 thousand. In the first quarter of 2022, the Group sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 328 thousand.

#### 4.7.3. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments classified as particular classes and categories of assets and liabilities as at 31 March 2023.

##### Balance at 31 March 2023

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	46,307	0	0	0	44,458
Trade receivables	180,008	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	6,096	0	0	0	0
Cash and cash equivalents	0	30,248	0	0	0
Loans and bank credits	0	0	0	0	28,339
Lease liabilities	0	0	0	0	19,190
Trade payables	0	0	0	0	104,223
<b>Total</b>	<b>232,411</b>	<b>30,248</b>	<b>0</b>	<b>0</b>	<b>196,246</b>

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

##### Balance at 31 December 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	41,924	0	0	0	44,593
Trade receivables	199,577	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	6,118	0	0	0	0

Cash and cash equivalents	0	63,251	0	0	0
Loans and bank credits	0	0	0	0	28,335
Lease liabilities	0	0	0	0	20,282
Trade payables	0	0	0	0	135,902
<b>Total</b>	<b>247,619</b>	<b>63,251</b>	<b>0</b>	<b>0</b>	<b>229,148</b>

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

#### 4.7.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2023	31-12-2022	31-03-2023	31-12-2022
RTI	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2023	31-03-2022	31-03-2023	31-03-2022
RTI	1	1	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	31-03-2023	31-12-2022	31-03-2023	31-03-2022
RTI	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

#### Remuneration of key management personnel

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

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

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

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

##### Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

##### Major pending court proceedings concerning claims:

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

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

An expert opinion was prepared according to which the petitioner's claims 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 for 1 June 2023.

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

On 30 December 2016, the consortium of:

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

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

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

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

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

On 11 March 2019, the Court delivered the partial judgment whereby it ordered that PKP Polskie Linie Kolejowe S.A. pay ZUE PLN 347 thousand plus statutory default interest from 21 December 2016 to the date of payment and dismissed ZUE's claim concerning the payment of PLN 283 thousand plus statutory interest from 21 December 2016. The Parties appealed against this judgment. The Petitioner appealed against the dismissal of the claim of PLN 283 thousand plus statutory interest and the Defendant appealed against the order to pay PLN 347 thousand plus statutory interest. The appeal hearing referring to the partial judgment was held on 13 February 2020. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding. The Court admitted the opinion of the expert which complied, to a considerable extent, with the Petitioners' arguments and was delivered to the Parties. There were also another opinion and the arguments contained therein were basically the same as in the first opinion. The date of the next trial was set for 6 June 2023.

Court case concerning 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 in connection with the performance of the following contract: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The case is pending. The parties' pleadings are exchanged. 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. The parties and witnesses were heard and the proceedings are pending. An expert opinion was prepared by the Institute for Construction Analyses and submitted to the Court. The Court provided the parties with the opinion and set the three-month period for any objections.



#### Other court cases concerning inflation claims in respect of railway contracts

The Group had 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 claims 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 date of the next trial concerning the project named: "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" was set for 25 September 2023. The date of the trial concerning the project named: "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section" was set for 29 May 2023. The date of the trial concerning the project named: "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section" was set for 21 September 2023. The date of the trial concerning the project named: 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)" was not yet set.

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."

The Court delivered to the Defendant a copy of the claim concerning the following project: 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. The Company is waiting for the response and, subsequently, a deadline for the reply. No copy of the claim relating to the other project was delivered by the Court.

#### Other court cases concerning inflation claims in respect of urban contracts

In November 2022, the Issuer and the consortium members, namely Energopol and Przedsiębiorstwo Inżynieryjne "IMB-Podbeskidzie" Sp. z o.o., filed 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 exchange of pleadings between the parties came to an end. The parties were obliged by the Court to ask questions of the witnesses who should be heard in writing. The date of the trial was not yet set.

#### 4.7.6. Tax settlements

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

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

No significant or countable tax risks were recognised by the Group at 31 March 2023 or 31 December 2022.

The inspection of CIT for 2018 commenced at the Company on 7 February 2022. No information about any reservations was received by the Group at the date of approval of this report.

#### 4.7.7. Contingent assets and contingent liabilities and security on property

##### Contingent assets

	31-03-2023	31-12-2022
Bonds	102,524	94,076
Promissory notes	15,008	12,608
<b>Total</b>	<b>117,532</b>	<b>106,684</b>

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

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

##### Contingent liabilities and security on property

	31-03-2023	31-12-2022
Bonds	481,775	515,905
Guarantees	13,271	13,285
Promissory notes	248,079	248,164
Mortgages	186,529	186,529
Pledges	156,906	158,556
<b>Total</b>	<b>1,086,560</b>	<b>1,122,439</b>

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

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

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

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

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

There is also financial pledge over the borrower's bank accounts to secure the agreements between the Group companies and mBank S.A.

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

There were no major agreements concerning capital expenditures on property, plant and equipment as at 31 March 2023 or 31 December 2022.

#### 4.7.9. Discontinued operations

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

### 4.8. Other notes to the financial statements

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

##### Statement of compliance

The condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 31 March 2023 as endorsed by the European Union.

The consolidated financial statements for the three months ended 31 March 2023 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2023.

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

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

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2024 with earlier application permitted);
- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"** (the effective date has been deferred by the IASB indefinitely);

- **Amendments to IFRS 16 "Leases"** – Lease Liability in Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

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

#### 4.8.2. Important accounting principles

##### 4.8.2.1. Going concern

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

In the three months ended 31 March 2023, the Group recognised the sales revenue of PLN 249.3m and the gross profit on sales of PLN 8.5m. As at 31 March 2023, the Group presented the total current assets of PLN 417.3m, including trade and other receivables of PLN 152.4m and the cash of approx. PLN 30.2m. At the end of the reporting period, the Group had the backlog worth approximately PLN 1,660m and was in the process of winning new contracts.

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

##### 4.8.2.2. Preparation basis

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

##### 4.8.2.3. Comparability of financial data

No changes in the presentation of financial information have been made in the comparative periods.

##### 4.8.2.4. Applied accounting principles

These quarterly consolidated financial statements for the three months ended 31 March 2023 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Group as at 31 December 2022. The financial statements for the financial year ended 31 December 2022 contain a detailed description of the accounting principles adopted by the Group.

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

#### 4.8.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted principles and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates relate, *inter alia*, to:

Impairment of goodwill (note no. 4.7.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 4.4.3.)

Provisions (note no. 4.4.2.)

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

Deferred income tax (note no. 4.3.7.)

Contingent assets and contingent liabilities and security on property (note no. 4.7.7.)

Uncertainty over tax settlements (note no. 4.7.6.)

No revisions to estimates occurred in the reporting period.



ZUE S.A.

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CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR 3 MONTHS ENDED 31 MARCH 2023

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Cracow, 17 May 2023

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

##### Separate statement of comprehensive income

Continuing operations	Note	3 months ended	3 months ended
		31-03-2023	31-03-2022
Sales revenue	2.1.1.	222,712	141,936
Cost of sales	2.1.2.	215,857	134,573
<b>Gross profit (loss) on sales</b>		<b>6,855</b>	<b>7,363</b>
General and administrative expenses	2.1.2.	5,143	4,190
Other operating income	2.1.3.	337	819
Other operating expenses	2.1.4.	155	265
<b>Operating profit (loss)</b>		<b>1,894</b>	<b>3,727</b>
Financial income	2.1.5.	826	1,813
Financial expenses	2.1.6.	402	313
<b>Pre-tax profit (loss)</b>		<b>2,318</b>	<b>5,227</b>
Corporate income tax	2.1.7.	1,106	1,118
<b>Net profit (loss) from continuing operations</b>		<b>1,212</b>	<b>4,109</b>
<b>Net profit (loss)</b>		<b>1,212</b>	<b>4,109</b>
<b>Other net comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains (losses) relating to specific benefit schemes		0	0
<b>Other total net comprehensive income</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>1,212</b>	<b>4,109</b>
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.05	0.18
Total comprehensive income per share (PLN)		0.05	0.18

## Separate statement of financial position

ASSETS	Note no.	31-03-2023	31-12-2022
<b>Non-current assets</b>			
Property, plant and equipment		66,902	67,945
Investment property		9,499	9,615
Intangible assets		2,327	2,479
Right-of-use assets		32,347	32,360
Goodwill	2.5.1.	31,172	31,172
Investments in subordinates		4,440	4,440
Retentions on construction contracts		26,399	21,714
Deferred tax assets	2.1.7.	17,677	18,784
Advanced loans		4,117	2,931
<b>Total non-current assets</b>		<b>194,880</b>	<b>191,440</b>
<b>Current assets</b>			
Inventories		56,205	61,408
Trade and other receivables	2.3.1.	140,920	159,699
Valuation of long-term construction contracts	2.2.1.	119,918	119,207
Retentions on construction contracts		16,367	15,563
Advance payments		12,671	12,341
Current tax assets		0	0
Advanced loans		3,562	4,736
Other assets		1,290	1,164
Cash and cash equivalents		27,607	60,256
<b>Total current assets</b>		<b>378,540</b>	<b>434,374</b>
<b>Total assets</b>		<b>573,420</b>	<b>625,814</b>



EQUITY AND LIABILITIES	Note no.	31-03-2023	31-12-2022
<b>Equity</b>			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		77,015	75,803
<b>Total equity</b>		<b>173,920</b>	<b>172,708</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	2.4.1.	7,391	8,696
Long-term lease liabilities	2.4.2.	11,919	12,563
Retentions on construction contracts		12,998	15,376
Liabilities under employee benefits		1,628	1,628
Long-term provisions	2.2.2.	15,886	15,093
<b>Total non-current liabilities</b>		<b>49,822</b>	<b>53,356</b>
<b>Current liabilities</b>			
Trade and other payables	2.3.2.	91,429	130,625
Accrued liabilities	2.2.4.	78,057	85,586
Valuation of long-term construction contracts	2.2.1.	46,821	47,453
Retentions on construction contracts		22,308	19,916
Advance payments		26,634	30,191
Short-term loans and bank credits	2.4.1.	17,609	16,304
Short-term lease liabilities	2.4.2.	4,488	4,995
Other financial liabilities		36	36
Liabilities under employee benefits		49,160	47,343
Current tax liabilities	2.1.7.	0	12
Short-term provisions	2.2.2.	13,136	17,289
<b>Total current liabilities</b>		<b>349,678</b>	<b>399,750</b>
<b>Total liabilities</b>		<b>399,500</b>	<b>453,106</b>
<b>Total equity and liabilities</b>		<b>573,420</b>	<b>625,814</b>

Separate statement of changes in equity

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
<b>Balance at 1 January 2023</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>75,803</b>	<b>172,708</b>
Payment of dividend	0	0	0	0	0
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Buy-back of shares	0	0	0	0	0
Profit (loss)	0	0	0	1,212	1,212
Other net comprehensive income	0	0	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,212</b>	<b>1,212</b>
<b>Balance at 31 March 2023</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>77,015</b>	<b>173,920</b>

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
<b>Balance at 1 January 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>68,765</b>	<b>165,670</b>
Payment of dividend	0	0	0	0	0
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Buy-back of shares	0	0	0	0	0
Profit (loss)	0	0	0	4,109	4,109
Other net comprehensive income	0	0	0	0	0
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,109</b>	<b>4,109</b>
<b>Balance at 31 March 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>72,874</b>	<b>169,779</b>

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity
<b>Balance at 1 January 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>68,765</b>	<b>165,670</b>
Payment of dividend	0	0	0	-3,415	-3,415
Issue of shares	0	0	0	0	0
Issue costs	0	0	0	0	0
Buy-back of shares	0	0	0	0	0
Profit (loss)	0	0	0	10,241	10,241
Other net comprehensive income	0	0	0	212	212
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,038</b>	<b>7,038</b>
<b>Balance at 31 December 2022</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>75,803</b>	<b>172,708</b>

## Separate statement of cash flows

	3 months ended 31-03-2023	3 months ended 31-03-2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before tax	2,318	5,227
Adjustments for:		
Depreciation and amortisation	3,401	3,304
Foreign exchange gains / (losses)	35	-5
Interest and share in profit (dividends)	-117	32
Gain / (loss) on disposal of investments	-92	-717
<b>Operating profit (loss) before changes in working capital</b>	<b>5,545</b>	<b>7,841</b>
Change in receivables and retentions on construction contracts	13,294	-14,356
Change in inventories	5,203	-13,996
Change in provisions and liabilities under employee benefits	-1,542	3,642
Change in payables and retentions on construction contracts	-39,246	-71,180
Change in valuation of construction contracts	-1,343	15,514
Change in accrued liabilities	-7,529	-1,110
Change in advance payments	-3,887	46,032
Change in other assets	-127	-176
Income tax paid / (tax refund)	-12	-1,098
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-29,644</b>	<b>-28,887</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	98	295
Purchase of property, plant and equipment and intangible assets	-1,270	-1,431
Repayment of loans	22	22
Interest received	395	255
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-755</b>	<b>-859</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans and bank credits	0	-2,222
Decrease in lease liabilities	-1,529	-2,251
Lease interest paid	-686	-428
Other interest paid	0	-44
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-2,215</b>	<b>-4,945</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-32,614</b>	<b>-34,691</b>
Net foreign exchange differences	-35	5
<b>TOTAL NET CASH FLOWS NET OF FOREIGN EXCHANGE DIFFERENCES</b>	<b>-32,649</b>	<b>-34,686</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>60,256</b>	<b>106,612</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>27,607</b>	<b>71,926</b>
- of limited availability	6,516	23,634

## Notes to the condensed separate financial statements of the Company

### 1. General information

#### 1.1. Core business of ZUE

ZUE's core business did not change.

#### 1.2. Functional and reporting currency

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

### 2. Financial information

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

##### 2.1.1. Revenue

	Period ended 31-03-2023	Period ended 31-03-2022
Revenue from construction contracts	212,120	137,150
Revenue from the rendering of services	3,056	2,739
Revenue from the sale of goods, raw and other materials	7,536	2,047
<b>Total</b>	<b>222,712</b>	<b>141,936</b>

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

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

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

	Period ended	
	31-03-2023	31-03-2022
Counterparty A	112,855	103,652
Counterparty B	31,647	
Counterparty C	26,062	

##### 2.1.2. Operating expenses

	Period ended 31-03-2023	Period ended 31-03-2022
Change in products	-1,745	-1,523
Depreciation and amortization	3,401	3,304
Consumption of materials and energy, including:	63,677	29,641
- consumption of materials	60,102	27,503
- consumption of energy	3,575	2,138
Contracted services	111,364	72,947
Costs of employee benefits	31,906	28,210
Taxes and charges	542	402

Other expenses	4,830	4,389
Value of goods and materials sold	7,025	1,393
<b>Total</b>	<b>221,000</b>	<b>138,763</b>

	Period ended 31-03-2023	Period ended 31-03-2022
Cost of sales	215,857	134,573
General and administrative expenses	5,143	4,190
<b>Total</b>	<b>221,000</b>	<b>138,763</b>

The year-on-year increase in general and administrative expenses in the first quarter of 2023 results, *inter alia*, from higher consultancy fees charged in connection with a change of the law and disclosure requirements for public companies as well as higher costs of the business activity. However, the ratio of general and administrative expenses to revenue is as intended by the Management Board of ZUE; i.e. it does not exceed 3%.

#### Depreciation and amortisation

	Period ended 31-03-2023	Period ended 31-03-2022
Depreciation of property, plant and equipment	2,352	2,292
Depreciation of right-of-use assets	767	766
Amortisation of intangible assets	152	150
Depreciation of investments in real property	130	96
<b>Total</b>	<b>3,401</b>	<b>3,304</b>

#### 2.1.3. Other operating income

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Gain on disposal of assets:</b>	<b>92</b>	<b>717</b>
Gain on disposal of non-current assets	92	717
<b>Other operating income:</b>	<b>245</b>	<b>102</b>
Damages and penalties	80	0
Release of allowances for receivables	7	48
Refund of the costs of court proceedings	4	30
Substitute performance	134	24
Other	20	0
<b>Total</b>	<b>337</b>	<b>819</b>

#### 2.1.4. Other operating expenses

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Loss on disposal of assets:</b>	<b>0</b>	<b>0</b>
Loss on disposal of non-current assets	0	0
<b>Other operating expenses:</b>	<b>155</b>	<b>165</b>
Donations	16	22
Damages and penalties	0	33
Costs of litigations	2	161

Substitute performance	134	24
Other	3	25
<b>Total</b>	<b>155</b>	<b>265</b>

#### 2.1.5. Financial income

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Interest income:</b>	<b>534</b>	<b>304</b>
Interest on bank deposits	451	249
Interest on loans	83	55
<b>Other financial income:</b>	<b>292</b>	<b>1,509</b>
Foreign exchange gains	0	11
Discount of long-term items	181	1,435
Guarantees	88	63
Other	23	0
<b>Total</b>	<b>826</b>	<b>1,813</b>

#### 2.1.6. Financial expenses

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Interest expenses:</b>	<b>314</b>	<b>313</b>
Interest on credits	0	0
Interest on loans	0	43
Interest on leases	311	245
Interest on trade and other payables	3	25
<b>Other financial expenses:</b>	<b>88</b>	<b>0</b>
Foreign exchange losses	88	0
<b>Total</b>	<b>402</b>	<b>313</b>

#### 2.1.7. Corporate income tax

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

	Period ended 31-03-2023	Period ended 31-03-2022
Current income tax	0	0
Deferred tax	1,106	1,118
<b>Total tax expense (income)</b>	<b>1,106</b>	<b>1,118</b>

### Current income tax

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Gross profit (loss)</b>	<b>2,318</b>	<b>5,227</b>
<b>Difference between gross profit (loss) and income tax base:</b>	<b>-17,413</b>	<b>-5,227</b>
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	-17,413	1,063
- other differences (including loss brought forward)	0	-6,920
<b>Income/Loss</b>	<b>-15,095</b>	<b>0</b>
Income tax base	0	0
Income tax at the applicable rate of 19%	0	0
<b>Current income tax</b>	<b>0</b>	<b>0</b>

### Income tax according to effective interest rate

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Gross profit (loss)</b>	<b>2,318</b>	<b>5,227</b>
Income tax at the applicable rate of 19%	440	993
<b>Effect of tax recognition of:</b>	<b>-3,308</b>	<b>-993</b>
- Use of tax losses brought forward	0	1,195
- Costs that are not tax-deductible under tax regulations	-1,415	2,092
- Revenue not classified as revenue under tax regulations	275	-2,402
- Tax-deductible expenses not classified as balance sheet expenses	1,888	4,307
- Taxable revenue not classified as balance sheet revenue	270	15
Revaluation of deferred tax assets (current year loss)	2,868	0
Deferred tax	1,106	1,118
<b>Income tax according to effective tax rate</b>	<b>1,106</b>	<b>1,118</b>
Effective tax rate	48%	21%

### Current tax assets and liabilities

	Balance at 31-03-2023	Balance at 31-12-2022
<b>Current tax assets</b>		
Tax refundable	0	0
<b>Current tax liabilities</b>		
Tax payable	0	12



## Deferred tax

	Period ended 31-03-2023	Period ended 31-03-2022
<b>Deferred tax balance at the beginning of the period</b>	<b>18,783</b>	<b>21,606</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>53,466</b>	<b>48,617</b>
Provisions for expenses and accrued liabilities	28,179	25,604
Receivables discounting	584	405
Operating lease liabilities	2,952	2,887
Write-downs	541	616
Bonds and insurances accounted for over time	1,526	1,961
Tax work in progress	10,764	6,950
Valuation of long-term contracts	8,896	9,650
Other	24	544
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>38,657</b>	<b>31,017</b>
Valuation of long-term contracts	22,784	15,994
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,163	13,384
Payables discounting	2,710	1,639
<b>Unused tax losses and other tax credits carried forward:</b>	<b>2,868</b>	<b>2,888</b>
Tax losses	2,868	2,888
<b>Total temporary differences relating to deferred tax assets:</b>	<b>56,334</b>	<b>51,505</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>38,657</b>	<b>31,017</b>
<b>Deferred tax balance at the end of the period</b>	<b>17,677</b>	<b>20,488</b>
<b>Change in deferred tax, including:</b>	<b>-1,106</b>	<b>-1,118</b>
- recognised in income	-1,016	-1,118
- recognised in equity	0	0

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

### 2.1.8. Operating segments

ZUE's reporting is based on operating segments. The Company analyses the areas of activity based on the aggregation rules under IFRS 8.12 and identifies one aggregate reporting segment, namely construction activity. The Company is organised and managed within the abovementioned segment. The Company applies a uniform accounting policy to all operating areas within the segment of engineering construction and assembly services.

## 2.2. Contracts, provisions, write-downs and accrued liabilities

### 2.2.1. Construction contracts

	31-03-2023	31-12-2022
<b>Assets (selected items)</b>	<b>231,560</b>	<b>230,233</b>
- Valuation of long-term construction contracts	119,918	119,207
- Advance payments made in connection with performed contracts	12,671	12,341
- Retentions on construction contracts retained by customers	42,766	37,277
- Inventories	56,205	61,408
<b>Liabilities (selected items)</b>	<b>213,433</b>	<b>228,273</b>

- Valuation of long-term construction contracts	46,821	47,453
- Provisions for contract costs	75,650	82,955
- Advance payments received in connection with performed contracts	26,634	30,191
- Retentions on construction contracts retained for suppliers	35,306	35,292
- Provisions for warranty claims	17,885	17,404
- Provisions for expected losses on contracts	11,137	14,978

## 2.2.2. Provisions

### Change in provisions

Provisions	01-01-2023	Created	Used	Released	Reclassified	31-03-2023	Item
<b>Long-term provisions:</b>	<b>16,721</b>	<b>984</b>	<b>3</b>	<b>0</b>	<b>-188</b>	<b>17,514</b>	
Provisions for employee benefits	1,628	0	0	0	0	1,628	Liabilities under employee benefits (long-term)
Provisions for warranty claims	15,093	984	3	0	-188	15,886	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>53,439</b>	<b>6,235</b>	<b>6,692</b>	<b>5,185</b>	<b>188</b>	<b>47,985</b>	
Provisions for employee benefits	36,150	6,028	6,185	1,144	0	34,849	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,311	207	507	200	188	1,999	Short-term provisions
Provision for loss on contracts	14,978	0	0	3,841	0	11,137	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>70,160</b>	<b>7,219</b>	<b>6,695</b>	<b>5,185</b>	<b>0</b>	<b>65,499</b>	

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

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

### Comparative information:

Provisions	01-01-2022	Created	Used	Released	Reclassified	31-12-2022	Item
<b>Long-term provisions:</b>	<b>17,916</b>	<b>3,060</b>	<b>122</b>	<b>3,475</b>	<b>-658</b>	<b>16,721</b>	
Provisions for employee benefits	1,789	357	0	518	0	1,628	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,127	2,703	122	2,957	-658	15,093	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term

							provisions
<b>Short-term provisions:</b>	<b>47,640</b>	<b>40,771</b>	<b>19,908</b>	<b>15,722</b>	<b>658</b>	<b>53,439</b>	
Provisions for employee benefits	30,390	29,505	19,120	4,625	0	36,150	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,441	691	788	691	658	2,311	Short-term provisions
Provision for loss on contracts	14,809	10,575	0	10,406	0	14,978	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>65,556</b>	<b>43,831</b>	<b>20,030</b>	<b>19,197</b>	<b>0</b>	<b>70,160</b>	

### 2.2.3. Write-downs and allowances

#### Change in write-downs and allowances

Write-downs and allowances	01-01-2023	Creation	Use	Release	31-03-2023
<b>Write-downs and allowances:</b>	<b>43,555</b>	<b>57</b>	<b>0</b>	<b>232</b>	<b>43,380</b>
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances for trade receivables in connection with the increase of credit risk	31,467	57	0	210	31,314
Allowances for trade receivables for expected credit losses	250	0	0	0	250
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	43	0	0	0	43
Write-downs of shares	9,013	0	0	0	9,013
Write-downs of loans	2,001	0	0	22	1,979
<b>Total:</b>	<b>43,555</b>	<b>57</b>	<b>0</b>	<b>232</b>	<b>43,380</b>

Allowances for trade receivables of PLN 31.3m include:

- o Debit notes issued by the Company in the past years for penalties, damages and substitute performance of PLN 29.5m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue.
- o Receivables under court and enforcement cases of PLN 1.1m.
- o Doubtful debt of PLN 0.7m of the past years.

#### Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 7 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Company for the penalties and damages that are not the Company's revenue at the date of issue.

#### Comparative information:

Write-downs and allowances	01-01-2022	Creation	Use	Release	31-12-2022
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<b>Write-downs and allowances:</b>	<b>38,089</b>	<b>22,709</b>	<b>2,269</b>	<b>14,974</b>	<b>43,555</b>
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances for trade receivables in connection with the increase of credit risk	27,557	20,925	2,269	14,746	31,467
Allowances for trade receivables for expected credit losses	430	0	0	180	250
Write-downs of retentions	11	0	0	0	11
Write-downs of advance payments	43	0	0	0	43
Write-downs of shares	8,993	20	0	0	9,013
Write-downs of loans	285	1,764	0	48	2,001
<b>Total:</b>	<b>38,089</b>	<b>22,709</b>	<b>2,269</b>	<b>14,974</b>	<b>43,555</b>

## 2.2.4. Accrued liabilities

	Balance at 31-03-2023	Balance at 31-12-2022
Provisions for contract costs	75,650	82,955
Other accrued liabilities	2,407	2,631
<b>Total</b>	<b>78,057</b>	<b>85,586</b>

## 2.3. Trade and other receivables and payables

### 2.3.1. Trade and other receivables

	31-03-2023	31-12-2022
Trade receivables	167,220	187,283
Allowances for trade receivables in connection with the increase of credit risk	-31,314	-31,467
Allowance for trade receivables for expected credit losses	-250	-250
Receivables from the government budget other than corporate income tax	1,147	0
Other receivables	4,117	4,133
<b>Total trade and other receivables</b>	<b>140,920</b>	<b>159,699</b>

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

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

	31-03-2023	31-12-2022
Counterparty A	61,540	77,301
Counterparty B	27,248	21,601

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

### 2.3.2. Trade and other payables

	31-03-2023	31-12-2022
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Trade payables	88,861	118,606
Liabilities to the government budget other than corporate income tax	2,161	11,729
Other payables	407	290
<b>Total trade and other payables</b>	<b>91,429</b>	<b>130,625</b>

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

### 2.4.1. Loans and bank credits

	31-03-2023	31-12-2022
<b>Long-term</b>	<b>7,391</b>	<b>8,696</b>
Bank credits	0	0
Loans received	7,391	8,696
<b>Short-term</b>	<b>17,609</b>	<b>16,304</b>
Bank credits	0	0
Loans received	17,609	16,304
<b>Total</b>	<b>25,000</b>	<b>25,000</b>

### Summary of loan and credit agreements as at 31 March 2023

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2023	Amount of available loans/credits as at 31-03-2023	Use as at 31-03-2023	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		10,691	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	14,309	10,691		
		non-revolving working capital credit	25,000	14,309	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		overdraft	2,000	2,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	30,000	5,000	25 000	1M WIBOR + margin	August 2025
		<b>Total amount of available loans and credits</b>		<b>31,309</b>			
		<b>Total debt under loans and credits</b>			<b>28,339</b>		
		<b>Total use for bonds</b>			<b>10,691</b>		

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

The types of security and liabilities in connection with the concluded credit agreements did not change in the first quarter of 2023. A detailed list of the types of security and liabilities in connection with the concluded loan and credit agreements is contained in the note 6.1. of the separate financial statements for the financial year ended 31 December 2022.

No amendments were made in the reporting period to any credit agreements entered into by the Company.

### Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2022	Amount of available loans/credits as at 31-12-2022	Use as at 31-12-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	ON WIBOR + margin	July 2023
2	mBank S.A. (i)	Master agreement	25,000		11,770	1M WIBOR + margin	May 2023
	including:	sublimit for bonds	25,000	13,230	11,770		
		non-revolving working capital credit	25,000	13,230	0		
3	Alior Bank S.A.	Multicurrency credit limit agreement	30,000		0	1M WIBOR + margin	June 2023
	including:	sublimit for bonds	30,000	30,000	0		
		overdraft	2,000	2,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	30,000	5,000	25,000	1M WIBOR + margin	August 2025
	<b>Total amount of available loans and credits</b>			<b>30,230</b>			
	<b>Total debt under loans and credits</b>				<b>25,000</b>		
	<b>Total use for bonds</b>				<b>11,770</b>		

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

### 2.4.2. Leases

#### Lease liabilities

	31-03-2023	31-12-2022
Long-term lease liabilities	11,919	12,563
Short-term lease liabilities	4,488	4,995
<b>Total</b>	<b>16,407</b>	<b>17,558</b>

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

Lease contracts in the total amount of PLN 764 thousand were concluded by the Company in the reporting period.

### 2.4.3. Management of capital

	31-03-2023	31-12-2022
Long- and short-term loans and bank credits	25,000	25,000
Long- and short-term lease liabilities	16,407	17,558
Long- and short-term other financial liabilities	36	36
<b>Total financial liabilities</b>	<b>41,443</b>	<b>42,594</b>
Cash and cash equivalents	27,607	60,256
<b>Net debt</b>	<b>13,836</b>	<b>-17,662</b>
Equity	173,920	172,708
<b>Net debt to equity ratio</b>	<b>7.96%</b>	<b>-10.23%</b>

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

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

The Company uses own resources, leases, loan, trade credit, prepaid deliveries to finance day-to-day operations. Credit limits are also available to the Company.

Positive net debt is due to the fact that total financial liabilities at the end of the first quarter of 2023 exceeded the amount of cash at the Company.

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

## 2.5. Other notes to the financial statements

### 2.5.1. Goodwill

At cost	31-03-2023	31-12-2022
Goodwill of PRK	31,172	31,172
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

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

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

#### Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of assets. The impairment tests carried out as at 31 December 2022 according to *IAS 36 Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 31 March 2023, the Group reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Company intends to carry out the test at the end of the year.

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

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 1,270 thousand.

As at 31 March 2023, net liabilities incurred to purchase property, plant and equipment amounted to PLN 189 thousand.

As at 31 March 2022, net liabilities incurred to purchase property, plant and equipment amounted to PLN 38 thousand.

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

- Purchase of cars – PLN 245 thousand;
- Complete overhauls of vehicles (mainly wagons) – PLN 153 thousand;
- Purchase of storage containers – PLN 41 thousand.

In the first quarter of 2023, the Company sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 9 thousand. In the first quarter of 2022, the Company sold the property, plant and equipment and intangible assets with the total net carrying amount of PLN 327 thousand.

### 2.5.3. Financial instruments

The following table sets out the carrying amounts of the Company's financial instruments classified as particular classes and categories of assets and liabilities as at 31 March 2023.

#### Balance at 31 March 2023

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost



Retentions on construction contracts (before discount)	45,852	0	0	0	41,801
Trade receivables	167,220	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	9,658	0	0	0	0
Cash and cash equivalents	0	27,607	0	0	0
Loans and bank credits	0	0	0	0	25,000
Lease liabilities	0	0	0	0	16,407
Trade payables	0	0	0	0	88,861
<b>Total</b>	<b>222,730</b>	<b>27,607</b>	<b>0</b>	<b>0</b>	<b>172,105</b>

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

#### Balance at 31 December 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	40,472	0	0	0	41,879
Trade receivables	187,283	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	9,668	0	0	0	0
Cash and cash equivalents	0	60,256	0	0	0
Loans and bank credits	0	0	0	0	25,000
Lease liabilities	0	0	0	0	17,558
Trade payables	0	0	0	0	118,606
<b>Total</b>	<b>237,423</b>	<b>60,256</b>	<b>0</b>	<b>0</b>	<b>203,079</b>

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

#### 2.5.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2023	31-12-2022	31-03-2023	31-12-2022
Railway gft	86	89	4,604	253
BPK Poznań	733	737	719	828
RTI	0	0	0	0
Energopol	217	4	574	1,775
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>1,036</b>	<b>830</b>	<b>5,897</b>	<b>2,856</b>

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2023	31-03-2022	31-03-2023	31-03-2022
Railway gft	151	1,089	8,482	3,101
BPK Poznań	126	127	270	271
RTI	1	1	0	0
Energopol	204	0	790	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>482</b>	<b>1,217</b>	<b>9,542</b>	<b>3,372</b>

	Advanced loans		Financial income (interest on loans)	
	Balance at		Period ended	
	31-03-2023	31-12-2022	31-03-2023	31-03-2022
Railway gft	3,000	3,000	67	47
BPK Poznań	562	550	12	8
RTI	0	0	0	0
Energopol	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>3,562</b>	<b>3,550</b>	<b>79</b>	<b>55</b>

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

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

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

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

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

On 29 March 2023, ZUE and Railway gft signed an annex to the loan agreement of 11 June 2021 whereby the repayment date was extended until 31 May 2023.

On 29 March 2023, ZUE and Railway gft signed an annex to the loan agreement of 6 August 2020 whereby the repayment date was extended until 31 May 2023.

On 12 April 2023, after the end of the reporting period, the Ordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 1,000 thousand to PLN 3,000 thousand through the creation of 20,000 new shares with the nominal value of PLN 100 each. All the new shares with the total value of PLN 2,000 thousand were proportionally acquired by the existing shareholders. The increase was registered in the National Court Register. The Ordinary Shareholders Meeting of Railway gft also resolved to pay dividend to shareholders (PLN 399 thousand to ZUE). The dividend was paid on 26 April 2023.

On 9 May 2023, after the end of the reporting period, ZUE and Energopol signed the special-purpose loan agreement. The loan of PLN 500 thousand should be repaid by 30 April 2024. The loan was disbursed on the date of the agreement.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 31 March 2023 is PLN 13,271 thousand.

#### Remuneration of key management personnel

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

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

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

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

#### 2.5.6. Tax settlements

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

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

No significant or countable tax risks were recognised by the Company at 31 March 2023 or 31 December 2022.

The inspection of CIT for 2018 commenced at the Company on 7 February 2022. No information about any reservations was received by the Company at the date of approval of this report.

## 2.5.7. Contingent assets and contingent liabilities and security on property

### Contingent assets

	31-03-2023	31-12-2022
Bonds	100,441	92,018
Promissory notes	20,435	18,035
<b>Total</b>	<b>120,876</b>	<b>110,053</b>

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

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

### Contingent liabilities and security on property

	31-03-2023	31-12-2022
Bonds	469,536	503,636
Guarantees	13,271	13,285
Promissory notes	235,382	235,467
Mortgages	171,529	171,529
Pledges	142,206	143,856
<b>Total</b>	<b>1,031,924</b>	<b>1,067,773</b>

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

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

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

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

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

There is also financial pledge over the borrower's bank accounts to secure the agreements between the Company and mBank S.A.

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

There were no major agreements concerning capital expenditures on property, plant and equipment as at 31 March 2023 or 31 December 2022.

#### 2.5.9. Discontinued operations

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

#### 2.5.10. Seasonal and cyclical nature of the Company's operations

Construction and assembly operations are marked by the seasonality of production and sales. The topic has been discussed in detail in the note III 2.14: Seasonal and cyclical nature of the Group's operations.

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

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

#### 2.5.12. Dividend

No dividend was paid by the Company in the reporting period.

On 9 May 2023, after the end of the reporting period, 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 2022 of PLN 10,241 thousand in the following manner:

- 1) The part of the net profit for the financial year 2022 of PLN 1,594 thousand should be paid as dividend (PLN 0.07 per share);
  - 2) The residual net profit for the financial year 2022 of PLN 8,647 thousand should be allocated to reserve funds.
- The Company's Supervisory Board gave a favourable opinion on the said proposal on 9 May 2023.

### 2.6. Other notes to the financial statements

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

##### Statement of compliance

The condensed separate financial statements have been drawn up in accordance with IAS 34 as at 31 March 2023 as endorsed by the European Union.

The separate financial statements for the three months ended 31 March 2023 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2023:

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

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

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2024 with earlier application permitted);
- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"** (the effective date has been deferred by the IASB indefinitely);
- **Amendments to IFRS 16 "Leases"** – Lease Liability in Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

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

### 2.6.2. Important accounting principles

#### 2.6.2.1. Going concern

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

In the three months ended 31 March 2023, the Company recognised the sales revenue of PLN 222.7m and the gross profit on sales of PLN 6.9m. As at 31 March 2023, the Company presented the total current assets of PLN 378.5m, including trade and other receivables of PLN 140.9m and the cash of approx. PLN 27.6m. At the end of the reporting period, ZUE had the backlog worth approximately PLN 1,618m and was in the process of winning new contracts.

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

#### 2.6.2.2. Preparation basis

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

#### 2.6.2.3. Comparability of financial data

No changes in the presentation of financial information have been made in the comparative periods.

#### 2.6.2.4. Applied accounting principles

These quarterly separate financial statements for the three months ended 31 March 2023 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Company as at 31 December 2022. The financial statements for the financial year ended 31 December 2022 contain a detailed description of the accounting principles adopted by the Company.

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

### 2.6.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted principles and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate

is revised or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates relate, *inter alia*, to:

Impairment of goodwill (note no. 2.5.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 2.2.3.)

Provisions (note no. 2.2.2.)

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

Deferred income tax (note no. 2.1.7.)

Contingent assets and contingent liabilities and security on property (note no. 2.5.7.)

Uncertainty over tax settlements (note no. 2.5.6.)

No revisions to estimates occurred in the reporting period.

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

These condensed consolidated and separate financial statements for the three months ended 31 March 2023 were approved for publication by the Management Board of ZUE on 17 May 2023.

### 4. Signatures

The financial statements have been prepared by:

Marzena Filarek – Chief Accountant

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Signatures of the management personnel:

Wiesław Nowak – Management Board President

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Anna Mroczek – Management Board Vice-President

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Jerzy Czeremuga – Management Board Vice-President

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Maciej Nowak – Management Board Vice-President

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Marcin Wiśniewski – Management Board Vice-President

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Cracow, 17 May 2023