



Management Board Report on the Activities
of the Parent Company ZUE S.A. and ZUE
Capital Group for 2023

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Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the Capital Group.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE until 10 August 2023.
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 Inżynieryjnego ENERGOPOL Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000042724, share capital of PLN 2,200,000 paid up in full. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period: ZUE, Railway gft, RTI and Energopol.
PLN	Polish złoty.
EUR	Euro.
RON	Romanian leu.
Act	Polish Companies Act (Journal of Laws of 2024, item 18).

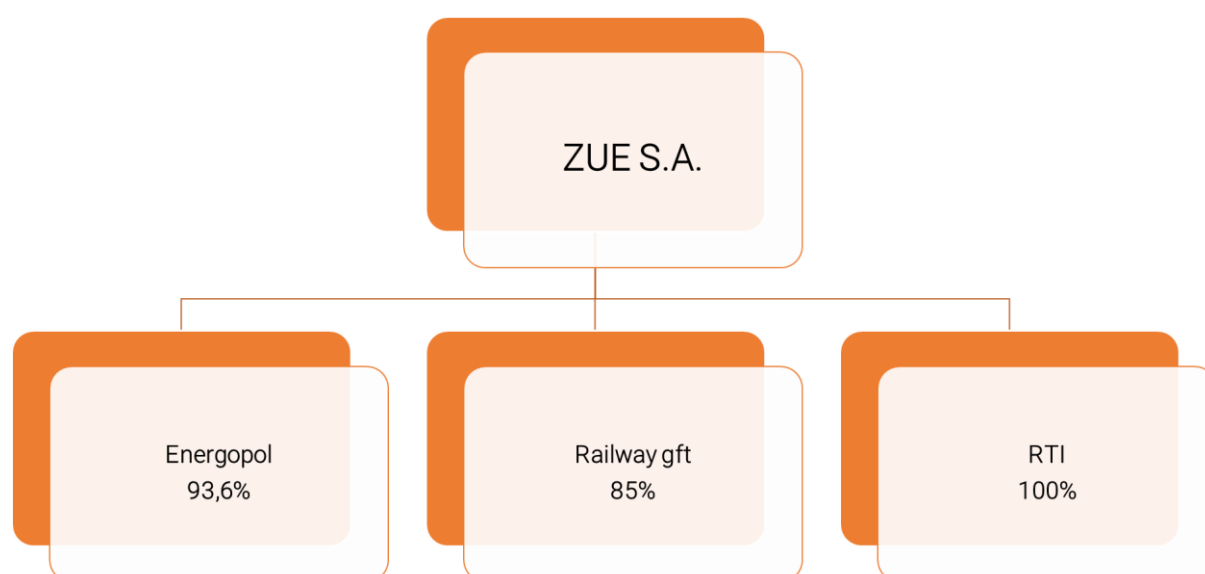
Share capital details as at 31 December 2023.

OPERATIONAL INFORMATION – NON-FINANCIAL INFORMATION

1. Organisation of the Capital Group

1.1. Structure of the Capital Group

Structure of the Capital Group as at 31 December 2023 and at the date of approval of this report.



ZUE S.A. is the **parent company** of the Capital Group. The Parent Company was established on 1 June 1991. It has operated under the name ZUE Spółka Akcyjna since 20 May 2002. Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow – Śródmieście in Cracow XI Commercial Division of the National Court Register under entry no. KRS 0000135388. The share capital of PLN 5,757,520.75 has been paid up in full.

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

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

On 28 October 2022, ZUE's branch in Romania was entered into the Register of Entrepreneurs maintained by the Court in Cluj Napoca. The branch was established to enable the coordination of the Company's operations on the Romanian market.

The companies within the Capital Group have been incorporated for indefinite period. The financial statements of 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.

Companies consolidated with full method in 2023:

- | Railway gft Polska Sp. z o.o.
- | Energopol Sp. z o.o.

ZUE has the power to govern the financial and operating policies of Railway gft and Energopol because as at 31 December 2023, it held a 85% and 93.6% interest, respectively, in the companies.

As at 31 December 2023, ZUE held 100% of shares in Railway Technology International Sp. z o.o. (RTI). Due to insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, RTI was not consolidated.

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

No major changes to the Group's structure occurred between the beginning of 2023 and the date of approval of this report, except for the following changes.

On 10 August 2023, the Parent Company sold all the shares (100%) in BPK Poznań as a result of which BPK Poznań left the Group.

2. Activities of the Capital Group

2.1. Business model

At present, the Group has two reportable segments:

- | Construction activities carried out by ZUE and Energopol; and
- | Sales activities carried out by Railway gft.

Construction activities mainly include:

- | **Urban infrastructure**, including:
 - o Construction and upgrade of tram tracks, tram and trolleybus traction networks, traction substations, street lighting, cable lines, street traffic signalling, road systems, buildings and telecommunications technology;
 - o Maintenance of tram and street lighting infrastructure.
- | **Rail infrastructure**, including:
 - o Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, power lines, stations and civil structures.
- | **Road infrastructure**, including:
 - o Road works, bridge and road structures, reinforced concrete structures and other civil structures.



In 2023, the Group focused on the provision of rail, urban and road 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.

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

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

"Ypsilon" steel sleepers.

2.2 Principal place of business

Cracow is the registered office of ZUE, Railway gft, RTI and Energopol. The Capital Group operates mainly on the Polish market but is also performs construction contracts on the Romanian railway market and in Latvia. Previously, the Company performed construction contracts in Slovakia.

In 2023, the Group carried out urban infrastructure contracts in such cities as Szczecin, Gorzów Wielkopolski, Grudziądz, Warszawa, Dąbrowa Górnicza, Poznań or Cracow where, apart from construction works, it performed the tram and lightening infrastructure maintenance contracts. Energopol deals with the maintenance of certain street networks in Cracow.

The Group executes rail infrastructure projects across the country. In 2023, the biggest rail contracts were performed in such regions as Będzin - Katowice Szopienice Południowe, Rusiec Łódzki – Zduńska Wola Karsznice – Chorzów Batory – Maksymilianowo, Żychlin – Barłogi, Skarżysko Kamienna – Sandomierz, Sucha Beskidzka – Chabówka – Zakopane, Trzebinia – Czechowice Dziedzice.

2.3 Chain value

The largest portion of the Group's revenue is derived from the comprehensive performance of urban, rail and road infrastructure construction contracts. Revenue from construction contracts is mainly generated by the construction and modernisation of rail and tram tracks, tractions and other related infrastructure and, since 2023, the construction and modernisation of roads. These are complex projects of social significance and require a professional contractor and several other factors to deliver a top quality product according to the needs of an investor. A number of key factors and values are involved for the Group to meet the high expectations of its customers.

The key factors:

- financial capital,
- production capital,
- human capital.

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

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

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

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

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

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

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

3. Sales markets

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

The table below sets out the biggest contracts performed in 2023:

Contract	Contracting authority	Status	Contract net value as at 31.12.2023 (PLN '000)
Completion of construction works as well as preparation of detailed design and completion of construction works in connection with the development of railway traffic control equipment, railway telecommunications network equipment and a dynamic passenger information system on the Będzin - Katowice Szopienice Południowe lines as part of the project: "Works to be carried out on primary passenger services (E 30 and E 65) in Silesia, Stage I: line E 65 on the Będzin - Katowice Szopienice Płd. – Katowice – Katowice Piotrowice lines."	PKP PLK S.A.	In progress	785,137
Preparation of design documentation and completion of construction works as part of "design-build" project in connection with the project named: LOT D – Works on the railway lines no. 131, 542 and 739 of the Rusiec Łódzki (km 137.500) – Zduńska Wola Karsznice (km 170.212) section as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-14 "Works on the railway line C-E 65 of the Chorzów Batory – Tarnowskie Góry – Karsznice – Inowrocław – Bydgoszcz – Maksymilianowo section."	PKP PLK S.A.	In progress	612,183
Design and construction services in connection with the project no. 1: "Works on the Chabówka - Zakopane railway line no. 99" and the project no. 2: "Construction of railway link in Chabówka along the Sucha Beskidzka – Chabówka railway line no. 98 and the Chabówka – Zakopane railway line no. 99."	PKP PLK S.A.	In progress	521,007
Design and construction services in connection with the project named: "Construction of the Annapol depot."	Tramwaje Warszawskie sp. z o.o.	In progress	436,769
Design services and construction works in connection with the following project: "Works on the railway line no. 25 of the Skarżysko Kamienna – Sandomierz section" to be executed as part of the Eastern Poland Operational Programme.	PKP PLK S.A.	In progress	431,160
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 Warsaw-Poznań section – other works, the Sochaczew-Swarzędz section" executed as part of the Connecting Europe Facility (CEF).	PKP PLK S.A.	In progress	330,506
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.	In progress	222,345

Maintenance and repair of tram infrastructure in Cracow in 2022-2025.	City of Cracow	In progress	120,797
Reconstruction of the tramway along the Zwierzyniecka Street (district road) and the Kościuszki Street (county road) in Cracow and reconstruction of the adjacent intersections and OCL network, dehydration and lightening, reconstruction of the colliding technical infrastructure, repair of the <i>Salwator</i> tram terminus as well as construction of the heat distribution network with connections and construction and reconstruction of the water supply system.	City of Cracow; Wodociągi Miasta Krakowa S.A. Miejskie Przedsiębiorstwo Energetyki Ciepłej S.A.	In progress	84,592
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 Kasprzaka Street section."	Dąbrowa Górnicza / Tramwaje Śląskie	In progress	83,310
Completion of construction works in connection with the extension of the Górny Taras Rataj track 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 a part of Warczygłowy Street and services relating to construction works carried out in connection with the following project: "Reconstruction of the Kórnicka – Lecha Estate – Żegrze roundabout tramway and construction of the route between Żegrze roundabout and Unii Lubelskiej."	City of Poznań	In progress	67,139
Reconstruction of the separate tramway track along the Sobieskiego Street and the Królowej Jadwigi Street in Dąbrowa Górnicza from the KWK Paryż Terminus to the Róż Avenue" and "Provision of bicycle lanes and reconstruction of road infrastructure along the Sobieskiego and Królowej Jadwigi Streets (DW 910) in Dąbrowa Górnicza."	Dąbrowa Górnicza/Tramwaje Śląskie	In progress	65,664
Works on the E59 railway line, the Dobiegniew – Słonice section – OCL network.	Strabag Sp. z o.o.	In progress	48,167
Restoration of railway infrastructure on the Dorota - Sosnowiec Dańdówka section, line no. 171, as part of the following investment project: "Works on the south-eastern part of the Upper Silesian Industrial Region ring road and adjacent sections."	PKP PLK S.A.	In progress	40,179

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.	In progress	38,439
Construction of railway link in Kalwaria Zebrzydowska along the Skawina – Żywiec railway line no. 97 and the Kalwaria Zebrzydowska Lanckorona – Bielsko Biała Główna railway line no. 117” executed as part of the following project: “Works on the railway lines no. 97, 98, 99 of the Skawina –Sucha Beskidzka – Chabówka – Zakopane sections.	PKP PLK S.A.	In progress	23,556
Maintenance and ongoing repairs of systems and equipment required to light roads, streets, parks, squares, bridges, flyovers, tunnels, underpasses and to illuminate selected facilities in Cracow.	City of Cracow	In progress	23,003
Maintenance of tram lines and switches in Wrocław.	Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o. in Wrocław	Completed	19,213
“Reconstruction of the road and reconstruction of the track in the Dworcowa Street” and “Development of a Dynamic Passenger Information System as well as extension and reconstruction of a City Surveillance System” for the following project: “The system of sustainable urban transport in Gorzów Wlkp.” and “Reconstruction of roads and public transport infrastructure in the area of the railway station.”	City of Gorzów Wlkp. – the Municipal Council of Gorzów Wielkopolski and Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o.	In progress	18,929
ROMANIA			
“Quick Wins” – works carried out in C.F. Braşov area (17 Lot)	“C.F.R.” S.A. – C.F. Braşov Regional Branch (Romania)	In progress	131,199
“Quick Wins” – works carried out in C.F. Cluj area (47 Lot)	“C.F.R.” S.A. – C.F. Cluj Regional Branch (Romania)	In progress	316,347
Contract signed in 2024			
“Construction of the fast tramway from the Kasprzaka Street to Wilanów on the Dworzec Zachodni – the Grójecka hub section.”	Tramwaje Warszawskie sp. z o.o.	In progress	147,410

* Contracts whose net value exceeds PLN 15m.

As part of sales activities, Railway gft sold rails, track accessories, sleepers, rail fastening systems and aggregate. In 2023, the major customers of Railway gft outside the Group were: Contraxim sp. z o.o., Vossloh Cogifer sp. z o.o.

Design services relating to urban and rail transport systems were provided to both public investors and companies which executed “design-build” projects. The biggest customers of BPK Poznań in the reporting period until 10 August 2023 included PKP Polskie Linie Kolejowe S.A., LPW Sp. z o.o., Budimex S.A., the City of Łódź – City Investments Board.

4. Customer profile

The structure of the Group’s customer base reflected the nature of the services provided by the Group as a result of

tenders and/or trade negotiations. In 2023, the companies within the Group operated as standalone contractors, consortium members or leaders, and, for some projects, as subcontractors.

Most of the contracts performed by the Group were awarded to it as a result of procurement processes. PKP Polskie Linie Kolejowe S.A. was ZUE's major customer in 2023. The company's share in ZUE's total sales revenue in 2023 was about 39%. There is no formal link between ZUE and PKP Polskie Linie Kolejowe S.A.

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

No company to which sales or design services were provided exceeded 10% of the consolidated sales revenue in 2023.

No ethical audits were carried out at the request of customers in 2023.

5. Supply sources

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

No supplier of goods or services exceeded 10% of the Company's sales revenue in 2023.

The purchase of materials directly by Railway gft., a subsidiary, accounted for 1.3% of the materials and services purchased by ZUE and 16.2% Railway gft.'s sales volume.

No ethical audits, environmental audits or audits concerning occupational health and safety, human rights, forced labour or children's work at suppliers were conducted in 2023 at the request of the Company.



6. Backlog

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

At the date of preparation of this report, the total value of the Group's backlog is PLN 1,731m including the contracted construction and assembly works performed by ZUE with the total net value of PLN 1,679m. It provides the Group with an ability to carry out the works in the period 2024-2025. The backlog relating to the supply of materials and equipment by Railway gft is worth PLN 16m. The backlog of Energopol relating to construction works is worth PLN 36m.

The value of the new construction contracts signed by the Group companies in 2023 is about PLN 959m, including the contacts of approximately PLN 65m signed by Energopol, a road company. In 2024, the Company and a consortium member gained another tram infrastructure contract worth PLN 295m (50% attributable to ZUE). The Group continues to participate in tender procedures.

7. Regulatory environment

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

No fines were imposed in 2023 on the Group companies in connection with any failure to conduct their activities according to the laws governing social and employee issues, the protection of natural environment, the respect of

human rights or counteracting corruption. Likewise, no proceedings were instigated in 2023 in connection with the companies' violation of the abovementioned laws.

8. Strategic objectives

The Group's principal objective in 2024-2026 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;
- | 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, road, power 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 was on winning new construction contracts and proper performance of previously signed contracts. The Group also aimed to achieve geographical diversification by offering its services in other European countries.

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

9. Development prospects

The railway and urban infrastructure projects (especially tramway projects) are the main source of the Group's income. Construction works are carried out mainly in the territory of Poland. However, ZUE won the construction contracts on the Romanian railway market in 2022 and continued to perform them in the reporting period.

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.

The Group delivered projects on the road market through Energopol after the company had been included in the Group in November 2022.

Polish rail infrastructure market

The European Commission released the Sustainable and Smart Mobility Strategy in 2020. Its principal aim is to reduce transport-related emissions of CO₂ in the EU by 90% by 2050. The document should serve as a basis for ecological and digital transition in the EU. It should also make the EU transport system more resistant to future crises.

The Strategy focusses on the ambitious development of the EU railway infrastructure.

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

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

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

by 2030

and

- | Doubling of the rail freight traffic;
- | Fully operational Multimodal Trans-European Transport Network (TEN-T) equipped with sustainable and smart transport with high-speed connectivity¹

by 2050.

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

The Polish rail transport system consists of approximately 19,400 km of railway lines, approximately 25,000 engineering facilities and approximately 14,500 buildings (platforms, shelters, etc.). In terms of line length, it is the 5th largest network in Europe (including Russia) and the 15th in the world. In Poland, 46% of railway lines are double-track lines, and 65% of lines are electrified. Polish railways are poorly equipped to handle high-speed passenger transport. Only 2% of lines in the country can support speeds above 160 km/h, and about 15.5% of lines can handle speeds of between 120 and 160 km/h. The percentage of lines along which trains cannot achieve speeds of more than 60 km/h remains high, i.e., approx. 21% of the entire system.²

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

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

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



Poland is now witnessing the execution of railway modernisation programme; i.e. the National Railway Programme (NRP) until 2030 with the total value of approx. PLN 80 billion for the 2021-2027 perspective and PLN 11 billion for the National Recovery Plan - the continuation of the previous NRP until 2023. This long-term programme is designed to implement the strategies adopted by the Council of Ministers, including the "Strategy for Responsible Development until 2020 (with the perspective until 2030)" and the "Strategy for Sustainable Transport Development until 2030." The National Railway Programme will be executed with considerable use of the European Union funds. At present, the objectives of the National Railway Programme are analysed in terms of possible changes to the intended investments and the objectives' effectiveness.

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

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

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

² Report by the Office of Rail Transport on the rail transport market in 2022

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

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

Objective	Indicator	Measurement unit	Completion as at 31.12.2022	Target
Strengthening of the role of rail transport in the national integrated transport system	Length of reconstructed railways (track km)	Km	6,439	9,000
Enhancing of the rail transport efficiency	Length of railway lines with passenger train speeds above 160 km/h	Km	296	350
Improvement of the rail transport safety	Length of railway lines fitted with ERTMS/ETCS	Km	884	2,000
Improvement of the passenger and freight transport quality	Average speed of freight trains on the PKP PLK network	km/h	31	40
	Number of provincial capitals connected by the upgraded lines with the average speed of passenger trains at least up to 100 km/h	Number	10/18	18/18

Source: Resolution no. 95/2023 of the Council of Ministers dated 14 June 2023 on the approval of the report on execution of the National Railway Programme until 2023 in 2022.

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

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

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

Kolej plus involves:

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

Analyses are being carried out to determine whether the Central Communication Port (CCP) project should be continued. This concept envisages a transport hub based on integrated elements - air and rail connections. The central port (airport) itself will form the nucleus of an enhanced national railway system.



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

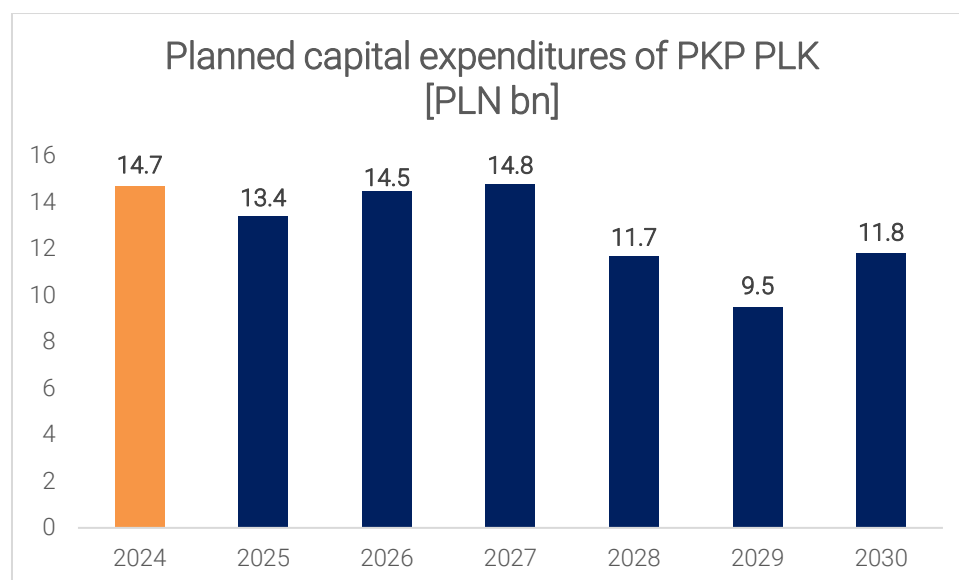
A diagram of the Polish railway network illustrates differences in rail density between the western and eastern parts of the country. This is a legacy of the Partitions, during which the Prussian and Austrian authorities embarked upon much more intense railway construction in the Polish lands under their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

One of the assumptions behind the project is to ensure that CCP can be reached by train from major Polish urban centres within 2-2.5 hours at a target speed of 250 km/h along key sections. Turning this vision into reality will entail constructing 12 new railway lines. There will be in total 30 investment projects for about 2000 km of new railway lines.

The new sections under construction are to serve as essential additions to the existing national network, which will be more capable of satisfying the nation's transport needs. The estimate cost of the CCP rail component is approximately PLN 70 billion.

PKP PLK estimates combined investment needs in railway infrastructure of approximately PLN 300 billion a significant amount of which will be incurred by 2030.⁵

Construction works under investment projects continue as part of the NRP. Another pool of new investments under the NRP will be correlated with the receipt of the UE funds.



Source: Resolution no. 218/2023 of the Council of Ministers dated 14 November 2023 amending the resolution on the National Railway Programme until 2030 (with the perspective until 2032).

Urban infrastructure market

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

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

⁵ <https://www.rynek-kolejowy.pl/mobile/trako-2021-oczekiwania-przed-nowa-perspektywa-104659.html>

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 on the development of urban transport in Polish cities, out of which EUR 1.44 billion will be spent on the expansion and upgrade of infrastructure, especially tram infrastructure. The European Commission adopted *FENIKS* on 6 October 2022. It is Poland's and the EU's largest cohesion policy programme.



Indicators within the *FENIKS* programme:

- | The length of the completed subway lines is expected to be 3.4 km by 2029;
- | The length of the new tram and subway lines is expected to be 98 km by 2029 (including 5 km in 2024);
- | The length of the reconstructed tram and subway lines is expected to be 126 km by 2029 (including 6 km in 2024); and
- | The number of cities with new or upgraded digital transportation systems is expected to reach 9 by 2024.⁶

Cracow, Warsaw, Gdańsk, Bydgoszcz, Szczecin, Poznań or the Upper Silesia cities are planning the construction or modernisation of tramways. Several cities (such as Gdańsk, Toruń, Wrocław, Gorzów Wlk.) are planning the modernisation or the construction of new tram depots.

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).⁷ The network includes about 18,000 bridges and footbridges as well as 176 tunnels. The two European transport corridors, namely the Rhine-Danube and the North Sea-Mediterranean corridors, run through Romania. Like in other Eastern European countries, the Romanian rail infrastructure calls for major capital expenditures in order to meet the EU environmental objectives. In September 2021, the European Commission approved the Romanian National Recovery Plan for about EUR 29bn and a portion of the amount will be allocated to railways.

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

Objectives:

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

Major expenditures on infrastructure are required to meet these objectives and the investments are already financed with, *inter alia*, the use of the EU funds. Romania effectively uses the EU funds to modernize its railways as a result of which a significant number of projects have been launched to upgrade the infrastructure. Romania is also planning major investments in tram 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 0.9 billion, out of which 50% is attributable to ZUE. In addition, ZUE's branch was established in Romania.

⁶ <https://www.transport-publiczny.pl/wiadomosci/feniks-2-mld-euro-na-transport-w-polskich-miastach-75576.html>

⁷ Eurostat data.

Road infrastructure market

The Group has operated on the local road market through its subsidiary, Energopol, since November 2022. This stable and prospective market will receive financial support from the Government Road Construction Fund. Funds will be allocated to implement nearly 2,700 local road construction and modernisation tasks. With the Fund's support, about 3,500 km of roads will be built or renovated. At present, Energopol is involved in the performance of the three new contracts on the road market, including two construction contracts and one road infrastructure contract.

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

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

Untimely settlement of liabilities to the Group by Contracting Authorities

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

Delays or unfavourable outcome of tenders the Group participates in

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

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

Unstable prices of raw materials and liquid fuels

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

Higher fees charged by subcontractors

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

Unstable foreign exchange rate

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

Outcome of court proceedings

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

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

Risk related to financial liquidity of the construction sector

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

Risk related to logistics

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

Risk related to non-delivery of construction sites by the dates specified in contracts

The construction contracts entered into by the Group provide for the exact completion dates. If a contracting authority fails to deliver the site in a timely fashion, works may accumulate, staff and equipment of the Company or its subcontractors may have to be stopped, dates for the supply of materials by suppliers may no longer apply, the deadline for a project completion may become extended and the associated costs may increase. Consequently, the date of completion of construction works specified in a contract can be missed and the costs associated with a project may increase through no fault of the Group. This may have a negative result on the Group's financial results.

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

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

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

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

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

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

Risk related to improper contract performance by key counterparties

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

Risk related to bonds, contractual penalties and litigations

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

| Risk related to bankruptcy of counterparties

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

| Risk related to guarantee of payment for construction works

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

| Risk related to change of law, including tax law

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

| Risk related to winning of new contracts

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

| Risk related to growing competition

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

| Risk related to awarding of contracts and exclusion from public tenders

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

| Risk related to the EU funding of railway projects

The long-term National Railway Programme until 2030 (the "NRP") sets out the financial terms and the Poland's objectives concerning the execution of railway projects until 2030. PKP PLK SA finances NRP with considerable use of the European Union funds. However, political changes in the European Union as well as disputes between Poland and the EU and the related delays in the awarding of funds may influence the initial level of the funding of railway projects in Poland.

Risk related to accumulation of tender procedures

Following a period of stagnation on the Polish railway market, a considerable number of tender processes may take place at the same time. Likewise, many projects can be launched after the award of the EU funds. This may lead to increased demand for building materials, subcontract and logistic services as a result of which the prices of building materials, labour, energy or fuels may rise.

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

If the economic situation gets worse, there is a risk that both banks (credit facilities and bonding products) and insurance companies (performance or bid bonds) will limit the availability of the sources of finance and other financial instruments, which may reduce the number and scope of operations.

Risk related to weather conditions

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

Risk related to social and economic situation in Poland

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

Risk related to interest rates

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

Risk related to unstable margins

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

Risk related to activities abroad

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

Risk related to the impact of pandemic on construction processes

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

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

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

Difficulties may also be associated with the absence or temporary exclusion of employees. During the COVID-19 pandemic, the Issuer took preventive measures to reduce the risk of infection among its employees and associates including remote work where possible, a different form of business meetings, comprehensive information about the activities whose aim was to reduce the risk of infection as well as the activities to be taken in case of infection and limited contacts with the employees who stayed in high risk areas.

Risk related to the war in Ukraine

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

- Increased prices of certain imported products and materials caused by the long-term weakening of PLN rate (as well as other currencies of the region);
- Disruptions in the chains of supply of certain imported products and materials;
- Long-term increase in the prices of fuels, natural gas and electricity;
- Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs;
- Possible migration of Ukrainian employees from Poland to Ukraine; and
- Limited availability and higher prices of building materials caused by a long-term radical increase in demand for building materials in Ukraine.

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

Risk related to greater employment costs

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

Risk related to the outflow of qualified staff

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

Risk related to influence on natural environment

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

Risk related to social issues and human rights

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

Risk related to corruption

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

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

13. Risks related to climate and climate policy

Physical risk related to extreme weather events

Weather phenomena which may influence the Group's operations:

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

Physical risk related to changing weather patterns

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

Risk related to transition to zero-emission economy

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

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

14. Impact of the coronavirus pandemic on the operations of ZUE

Measures taken by ZUE (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 2023

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

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

The factors which may influence the markets in which the Issuer operates and ZUE's activities should the state of emergency be declared again in Poland are set out below.

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 observed in 2023.

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

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

The Company has cooperated with its suppliers for many years. The cooperation with transparent partners as well as internal control of transactions reduce the risk of getting involved in transactions exposed to sanctions imposed by the EU on Russia and Belarus. The Company has no assets in Russia, Belarus or Ukraine and does not conduct any activities in those countries.

The Company controls, on an ongoing basis, the safety of the Group's IT systems to prevent cyberattacks as well as the risks associated with foreign exchange rates and interest rate changes.

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.

Factors which may occur and influence the markets in which the Issuer operates and the Group's activities:

- Increased prices of certain imported products and materials caused by the long-term weakening of PLN rate (as well as other currencies of the region);
- Disruptions in the chains of supply of certain imported products and materials;
- Long-term increase in the 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;
- Decreased supply of financial products as a result of increased spending on defence and security;
- Migration of Ukrainian employees from Poland to Ukraine; and
- Limited availability and higher prices of building materials caused by a long-term radical increase in demand for building materials in Ukraine.

16. Major events in the reporting period

Construction works

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 22 August 2023, the Company signed the contract for the following project: Reconstruction of the tramway along the Zwierzyniecka Street (district road) and the Kościuszki Street (county road) in Cracow and reconstruction of the adjacent intersections and OCL network, dehydration and lightening, reconstruction of the colliding technical infrastructure, repair of the *Salwator* tram terminus as well as construction of the heat distribution network with connections and construction and reconstruction of the water supply system. The Company informed about the selection of the most economically advantageous tender in the current report 12/2023. The Contracting Authority: Zarząd Dróg Miasta Krakowa, Wodociągi Miasta Krakowa S.A., Miejskie Przedsiębiorstwo Energetyki Ciepłej (MPEC) S.A. Contract net value: PLN 76.5m. Contract gross value: PLN 94m. Project completion date: 12 months of the site handover date. **(Current report 17/2023)**

On 6 October 2023, the Company and PKP PLK S.A. entered into the contract for the following project: Completion of construction works as well as preparation of detailed design and completion of construction works in connection with the development of railway traffic control equipment, railway telecommunications network equipment and a dynamic passenger information system on the Będzin - Katowice Szopienice Południowe lines as part of the project: "Works to be carried out on primary passenger services (E 30 and E 65) in Silesia, Stage I: line E 65 on the Będzin - Katowice Szopienice Płd. – Katowice – Katowice Piotrowice lines." The Company informed about the selection of the most economically advantageous tender in the current report 64/2022. Contract net value: PLN 785.1m. Contract gross value: PLN 965.7m. Project completion date: About 44 months. **(Current report 18/2023)**

On 22 November 2023, the Company and AZD Praha s.r.o. with registered offices in Prague entered into the subcontract. The subcontract net value: PLN 79.9m (including the main scope with the net value of PLN 72.4m). The subcontract completion date (main scope): 44 months **(Current report 20/2023)**

On 5 December 2023, the Company learnt about the submission by ZUE of the most economically advantageous tender in the tender procedure for the project named: "Reconstruction of Przemyśl Bakończyce railroad siding as well as provision of design services and completion of works relating to power engineering and railway traffic control." Contracting authority: PKP Intercity S.A. Net value of the tender submitted by ZUE: PLN 219.3m. Gross value of the tender submitted by ZUE: PLN 269.8m. Project completion date: 24 months. **(Current report 21/2023)**

Financial issues

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

On 28 June 2023, the Company and Alior Bank S.A. entered into the revolving credit agreement whereby the Company was granted the credit limit of up to PLN 40m available to the Company until the end of January 2025. **(Current report 13/2023)**

On 8 August 2023, the Company published the preliminary financial results for the first half of 2023. **(Current report 15/2023)**

On 31 October 2023, the Company published the preliminary financial results for the three quarters of 2023. **(Current report 19/2023)**

Corporate events

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 Company's Supervisory Board gave a favourable opinion on the said proposal on 9 May 2023. **(Current report 5/2023)**

On 7 June 2023, the Company informed that according to the resolution on the distribution of the Company's profit for 2022 passed by the Ordinary General Meeting of ZUE S.A. on 7 June 2023, the dividend for 2022 of PLN 1,593,580.17; i.e. PLN 0.07 per share, would be paid to the Company's shareholders. Shareholders' right to the dividend was determined as at 18 July 2023. The date of the dividend payment was set for 3 August 2023. The dividend was paid according to the said resolution. **(Current report 11/2023)**

On 10 August 2023, the Company informed about the sale of 100% of shares in BPK Poznań, a subsidiary. **(Current report 16/2023)**

17. Major events after the end of the reporting period

On 20 February 2024, the consortium of ZUE (Leader) and FABE Polska sp. z o.o. (Partner), and Tramwaje Warszawskie sp. z o.o. entered into the contract for the following project: Construction of the fast tramway from the Kasprzaka Street to Wilanów on the Dworzec Zachodni – the Grójecka hub section." The Company informed about the selection of the Company's offer as the most economically advantageous tender in the current report 22/2023.

Contract net value: PLN 294.8m (ZUE – 50%). Contract gross value: PLN 362.6m. Expected project completion date: 26 months. **(Current report 2/2024)**

On 4 March 2024, the Company published the preliminary financial results for 2023. **(Current report 3/2024)**

18. Transactions with related parties

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

Sections 7.15 and 7.15, respectively, "Transactions with related parties" of the separate and the consolidated financial statements for 2023 contain detailed information about the transactions with related parties.

19. Bonds and guarantees

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

Unused bond limit at the Group:

- | PLN 423,890 thousand (including PLN 13,271 thousand which can be allocated to working capital credit)
- | EUR 20,000 thousand

Unused bond limit at the Company:

- | PLN 412,697 thousand (including PLN 13,271 thousand which can be allocated to working capital credit)
- | EUR 20,000 thousand

ZUE is the Parent Company of the Capital 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 December 2023 is PLN 29,837 thousand.

ZUE is able to use limits provided by banks both for bonds and working capital credit. At the end of the reporting period, the limits were not allocated to credits.

Off-balance sheet items for 2023 are discussed in detail in section 7.21 of the consolidated financial statements.

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

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

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

ZUE identifies certain aspects at the Group (relating especially to occupational health and safety and environment protection) and constantly assesses the impact of the Group's operations on the natural environment taking into consideration the changes (for instance legal, economic or social changes) observed in its neighbourhood. The aspects are identified and evaluated in accordance with relevant procedures relating to the identification of threats and the assessment of risks in the area. No incidental violations of ethical standards by employees pursuant to the Ethical Management Policy were identified outside working hours in 2023. Certain contracts with counterparties contain clauses about ethics.

20.1.Social issues

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



ZUE's impact on the environment does not end the moment a particular project is completed. This is because both passengers and transport firms use the infrastructure built or modernised by the Group long after the work is done. It is thus vitally important that we maintain a sufficient level of quality in our work, as this will be reflected in a high standard achieved at the close of the investment. Ensuring appropriate standards of quality is thus our priority at every stage of an investment, i.e. from the moment the right supplies and construction materials are delivered and the project is carried out in accordance with the required construction standards right through to ensuring that the guarantee obligations are observed promptly and reliably. The services provided by the Group are based on internal regulatory arrangements (encompassing instructions and procedures) that are part of integrated management systems, including, among other things, the ISO 9001:2015 – Quality Management System. The above practices ensure the internal cohesion and effectiveness of the operating activities undertaken. Simultaneously, apart from acting in accordance with internal procedures, the implementation of every investment necessitates meeting the requirements of generally applicable laws (e.g. in terms of environmental issues or construction law) as well as the specific requirements and the technical and material standards contained in the design documentation of particular projects.

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

In spite of precautionary measures and efforts to respect the environment in which construction works were carried out, in 2023 there were a total of 35 cases involving damage to the assets or property of third parties worth the combined sum of approximately PLN 438 thousand. In 30 cases where damage was sustained in 2023 compensation was paid and 5 cases are pending. In addition, approximately PLN 378 thousand was paid in 2023 in connection with damages which occurred in prior years.

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

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

The Group's employees are the key resource influencing the Group's activities and the key factor of the Group's success. We attach great significance to such issues as employees' rights, clear remuneration system, creation of proper working conditions, benefits other than salaries and wages and professional development. No violation of human rights was identified at the Group in 2023. No special threats to human rights are identified by the Issuer outside the supply chain including the Issuer.

Work rules

The Company's Work Rules define the organisation of work as well as the related rights and obligations of both employees and their employer. The Work Rules include such issues as the rights of employees, the employment of women and junior workers, occupational health and safety, fire safety, the employees' rights relating to parenthood

and the raising of professional qualifications by employees. Other companies within the Group which conduct operating activities (i.e. Energopol and Railway gft) also have their work rules governing similar issues.

Anti-mobbing rules

The Company makes any effort to be a reputable employer whose aim is to offer a satisfactory job and professional development to its employees. The principal aim of work culture and management at ZUE is to ensure friendly atmosphere at work free from mobbing and any other forms of discrimination. In 2015, the Company's Management Board followed the solutions used both in Poland and Europe and established the anti-mobbing policy aimed at counteracting and fighting such behaviours. The anti-mobbing policy was updated in 2019. It was incorporated into the Ethical Management Policy and became one of its chapters. Pursuant to the said policy, there is the anti-mobbing committee at ZUE whose task is to consider mobbing complaints. Analogous policy is also pursued by Energopol. No cases of discrimination, sexual harassment or mobbing were confirmed in 2023.

Corporate Collective Labour Agreement

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

Diversity of employees

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

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

20.3.Natural environment

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

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

20.4.Counteracting corruption

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

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

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

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

No corruption incidents involving people employed with the Group companies were identified in 2023.

No ethical audits were carried out at the request of customers in 2023.

No discrimination, sexual abuse or mobbing cases were confirmed in 2023.

No violation of human rights at the Company, including the Company's subcontractors, was reported in 2023.

Anti-corruption rules for suppliers and service providers

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

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

Relevant corruption clauses are inserted in contracts with subcontractors.

20.5. Protection of privacy

2023 saw no leakage or unauthorised use of customers' or employees' personal data.

No administrative proceedings were instigated in 2023 by the Personal Data Protection Office against the Company in connection with any violation of personal data protection laws (especially the provisions of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation).

No fine was imposed on the Company in connection with any non-compliance with the personal data protection laws or regulations in 2023.

21. Integrated Management System

SCOPE

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

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

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

The system has been entered into the Integrated Management System Register and is backed up in accordance with the system instructions and procedures.

The Integrated Management System covers:

Design, construction, operation and repairs of:

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

CONTEXT – INTERNAL AND EXTERNAL FACTORS

ZUE defined certain external and internal factors significant for the aim and strategic path of the Company's operations and the factors influencing the Company's ability to achieve the aim of the quality, environmental and occupational health and safety management systems.

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

Ukraine's political and economic situation as well as changes on the raw and other materials market are constantly monitored by the Company in terms of the actual and potential impact thereof on the Company's activities and the related consequences such as greater costs and disrupted chains of supply of certain imported products and

materials caused by the weakening of PLN rate or increased prices of fuels, natural gas and electricity.

In addition, the Company constantly monitors:

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

| RISK ASSESSMENT AND IMPACT OF ACTIVITIES

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

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

| CERTIFICATION – RECERTIFICATION AUDIT

A recertification audit of the Integrated Management System was performed between 16 and 19 January 2024 to confirm compliance with the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards.

The audit was carried out to keep the certificates but also to assess the effectiveness of the management system to ensure that the Company was able to achieve the defined goals and complied with legal and contractual requirements.

A recertification audit was a more extensive evaluation and covered the two contracts, namely:

- Urban construction contract: "Reconstruction of the tramway along the Zwierzyniecka Street (district road) and the Kościuszki Street (county road) in Cracow and reconstruction of the adjacent intersections and OCL network, dehydration and lightening, reconstruction of the colliding technical infrastructure, repair of the *Salwator* tram terminus as well as construction of the heat distribution network with connections and construction and reconstruction of the water supply system;" and
- Railway construction contract: Completion of construction works as well as preparation of detailed design and completion of construction works in connection with the development of railway traffic control equipment, railway telecommunications network equipment and a dynamic passenger information system on the Będzin - Katowice Szopienice Południowe lines as part of the project: "Works to be carried out on primary passenger services (E 30 and E 65) in Silesia, Stage I: line E 65 on the Będzin - Katowice Szopienice Pld. – Katowice – Katowice Piotrowice lines."

In addition, audits were carried out in units engaged in operational activities, e.g. infrastructure maintenance facility, department of innovation and implementation, units within special equipment and transport base and units where support processes take place.

DNV auditors assessed the implementation of the management system and the compliance with the standards by holding numerous talks with managerial staff and employees, reviewing documents and evidenced information and observing the system areas and the processes underway.

During the audit, the auditors of DNV Business Assurance Poland Sp. z o.o. identified one small [2. degree] non-conformity (the construction project in Będzin) and had 29 observations.

The Company implemented corrective measures and analysed the reasons for non-conformity. The corrective measures were accepted by the audit team leader as a result of which a recommendation was made to issue the certificates for the next three years. The effectiveness of the system and the system compliance with ISO standards were confirmed.

The certificates are not only issued to inform our customers and stakeholders about compliance with a standard. They are also the Group's obligation to change and make constant improvements.

DNV stores the certificates in a safe private blockchain [VeChain system]. They have a unique QR code so that their validity and authenticity can be checked at any time.

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

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

Integrated Management System at ZUE S.A.:

- Quality Management System,
- Environmental Management System,
- Occupational Health and Safety Management System.

22. Impact on the natural environment

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

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

22.1. Consumption of energy

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

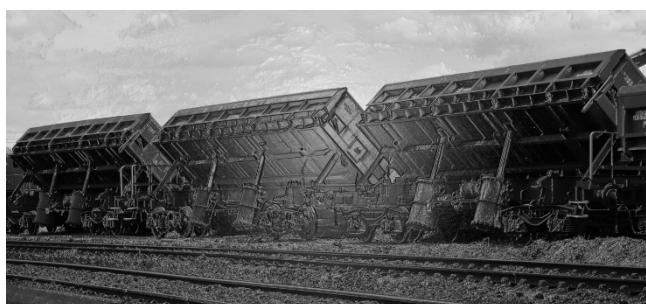
Type of energy	Consumption		Consumption per PLN 1,000,000 of ZUE's revenue	
	2023	2022	2023	2022
Purchased electric energy (MWh)	1,245	989	0.9	1.2
Purchased thermal energy (GJ)	5,311	5,437	3.9	6.5

The Group companies did not generate electric or thermal energy in 2023.

The Group companies did not use any energy from renewable sources in 2023. Energy purchased by ZUE came from low carbon sources.

22.2. Consumption of materials

Type of material	Consumption		Consumption per PLN 1,000,000 of ZUE's revenue	
	2023	2022	2023	2022
Rails (tonnes)	5,981	3,865	4.3	4.6
Breakstone and aggregate (tonnes)	517,846	396,579	375.5	476.7
Contact wire (km)	1,491	7,344	1.1	8.8
CU line (km)	4,851	11,948	3.5	14.4
Tram crossovers and switches (set)	90	55	0.1	0.1
Vibroinsulating mat (m2)	32,474	22,915	23.5	27.5
Pre-stressed concrete sleepers (pcs.)	45,149	108,169	32.7	130.0



22.3. Consumption of water

	Consumption		Consumption per PLN 1,000,000 of ZUE's revenue	
	2023	2022	2023	2022
Water (m³)	5,506	5,571	4.0	6.7
Sewage (m³)	5,506	5,571	4.0	6.7

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

22.4. Waste

Type of waste	Amount		Amount per PLN 1,000,000 of ZUE's revenue	
	2023 (tonnes)	2022 (tonnes)	2023	2022
Hazardous waste	781	1,619	0.6	1.9
Other than hazardous waste	12,069	23,688	8.8	28.5

Waste was recovered in 2023 and the recovery included 4,874 tonnes of land and soil, 5,561 tonnes of concrete, 12,250 tonnes of breakstone and 47 tonnes of wood.

22.5. Emission of gases

Type of gas (kg)	Amount		Amount per PLN 1,000,000 of ZUE's revenue	
	2023	2022	2023	2022
CO	0.54	0.46	0.0004	0.0006
Dust	1.61	1.33	0.001	0.002
NO	1.22	1.00	0.001	0.001
SO	0	0	0.0000	0

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

22.6. Impact on biodiversity

In the reporting period, construction works were carried out by ZUE in environmentally valuable areas or in their neighbourhood, especially in the areas included in the Natura 2000 network. The projects concerned the works on the railway lines of the Chabówka – Zakopane, Skarżysko Kamienna – Sandomierz, Dobiegniew – Słonice sections. No environmental damage was caused by the performance of the works in 2023.

22.7.Climate issues

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

In 2023, climate issues were not taken into consideration in the management processes at the Company or the value chain including ZUE. No decisions concerning the activities carried out by ZUE were made exclusively on the basis of climate issues. There were no climate policies or procedures at ZUE. However, the issue is potentially significant and the Management Board of ZUE will consider (after relevant analyses have been carried out) the inclusion of climate issues in the Group's operation strategy and management processes.

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

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

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

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

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

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

Greenhouse gas emissions (in total and per revenue)	Measurement unit	ZUE	
		2023	2022
Scope 1			
Emissions resulting from the consumption of	Mg CO2	0	0

fuels in buildings and systems.			
Emissions resulting from the consumption of fuels in transport.	Mg CO ₂	3,905	3,360
Total Scope 1 Emissions.	Mg CO ₂	3,905	3,360
Scope 1 Emissions per PLN 1,000,000 of revenue.	Mg CO ₂ / PLN 1,000,000 of ZUE's revenue	2.8	4.0
Scope 2			
Emissions resulting from the purchase of electric energy.	Mg CO ₂	451	452
Emissions resulting from the purchase of thermal energy.	Mg CO ₂	1,474	1,243
Total Scope 2 Emissions.	Mg CO ₂	1,925	1,695
Scope 2 Emissions per PLN 1,000,000 of revenue.	Mg CO ₂ / PLN 1,000,000 of ZUE's revenue	1.4	2.0
Scope 1+2			
Total Scope 1+2 Emissions.	Mg CO ₂	5,830	5,055
Scope 1+2 Emissions per PLN 1,000,000 of revenue.	Mg CO ₂ / PLN 1,000,000 of ZUE's revenue	4.2	6.1

The data concerning Scope 1+2 emissions in 2023 in the supply chain (including subcontractors and suppliers) was obtained by the Company from 42% of entities accounting for about 23% of the Company's operating expenses and it was 21,130 Mg CO₂. On the basis of this data, the estimate emissions in the entire supply chain are approximately 91,870 Mg CO₂.

22.8.EU Taxonomy

The following indicators are presented by the Group on the basis of the Regulation (EU) 2020/852 of the European Parliament and of the Council.⁸ According to the Commission Delegated Regulation (EU) 2021/2178⁹ and the Commission Delegated Regulation (EU) 2021/2139¹⁰, the Group presents information on the indicators in proportion to turnover, capital expenditure and operating expenditure for the two of the six environmental objectives. In addition, the Group provides relevant qualitative information.

For the purposes of this report, an analysis of the activities indicated in the EU Non-Financial Taxonomy was carried out in relation to:

- | Assessing the alignment of an activity with the Taxonomy for achieving the objectives 1 and 2 (excluding the so-called new climate activities, i.e. the activities that have expanded the scope of activities included in the climate objectives under Regulation 2023/2485) in total turnover, capital expenditure and operating expenditure, and disclosure of adequate qualitative information to the extent it relates to the abovementioned indicators for the financial year 2023); and
- | Assessing the eligibility of an activity with the Taxonomy for the so-called new climate activities (i.e. the activities that have expanded the scope of activities included in the climate objectives under Regulation

⁸ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

⁹ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

¹⁰ Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

2023/2485) and other environmental objectives in total turnover, capital expenditure and operating expenditure as well as adequate qualitative information to the extent it relates to the abovementioned indicators for the financial year 2023).

As regards the presented indicators, no changes were made to the calculation of indicators with reference to the eligibility and alignment assessment for an activity included in the climate objectives presented in the 2022 report.

The Group presents the data on the assessment of the eligibility of activities for the so-called new climate activities and in relation to other environmental objectives for the first time. Therefore, the Group does not have comparative data for 2022 for these activities.

The following indicators are presented by the Group on the basis of the Regulation (EU) 2020/852 of the European Parliament and of the Council¹¹ and, in particular, in compliance with the Commission Delegated Regulation (EU) 2021/2178¹² and the Commission Delegated Regulation (EU) 2021/2139¹³. In addition, the Group provides relevant qualitative information.

91.8% of the Group's turnover and 99.4% of the Group's capital expenditure (CapEx) relate to economic activities qualifying as environmentally sustainable.

51.4% of the Group's turnover falls under category 6.14 *Rail transport infrastructure*, 39.8% of the Group's turnover falls under category 6.15 *Infrastructure supporting low emission road and public transport* and 0.6% of the Group's turnover falls under category 6.2 *Freight rail transport*. As for the turnover, the Group's economic activity is 91.8% Taxonomy-eligible.

To compare, in 2022, 57% of the Group's turnover fell under category 6.14 *Rail transport infrastructure*, 31.6% of the Group's turnover fell under category 6.15 *Infrastructure supporting low emission road and public transport* and 0.9% of the Group's turnover fell under category 6.2 *Freight rail transport*. As for the turnover, the Group's economic activity in 2022 was 89.5% Taxonomy-eligible.

The Group's Taxonomy-eligible net revenue was specified based on the analysis. It refers mainly to the following Taxonomy sections: 6.2, 6.14., 6.15 and the Taxonomy-eligibility refers both to Annex 1 to the Regulation 2139; i.e. Climate change mitigation and Annex 2 to the Regulation 2139; i.e. Climate change adaptation. The sections contain the NACE codes corresponding to the PKD codes assigned to the entities within the Group.

In addition, the Issuer:

- | Did not identify any Taxonomy-aligned revenue for other economic activities included in the first two environmental objectives;
- | Did not identify any Taxonomy-eligible revenue for the so-called new climate objectives and the remaining four environmental objectives.

No project dedicated to climate change adaptation was carried out by the Group in 2023. Accordingly, it was determined that no indicator or no economic activity shall qualify as contributing substantially to climate change adaptation.

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

41.1% of the Group's turnover is Taxonomy-aligned in the category 6.14 *Rail transport infrastructure* and 32.9% of the Group's turnover is Taxonomy-aligned in the category 6.15 *Infrastructure supporting low emission road and public transport*. In total, 74% of the Group's economic activity is Taxonomy-aligned. To compare, no Taxonomy-aligned turnover was identified by the Issuer in 2022.

99.4% of CapEx is Taxonomy-eligible. This is the capital expenditure relating to the Group's Taxonomy-eligible economic activity. 32.1% of CapEx is Taxonomy-aligned.

To compare, in 2022, 90.1% of CapEx was Taxonomy-eligible. No Taxonomy-aligned CapEx was identified.

All these economic activities assigned to CapEx are assigned to the first two climate objectives; i.e. climate change mitigation and climate change adaptation.

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

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

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

The Issuer:

- | Did not identify any Taxonomy-aligned revenue for other economic activities included in the first two environmental objectives;
- | Did not identify any Taxonomy-eligible revenue for the so-called new climate objectives and the remaining four environmental objectives.

No assessment of OpEx eligibility or alignment was carried out by the Issuer. The numerator of the OpEx indicator was exempted from the calculation because the operational expenditure was not material for business model. According to the Issuer, it applied to the Group's business model; i.e. the provision of construction services. The total amount of the identified operating expenditure is approximately PLN 3.54m; i.e. about 0.2% of the total costs associated with operating activity understood as the total of the cost of sales and general and administrative expenses.

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

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

Adopted analysis methodology:

1. Turnover was calculated on the basis of the Group's consolidated revenue in 2023 disclosed in the consolidated financial statements under the item Sales revenue.
Only Taxonomy-aligned sales revenue; i.e. the sales revenue which qualifies as contributing substantially to climate change mitigation and meets all the DNHS criteria dedicated to the activity, could be allocated to the numerator. Revenue was recognised according to the international accounting standard (IAS) 1 paragraph 82 a) adopted on the basis of the Commission Regulation (EC) No. 1126/2008 and disclosed in the consolidated financial statements of the Group for 2023.
2. Capital expenditure (CapEx) was calculated on the basis of capital expenditure; i.e. additions to *Non-current assets, Intangible assets and Rights of use* disclosed in the consolidated financial statements.
Only the CapEx relating to Taxonomy-aligned activity could be allocated to the numerator. In addition, the CapEx relating to the purchase of Taxonomy-aligned goods and services could be allocated to the numerator provided that the solution was implemented within 18 months.
The indicator was calculated on the basis of capital expenditure including the costs that are accounted based on:
 - a) IAS 16 Property, Plant and Equipment, paragraphs 73, (e), point (i) and point (iii);
 - b) IAS 38 Intangible Assets, paragraph 118, (e), point (i);
 - c) IAS 40 Investment Property, paragraphs 76, points (a) and (b) (for the fair value model);
 - d) IAS 40 Investment Property, paragraph 79(d), points (i) and (ii) (for the cost model);
 - e) IAS 41 Agriculture, paragraph 50, points (b) and (e);
 - f) IFRS 16 Leases, paragraph 53, point (h), and the lease is not treated by the Group as operating expenditure.
3. Operating expenditure (OpEx) was calculated on the basis of costs of the servicing of the Group's assets and keeping them in good condition; i.e. the costs of equipment renovation and repair, personnel costs relating to the renovation and repair and the costs of cleaning. The denominator of the OpEx KPI was determined based on the definitions contained in the Regulation 2178. As previously explained, a simpler calculation was used for the OpEx indicator by disclosing that numerator as being equal to zero.

No major changes with reference to the execution of the Group's investment plan occurred in 2023. The Group did not develop the plan referred to in section 1.1.2.2. of Annex 1 to the Regulation 2178.

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

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

No shares or bonds were issued by any company within the Group in 2023 for the purpose of financing Taxonomy-aligned activities.

No property, plant and equipment or intangible assets were acquired in 2023 through business combinations within the Group.

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

Capital expenditure was incurred in 2023 as needed. The Group intends to develop and implement the investment plan referred to in section 1.1.2. of Annex 1 to the Delegated Regulation 2178.

The Group had no investments in associates or joint ventures accounted for as required under IFRS 11 or IAS 28. No green bonds or debt securities were issued by the Group companies to finance:

- specific identified types of Taxonomy-aligned economic activities; or
- specific identified Taxonomy-eligible CapEx.

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

Minimum safeguards

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

The minimum safeguards are procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises (the "OECD Guidelines") and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. When implementing the procedures referred to above, undertakings adhere to the principle of "do no significant harm" ["DNSH"] referred to in point 17 of Article 2 of Regulation (EU) 2019/2088¹⁵.

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

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

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

In 2019, ZUE (as the unit coordinating the Group's activities) adopted the Ethical Management Policy whose aim was to continue and expand the ethical management policy implemented in 2017. The regulation covers such issues as ethical standards, managing the risks of corruption, counteracting corruption, the protection of

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

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

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

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

whistleblowers and the procedures relating to reported irregularities or the rules of counteracting the conflict of interests. The Advisor was appointed as part of the Policy to receive the reports of irregularities. The Policy provides, *inter alia*, for the trainings on how to counteract corruption (including the training of the Company's employees on the rules of criminal liability for corruption crimes), inserting corruption clauses in contracts with subcontractors and the extension of the Advisor's anti-corruption obligations. The additional e-mail address was provided in a corruption clause to enable a contact with the Advisor.

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

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

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

Corruption clauses are inserted in contracts with subcontractors.

The implementation of internal corporate rules, including the Ethical Management Policy, and raising the awareness of employees through trainings and educational initiatives enable the Group to effectively combat any activities which violate the principles and values set out in the abovementioned guidelines. The Company monitors the risks of any violation in order to prevent it. Each and every report, regardless of its content or significance, is thoroughly analysed and verified by competent people. The main role in this context is played by the Advisor who reports directly to the Management Board and acts pursuant to the Ethical Management Policy.

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

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

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

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

To sum up, the Group is developing a wide-ranging system of compliance aimed at the compliance with the principles and rights laid down in Article 18 of the Regulation. The system includes the following key features: the adoption of the Ethical Management Policy, the option of implementing contractual clauses with cooperating parties, appointment of the Advisor as well as the functions of reporting, verifying and mitigating the effects of possible breaches. The Company is also developing the risk management system. The above measures indicate

that in the vast majority of cases the Company meets the requirements for minimum safeguards referred to in Article 18 of the Regulation. The Company plans to further develop its compliance system in accordance with the guidelines in this provision by deepening structured dialogue with stakeholders, broadening the spectrum of supply chain analysis and expanding the risk management system to include factors from the ESG area.

Turnover indicator

2023	Year			Substantial contribution criteria						"Do no significant harm" criteria (h)									
Economic activity (1)	Code(s) (2)	Turnover (PLN ' 000) (3)	Proportion of turnover, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned economic activity (A.1.) or Taxonomy-eligible economic activity (A.2.) Turnover, year N-1 (18)	Enabling economic activity category (19)	Transitional economic activity category (20)
Text		Currency (PLN '000)	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/ N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
A. TAXONOMY-ELIGIBLE ACTIVITY																			
A.1. Types of environmentally sustainable activity (Taxonomy-aligned activity)																			
Rail transport infrastructure	6.14 CCM/6.14 CCA	610,126	41.1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	41.1%		
Infrastructure supporting low emission road and public transport	6.15 CCM/6.15 CCA	488,511	32.9%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	32.9%		
Turnover from environmentally sustainable activity (Taxonomy-aligned activity) (A.1)		1,098,637	74.0%	74.0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	74.0%		
Including enabling economic activity		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	Y	0%	E	

Including transitional economic activity	0	0%	0%							N	N	N	N	N	N	Y	0%		Y
A.2 Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/ EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
Rail transport infrastructure	6.14 CCM/6. 14 CCA	152,944	10.3%	N	N	N/ EL	N/EL	N/EL	N/EL							10.3%			
Infrastructure supporting low emission road and public transport	6.15 CCM/6. 15 CCA	102,916	6.9%	N	N	N/ EL	N/EL	N/EL	N/EL							6.9%			
Freight rail transport	6.2 CCM/6. 2 CCA	8,351	0.6%	N	N	N/ EL	N/EL	N/EL	N/EL							0.6%			
Turnover from Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity) (A.2)		264,210	17.8%	17.8%	17.8%	0%	0%	0%	0%							17.8%			
A. Turnover from Taxonomy-eligible activity (A.1+A.2)		1,362,848	91.8%	91.8%	91.8%	0%	0%	0%	0%							91.8%			
B. NOT TAXONOMY-ELIGIBLE ACTIVITY																			

Turnover from not Taxonomy-eligible activity		121,287	8.2%
TOTAL		1,484,134	100%

CapEx indicator

2023	Year			Substantial contribution criteria						"Do no significant harm" criteria (h)									
Economic activity (1)	Code(s) (a) (2)	CapEx (PLN ' 000) (3)	Proportion of CapEx, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned economic activity (A.1.) or Taxonomy-eligible economic activity (A.2.) CapEx, year N-1 (18)	Enabling economic activity category (19)	Transitional economic activity category (20)
Text		Currency (PLN '000)	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/ N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
A. TAXONOMY-ELIGIBLE ACTIVITY																			
A.1. Types of environmentally sustainable activity (Taxonomy-aligned activity)																			

Rail transport infrastructure	6.14 CCM/6.14 CCA	7,286	31.8%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	31.8%		
Infrastructure supporting low emission road and public transport	6.15 CCM/6.15 CCA	68	0.3%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.3%		
CapEx from environmentally sustainable activity (Taxonomy-aligned activity) (A.1)		7,354	32.1%	32.1%	0%	0%	0%	0%	0%	N	N	N	N	N	N	Y	32.1%		
Including enabling economic activity		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	Y	0%	E	
Including transitional economic activity		0	0%	0%						N	N	N	N	N	N	Y	0%		Y

A.2 Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity) (g)

				EL; N/EL (f)	EL; N/EL (f)	EL; N/ EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5 CCM, 6.5 CCA	4,817	21%	EL	EL	N/EL	N/EL	N/EL	N/EL			21%	
Installation, maintenance and repair of energy efficiency	7.3 CCM i CCA	31	0.1%	EL	EL	N/EL	N/EL	N/EL	N/EL			0.1%	

equipment	7.3.											
Rail transport infrastructure	6.14 CCM/6.14 CCA	10,438	45.5%	EL	EL	N/EL	N/EL	N/EL	N/EL		45.5%	
Infrastructure supporting low emission road and public transport	6.15 CCM/6.15 CCA	138	0.3%	EL	EL	N/EL	N/EL	N/EL	N/EL		0.3%	
CapEx from Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity) (A.2)		15,423	67.3%	67.3%	67.3%	0%	0%	0%	0%		67.3%	
A. CapEx from Taxonomy-eligible activity (A.1+A.2)		22,776	99.4%	99.4%	99.4%	0%	0%	0%	0%		99.4%	
B. NOT TAXONOMY-ELIGIBLE ACTIVITY												
CapEx from not Taxonomy-eligible activity		148	0,6%									
TOTAL		22,924	100%									

OpEx indicator

2023	Year			Substantial contribution criteria						"Do no significant harm" criteria (h)									
Economic activity (1)	Code(s) (a) (2)	OpEx (PLN ' 000) (3)	Proportion of OpEx, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned economic activity (A.1.) or Taxonomy-eligible economic activity (A.2.) OpEx, year N-1 (18)	Enabling economic activity category (19)	Transitional economic activity category (20)
Text		Currency	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/ N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
A. TAXONOMY-ELIGIBLE ACTIVITY*																			
A.1. Types of environmentally sustainable activity (Taxonomy-aligned activity)																			
OpEx from environmentally sustainable activity (Taxonomy-aligned activity) (A.1)		0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	Y	0%		
Including enabling economic activity		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	Y	0%	E	
Including transitional economic activity		0	0%	0%						N	N	N	N	N	N	Y	0%		Y

A.2 Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity) (g)										
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	
OpEx from Taxonomy-eligible activity but environmentally unsustainable (not Taxonomy-aligned activity) (A.2)		0	0%	0%	0%	0%	0%	0%	0%	
A. OpEx from Taxonomy-eligible activity (A.1+A.2)		0	0%	0%	0%	0%	0%	0%	0%	
B. NOT TAXONOMY-ELIGIBLE ACTIVITY										
OpEx from not Taxonomy-eligible activity		3,537	100%							
TOTAL		3,537	100%							

Below please find information for turnover indicator, CapEx indicator and OpEx indicator as regards nuclear and fossil gas related activities.

Nuclear and fossil gas related activities – turnover indicator

Nuclear energy related activities

1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

Fossil gas related activities

4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Nuclear and fossil gas related activities – CapEx

Nuclear energy related activities

1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

Fossil gas related activities

4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No

- | | | |
|---|---|----|
| 6 | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels. | No |
|---|---|----|

Nuclear and fossil gas related activities – OpEx

Nuclear energy related activities

- | | | |
|---|--|----|
| 1 | The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle. | No |
| 2 | The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. | No |
| 3 | The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades. | No |

Fossil gas related activities

- | | | |
|---|---|----|
| 4 | The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. | No |
| 5 | The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. | No |
| 6 | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels. | No |

22.9.Public funds

About 92% of the Group's revenue in 2023 was generated by ZUE. The vast majority of ZUE's revenue comes from the performance of contracts awarded under competitive tendering processes for infrastructure projects.

The Company did not take advantage of any public aid in 2023.

23. Management of human resources

907 employees, including 181 women, were employed by the Group as at 31 December 2023.

The total number of employees included 471 white-collar workers and 436 blue-collar workers.

The presented information concerns the following companies: ZUE, Energopol, Railway gft. In 2022, the information concerned ZUE, BPK Poznań, Railway gft.

Information about male and female representation at the Company's Management and Supervisory Boards (the end of 2023):

Item	2023				2022			
	Management Board		Supervisory Board		Management Board		Supervisory Board	
	Number of people	%	Number of people	%	Number of people	%	Number of people	%
Women	1	20%	3	60%	1	20%	3	60%
Men	4	80%	2	40%	4	80%	2	40%
Total	5	100%	5	100%	5	100%	5	100%

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

Type of contract	Sex	ZUE		Group	
		2023	2022	2023	2022
Employment contract for indefinite period	F	111	105	132	136
	M	547	542	594	560
Total		658	647	726	696
Employment contract for definite period	F	48	38	49	40
	M	119	105	132	106
Total		167	143	181	146

Number of new employees:

Item	Sex	ZUE		Group	
		2023	2022	2023	2022
Number of new employees	F	44	26	53	29
	M	100	73	122	75
Total		144	99	175	104
Number of employees who left	F	27	27	31	39
	M	88	85	107	94
Total		115	112	138	133

Age structure for new employees:

	ZUE		Group	
	2023	2022	2023	2022
20-30	66	37	74	38
31-40	31	36	38	38
41-50	36	18	45	20
51-60	3	7	8	7
61+	8	1	10	1
Total	144	99	175	104

Age structure for employees who left:

	ZUE		Group	
	2023	2022	2023	2022
20-30	33	24	35	27
31-40	30	28	35	36
41-50	31	28	37	33
51-60	5	12	12	14

61+	16	20	19	23
Total	115	112	138	133

In 2023, the Group companies were the parties to civil law agreements concluded with 29 people. The total gross amount of remuneration paid under the said agreements was PLN 379 thousand.

The Group companies did not hire any temporary workers.

At the end of 2023, the Company employed seven disabled persons who accounted for 1% of the Group's total employment.

The average monthly salary of the Company's employees employed under employment contracts in 2023 was PLN 10.7 thousand; PLN 9.7 thousand for women and PLN 10.9 thousand for men. The average wages of blue-collar workers in 2023 amounted to PLN 7.8 thousand. The ratio of the average wages of blue-collar workers to the minimum pay in 2023 was 220% (254% in 2022). The ratio of the average wages of blue-collar workers to the average pay in business sector in 2023 amounted to 105%.

At the end of 2023, the companies within the Group employed 45 foreigners (without people employed directly in ZUE's branch in Romania) whose average monthly salary was PLN 8.5 thousand.

The ratio of the average gross salary of women to the average gross salary of men at ZUE in 2023 was 89 %.

The total amount of contributions to the State Fund for Rehabilitation of Disabled Persons (*PFRON*) in 2023 was PLN 1,492 thousand (including PLN 1,376 thousand for ZUE).

There were no cases in 2023 in which a woman returned to work after childbirth and resigned within 12 months after the return.

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

Activity	ZUE		Group	
	2023	2022	2023	2022
Management and administration	196	195	212	207
Sales and marketing	23	21	32	31
Production	375	383	423	383
Engineers and technicians	231	191	240	221
Total	825	790	907	842

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

Item	2023	2022
Engineers and technicians	64%	58%
Management and administration	50%	49%
Production	96%	67%
Sales and marketing	97%	98%

Employment structure at the Group according to education:

Education	ZUE		Group	
	2023	2022	2023	2022
Elementary	86	85	91	85
Vocational	165	170	198	170
Secondary	189	184	208	189
Higher	385	351	410	398
Total	825	790	907	842

Employment structure at the Group according to age:

Age	ZUE		Group	
	2023	2022	2023	2022
20-30	140	128	152	135

31-40	263	258	272	279
41-50	216	204	243	218
51-60	131	126	155	134
61+	75	74	85	76
Total	825	790	907	842

Average seniority at the Group was 10.1 years in 2023 (ZUE: 9.8 years) and 8.2 years in 2022.

In 2023, ZUE paid salaries and wages under employment contracts in the gross amount of PLN 105,138 thousand. No fines were imposed in 2023 on ZUE in connection with the employment.

	ZUE		Group	
Trainings	2023	2022	2023	2022
Number of external trainings	148	123	161	131
Number of internal trainings *	574	416	613	425
Total number of trainings	722	539	774	556
Number of trained people – internal trainings	144	101	202	139
Total number of employees receiving trainings	465	742	491	804
Total number of participants	609	843	693	943
Language courses, external trainings - number of trained people (number of people / month)	50	39	59	46

* Trainings for new employees: occupational health and safety, environmental protection, personal issues, IFS, GDPR, knowledge of a job.

ZUE organised 148 external trainings whose total cost amounted to PLN 367,670 and language courses whose total cost was PLN 83,034 (for 50 employees). The total cost of the abovementioned trainings and language courses in 2023 was PLN 450,703. 465 employees received trainings in 2023.

Trainings were organised for employees to update their knowledge (in such topics as personnel and payroll, taxes, accounting, railway safety, transport laws or time of work for drivers). Mandatory periodic training with a train ride simulator was provided for the staff directly involved in railway operations - controllers, train managers, and engine drivers). Employees also had an opportunity to upgrade their skills and extend the validity of their licenses.

The training workshops gave employees the opportunity to acquire such new skills and qualifications as welding licences (methods 111, 135), category C driving license for goods vehicles, the right to drive emergency vehicles, and an SEP E and D license. ZUE's employees took part in the following training courses and workshops: MS Project, Internal Auditor of the Management System according to ISO standards 9001:2015, 14001:2015, and 45001:2018, a course in operating a chainsaw for felling trees, class III, saws for concrete surfaces, and rail welders, in operating and maintaining SHP, CA and RS devices mounted on traction vehicles, as well as courses in the fleet management of passenger cars and delivery vans, claims management, as well as a Windhoff vehicle certification course. A designated employee attended the national meeting of SMS and MMS plenipotentiaries and railway siding managers.

ZUE participated in the Engineering Job Fair, held in the Sports and Recreation Centre of the Cracow University of Technology, as well as the Talent Days Student Job Fair.

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

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

24. Management of occupational health and safety

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

At the end of 2020, the Company launched the process of recertification and transition from OHSAS 18001:2007 to

ISO 45001:2018. ZUE Spółka Akcyjna was issued ISO 45001:2018 occupational health and safety management system certificate no. 254972 2018-AHSO-POL-RvA on 15.02. 2021. The recertification process began in January 2024. The certificate issued to the Company is valid until 15.02.2027.

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

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

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

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

There is a five-member Occupational Health and Safety Committee at ZUE comprising Manager of the Occupational Health and Safety Section, Company Social Work Standards and Safety Inspector, Occupational Medicine Doctor, Social Committee Representative and Committee Chairperson.

Work conditions are inspected by the Occupational Health and Safety authority and the abovementioned Occupational Health and Safety Committee. Relevant inspection protocols are prepared. In 2023, about 193 work safety inspections were carried out at the sites where construction works are performed by the Company. The inspections covered both the employees of ZUE and subcontractors delivering their services in connection with certain projects. The inspection results are entered into protocols and the register of near misses. The conditions of work are inspected to prevent accidents and their frequency depends on the risk relating to particular jobs. If any irregularities are detected, motions and recommendations are submitted to the company's managing personnel in order to remove them and take appropriate measures against people responsible for occupational health and safety.

No fatal accident at the Group was reported in 2023. The inspections carried out in 2023 by the National Work Standards and Safety Inspectorate did not reveal any major deviations from the applicable laws.

	2023	2022
Total accidents, including:	16	14
Fatal	0	0
Serious	0	0
Light	16	14

At the Capital Group, accidents took place at the Parent Company and Energopol (one accident).

The most common reasons for accidents at work in 2023 included human error, technical factor, inattention, carelessness, haste and insufficient focus on a task.

Accident frequency rate (accidents at work per 1000 of employees) was 18.18 for both the Company and the Group.

The total number of days of employees' incapacity for work due to accidents was 489.

Accident seriousness rate (number of days of incapacity for work / 1 accident) in 2023 was 28.6.

Trainings in occupational health and safety organised for the Group's employees are important preventive measures. The table below sets out the number of trainings at the Group in 2022-2023.

	2023	2022
Occupational health and safety trainings for employees, including: *	503	468
ZUE	453	448
Railway GFT	3	4
BPK Poznań**	X	16
Energopol	47	X

* Periodic trainings + trainings for new employees.

** The company left the Group in August 2023.

No fines relating to occupational health and safety were imposed on the companies within the Group in 2023.

No on-the-job illnesses were reported in 2023. The number of employees working in the conditions where maximum admissible concentration (MAC) or maximum admissible intensity (MAI) values are exceeded was 129.

25. Engagement with local communities

ZUE S.A. has for many years appreciated the great value of the involvement in social activity and the support of local initiatives. As a provider of construction services throughout the country, the Company is aware of its influence on the surrounding environment.

Therefore, the Company pursued in 2023 the aims of the ethical management policy and continued to cooperate with the institutions, foundations and associations which support social and charity projects in the province of Małopolska.

In 2023, ZUE supported twenty such projects and offered the support in the total gross amount of more than PLN 232,000, including more than PLN 38,000 for social and charity projects.

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

In 2023, the Company pursued the policy of social responsibility and offered the support to:

- | The Cracow Archdiocese in connection with the project known as "Christmas Tree under the Papal Window 2023 – 17th edition." The event is organised to prepare Christmas gifts for children from poor families, children's homes and school and education centres located in Cracow and the province of Małopolska;
- | The *Funkomitywa* Foundation organising shows for children treated in the St. Louis Hospital in Cracow and children undergoing rehabilitation in the Rehabilitation Centre in Radziszów;
- | The *Gramy do Końca* Foundation organising all-Poland swimming competitions for the disabled at the University of Physical Education in Cracow and the 12th Integration Swimming Marathon for the Cup of the Rector of Cracow University of Economics – St. Nicholas Day edition;
- | The Foundation for the Disabled in Stróże organising hippotherapy classes for youth and children to improve their physical, emotional, cognitive and/or social skills.

Taking into consideration the importance of cultural heritage as a material and spiritual generational bequest as well as the achievements of our times, the Company has for several years cooperated with the National Museum of Cracow.

The Company continued the cooperation and took under its wings the *Matejko; Painter and History* exhibition held in the Museum's Main Building at al. 3 Maja 1 in Cracow. It was the exhibition of works by Jan Matejko celebrating 2023 declared by the Polish senate as the year of the painter which marks:

- The 185th anniversary of his birth;
- The 130th anniversary of his death; and
- The 125th anniversary of the first biographical museum on the Polish land – the Jan Matejko House in Cracow.

The *Matejko; Painter and History* exhibition showed more than 300 artworks commemorating the great historical cycle but also many small yet important works, drawings and items used in the creative process.

The Company entered into the cooperation with the People's Theatre in Cracow and became its partner in connection with the Theatre Youth Institute (the Institute) to support the education of youth and children. The Institute operates a modern and open educational (but also therapy) programme for youth and children aged 12-18. The Institute emerged as a place for artistic and educational activities which had previously been for many years performed by the People's Theatre for its young viewers in the form of a professional theatre offering family shows plays as well as theatre and educational workshops.

The Visegrad Summer School (VSS) supported by ZUE is another project aimed at the education of young people. The project has been organized by the Villa Decius Association for 20 years. It is a unique educational and cultural programme addressed to students, graduates, young scientists and professionals from Slovakia, Czech Republic, Poland, Hungary and other Central and Eastern European countries.

VSS is not only a forum for the exchange of knowledge and discussion, it is also an important tool integrating active people from the region. Thirty participants from eleven countries, including the Visegrad countries, Ukraine, Albania, Azerbaijan, Georgia, Slovenia, Romania and Bulgaria, attended the event in 2023.

The 21st VSS started a series of talks about forecasting and designing the future. The main topics included future literacy workshops whose participants discovered the methods of thinking about the future, learnt to what extent their ideas about the future influence their decisions, and deconstructed conscious and unconscious assumptions that influence thinking about the future of human rights.

In times when more and more world regions are tormented by conflicts and human rights become more and more fragile, exceptional people and institutions fighting for peace and cooperation among the nations can be found in many places, not only those affected by wars.

The Company's involvement in such issues as the respect of human rights and freedom is manifested by the Company's cooperation with the Villa Decius Association which has continued uninterruptedly since 2013. In 2023, as part of the cooperation, ZUE sponsored the 20th edition of the Polish Prize of Sergio Vieira de Mello, UN High Commissioner for Human Rights (2002-2003). The prize is awarded to people and non-governmental organisations for special merits in peaceful coexistence and cooperation of communities, religions and cultures.

In 2023, the Prize Committee awarded the prize to:

- Marcin Żyła (Poland) – in the category "PERSON;"
- Familias Unidas por Nuestros Desaparecidos en Jalisco (FUNDEJ) (Mexico) – in the category "NON-GOVERNMENTAL ORGANISATION."

The honorary prize was awarded to Andrzej Poczobut (Poland/Belarus).

The support of local picnics, concerts or neighbour meetings is another example of the Company's engagement with local communities, building of mutual relations and integration. In 2023, the Company offered its support to:

- | The City of Cracow via the Community Centre – organizer of the III Prądnik Czerwony District celebration day;
- | The Model Railroad Club of Łódź – organizer of the local exhibition of models at the PKP Łódź Fabryczna railway station;
- | The KRAKOWSKI ŻACZEK Public Kindergarten no. 36 in Cracow – organizer of the family picnic in its premises;
- | The NA SPOTKANIE! Association – organizer of the concert for people living in the city by the band called Dzień Dobry. The event under the name "Hello to Our Lord" took place on the stage in front of the Palace of Culture in Dąbrowa Górnicza.

ZUE continued to support the Bulgarian minority of Małopolska and institutions promoting Bulgaria and its culture by getting involved in the celebration of the 20th anniversary of the IGLIKA Balkan Dance and Song Group. The Company financed the publication of a book about IGLIKA's history and achievements.

The support for its employees and building mutual relations is equally important to the Company. Therefore, ZUE focused on physical development and integration, and offered support to its football team during the matches with, for example, MPK Kraków or Towarzystwo Sportowe Tramwaj z Krakowa. In addition, it provided four teams with the ability to take part in the charity run organised by the Poland Business Run foundation. The event was held to combine the passion for running with help for the disabled. The total gross amount of the support was more than PLN 13,000.

25.1.Social engagement policy

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

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

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

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

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

In 2023, local communities complained about nuisances caused by construction works carried out by the Company under several contracts. The Company promptly reacted to the complaints and tried to settle the reported issues on an ongoing basis.

FINANCIAL INFORMATION

Construction and assembly services delivered by the Parent Company generate the largest portion of the Group's income.

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

The Company's sales revenue generated in 2023 was PLN 1,379,095 thousand. The revenue increased by 66% compared to the figure reported in 2022. In the fourth quarter of 2023, ZUE generated 40% of annual revenue.

The Group's sales revenue in 2023 amounted to PLN 1,484,134 thousand and grew by 61% compared to 2022.

Seasonality of ZUE's sales in 2023:

Item	I quarter	II quarter	III quarter	IV quarter
Sales revenue (PLN '000)	222,712	269,183	332,170	555,030
% - quarter	16%	20%	24%	40%
% - half year	36%		64%	

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

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

	Group		ZUE	
	2023	2022	2023	2022
Sales revenue	1,484,134	921,420	1,379,095	831,921
Cost of sales	1,428,224	878,634	1,330,890	802,842
Gross profit (loss) on sales	55,910	42,786	48,205	29,079
<i>Gross margin</i>	3.8%	4.6%	3.5%	3.5%
General and administrative expenses	30,358	26,163	24,489	20,991
Other operating income	6,236	8,481	6,227	8,260
Other operating expenses	1,370	8,123	1,242	8,000
Gain from bargain purchase	0	1,154	0	0
Operating profit (loss) (EBIT)	30,418	18,135	28,701	8,348
<i>EBIT margin</i>	2.0%	2.0%	2.1%	1%
<i>EBITDA</i>	45,200	31,900	42,454	21,852
<i>EBITDA margin</i>	3.0%	3.5%	3.1%	2.6%
Finance income	4,574	7,886	15,524	8,958
Finance costs	6,064	3,914	14,064	3,409
Pre-tax profit (loss)	28,928	22,107	30,161	13,897
Income tax	7,801	4,819	8,133	3,656
Net profit (loss) from continuing operations	21,127	17,288	22,028	10,241
Net profit (loss)	21,127	17,288	22,028	10,241
<i>Net margin</i>	1.4%	1.9%	1.6%	1.2%

Gross profit on sales reported by the Company increased over the year by 66% and net profit grew by 115%. The Group's gross profit on sales climbed 31% year-on-year. The Group's net profit increased over the year by 22%.

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

Railway and tram markets were the main markets driving the Group's activity in 2023. In addition, ZUE delivered railway projects in Romania and tram projects in Latvia. Energopol was included in the Group in 2022 as a result of

which the Group gained more access to the road segment. In 2023, Energopol focused mainly on restructuring and building of a new backlog.

Long-term prospects look bright for the Polish railway and tram markets. The markets are experiencing a slowdown caused by a stagnation in the EU funding observed in previous years. An economic recovery is expected on the market following the receipt of funding, also under the National Recovery Plan. The National Railway Programme is being reviewed in Poland as a result of which the number of new investments is smaller.

In Romania, ZUE carries out the railway contracts won in 2022 and is planning to take part in new tender procedures.

In 2023, the Group's construction companies won the new construction contracts with the total value of approximately PLN 959m, including the road contract obtained by Energopol with the total value of approximately PLN 65m. In 2024, the Company and the consortium member entered into another tram infrastructure contract worth PLN 294.8m (50% for ZUE). The Group continues to submit tenders in Poland and is preparing to do so in other European countries.

27. Discussion of main balance sheet items

The table below sets out the main items of the consolidated and separate statement of financial position reported by the Group and ZUE as at 31 December 2023 and the comparative information as at 31 December 2022.

Item	Group		ZUE	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
(PLN '000)				
ASSETS				
Non-current assets				
Property, plant and equipment	70,774	72,128	66,100	67,945
Investment property	15,911	16,095	9,132	9,615
Intangible assets	2,466	2,491	2,466	2,479
Right-of-use assets	39,689	33,234	38,622	32,360
Goodwill	31,172	31,172	31,172	31,172
Investments in subordinates	328	328	6,140	4,440
Investments in other entities	0	0	0	0
Long-term receivables	0	0	0	0
Retentions on construction contracts	7,129	21,882	6,949	21,714
Deferred tax assets	21,704	19,110	21,692	18,784
Advanced loans	4,117	2,931	4,117	2,931
Other financial assets	92	62	0	0
Other assets	0	0	0	0
Total non-current assets	193,382	199,433	186,390	191,440
Current assets				
Inventories	70,361	81,667	60,562	61,408
Trade and other receivables	172,387	170,637	166,890	159,699
Valuation of long-term construction contracts	243,801	128,191	243,339	119,207
Retentions on construction contracts	20,013	16,668	20,012	15,563
Advance payments	10,650	12,043	10,650	12,341
Current tax assets	190	0	0	0

Advanced loans	0	1,186	8,140	4,736
Other financial assets	0	0	0	0
Other assets	1,022	1,618	910	1,164
Cash and cash equivalents	223,555	63,251	212,159	60,256
Current assets	741,979	475,261	722,662	434,374
Total assets	935,361	674,694	909,052	625,814

Item (PLN '000)	Group		ZUE	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
EQUITY AND LIABILITIES				
Equity				
Share capital	5,758	5,758	5,758	5,758
Share premium account	93,837	93,837	93,837	93,837
Treasury shares	-2,690	-2,690	-2,690	-2,690
Retained earnings	101,758	82,476	96,081	75,803
Equity	198,663	179,381	192,986	172,708
Equity attributable to non-controlling interests	1,412	1,387	-	-
Total equity	200,075	180,768	192,986	172,708
Non-current liabilities				
Long-term loans and bank credits	47,015	8,696	47,015	8,696
Long-term lease liabilities	24,997	15,212	21,687	12,563
Retentions on construction contracts	17,777	16,337	17,499	15,376
Other financial liabilities	0	0	0	0
Liabilities under employee benefits	2,056	1,801	1,867	1,628
Deferred tax liabilities	667	1,322	0	0
Long-term provisions	20,607	16,002	19,900	15,093
Other liabilities	0	0	0	0
Total non-current liabilities	113,119	59,370	107,968	53,356
Current liabilities				
Trade and other payables	208,557	150,676	202,567	130,625
Accruals	198,714	91,065	196,613	85,586
Valuation of long-term construction contracts	48,154	47,775	47,062	47,453
Retentions on construction contracts	33,103	21,226	33,024	19,916
Advances	43,330	31,217	43,330	30,191
Short-term loans and bank credits	10,550	19,639	7,500	16,304
Short-term lease liabilities	6,743	5,070	6,468	4,995
Other financial liabilities	36	36	36	36
Liabilities under employee benefits	53,092	50,355	51,619	47,343
Current tax liabilities	4,290	131	4,290	12
Short-term provisions	15,598	17,366	15,589	17,289
Total current liabilities	622,167	434,556	608,098	399,750

Total liabilities	735,286	493,926	716,066	453,106
Total equity and liabilities	935,361	674,694	909,052	625,814

As at 31 December 2023, ZUE's total assets and liabilities amounted to PLN 909,052 thousand and increased over the year by 45%. The Group's total assets and liabilities amounted to PLN 935,361 thousand and increased over the year by 39%.

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

Item	PLN '000		
	Change compared to 31.12.2022	Balance at 31.12.2023	Description
Assets			
Valuation of long-term construction contracts	+124,132	243,339	Difference between invoiced works under contracts and recognised sales.
Cash and cash equivalents	+151,903	212,159	Accounting for completed contracts.
Retentions on construction contracts (non-current assets)	-14,765	6,949	Accounting for completed contracts.
Liabilities			
Trade and other payables	+71,942	202,567	Increase in the value of construction works done by subcontractors with deferred payment dates.
Long-term loans and bank credits	+38,319	47,015	Obtaining of external financing.
Accruals	+111,027	196,613	Increase in provisions for subcontractors.

28. Discussion of items of the statement of cash flows

In 2023, the Company generated positive cash flows from operating activities mainly in connection with the completion and accounting for certain contracts. In the period under analysis, the Company repaid credits, loans, and lease liabilities in the total amount of PLN 22,199 thousand and paid the dividend of PLN 1,594 thousand. At the end of the reporting period, the amount of cash was PLN 212,159 thousand.

Item (PLN '000)	Group		ZUE	
	2023	2022	2023	2022
Cash flows from operating activities	137,461	-42,599	131,576	-44,252
Cash flows from investing activities	5,160	-11,496	1,921	-11,306
Cash flows from financing activities	17,407	8,603	18,130	9,195
Total net cash flows	160,028	-45,492	151,627	-46,363
Exchange differences	276	7	276	7
Cash and cash equivalents at the beginning of the period	63,251	108,736	60,256	106,612
Cash and cash equivalents at the end of the period	223,555	63,251	212,159	60,256

29. Discussion of results reported by segments

The total amount of revenue generated by the Group is PLN 1,484,134 thousand. The largest portion of the Group's revenue is derived from construction activity conducted by ZUE and Energopol (94% generated by both companies).

Item (PLN '000)	Construction	Sales	Design	Exclusions	Total
Sales revenue	1,408,996	88,865	5,024	-18,751	1,484,134
Gross profit on sales	49,938	4,525	1,135	312	55,910
Net profit	21,980	464	111	-1,428	21,127

In 2023, sales activities conducted at the Group by Railway gft generated 6% of the consolidated revenue (before exclusions). Design activities conducted by BPK Poznań are presented in the report until 10 August 2023; i.e. the date on which BPK Poznań was excluded from the Group.

The construction activities include the activity conducted by Energopol, a company acquired by the Group in 2022.

30. Analysis of ratios

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

30.1. Debt ratios

Item	Group		ZUE		Calculation rules
	2023	2022	2023	2022	
Net debt	-134,214	-14,598	-129,453	-17,662	(long- and short-term loans and bank credits and other financing sources + long- and short-term other financial liabilities) – cash and cash equivalents – other financial assets
Debt ratio	0.8	0.7	0.8	0.7	(non-current and current liabilities + provisions for liabilities) / total assets
Debt to equity ratio	3.7	2.7	3.7	2.6	(non-current and current liabilities) / equity
Fixed capital to non-current assets ratio	1.6	1.2	1.6	1.2	(equity + non-current liabilities) / non-current assets
Short-term debt ratio	0.7	0.6	0.7	0.6	current liabilities / total assets

Long-term debt ratio	0.6	0.3	0.6	0.3	<i>non-current liabilities / equity</i>
Interest coverage ratio	10.2	11.4	11.1	6.6	<i>EBIT / interest paid</i>

30.2.Liquidity ratios

Item	Group		ZUE		Calculation rules
	2023	2022	2023	2022	
Working capital	119,812	40,705	114,564	34,624	<i>current assets – current liabilities</i>
Current ratio	1.2	1.1	1.2	1.1	<i>current assets / current liabilities</i>
Quick ratio	1.1	0.9	1.1	0.9	<i>(current assets – inventory) / current liabilities</i>
Cash ratio	0.36	0.15	0.35	0.15	<i>cash and cash equivalents / current liabilities</i>

30.3.Financing structure ratios

Item	Group		ZUE		Calculation rules
	2023	2022	2023	2022	
Equity to assets	0.2	0.3	0.2	0.3	<i>equity / total assets</i>
Equity to non-current assets	1.0	0.9	1.0	0.9	<i>equity / non-current assets</i>
Debt ratio	0.8	0.7	0.8	0.7	<i>(total assets - equity) / total assets</i>
Debt to equity ratio	3.7	2.7	3.7	2.6	<i>(total assets - equity) / equity</i>

30.4.Profitability ratios

Item	Group		ZUE		Calculation rules
	2023	2022	2023	2022	
Gross profit margin	3.8%	4.6%	3.5%	3.5%	<i>gross profit / revenue</i>
EBITDA	45,200	31,900	42,454	21,852	<i>operating profit + depreciation / amortisation</i>
EBITDA margin	3.0 %	3.5%	3.1%	2.6%	<i>EBITDA / revenue</i>
EBIT margin	2.0%	2.0%	2.1%	1.0%	<i>EBIT / revenue</i>
Gross margin	1.9%	2.4%	2.2%	1.6%	<i>gross profit / (revenue + other operating income + other financial income + extraordinary gains)</i>

Net margin	1.4%	1.8%	1.6%	1.2%	<i>net profit / (revenue + other operating income + other financial income + extraordinary gains)</i>
ROA	2.3%	2.6%	2.4%	1.6%	<i>net income / total assets</i>
ROE	11.81%	10.57%	12.89%	6.30%	<i>net income / equity</i>

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

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

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

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

33. Investments

33.1. Investments made in 2023

The total capital expenditure in the statement of cash flows disclosed in the reporting period amounted to PLN 8,230 thousand.

As at 31 December 2023, net liabilities incurred to purchase property, plant and equipment amounted to PLN 7 thousand.

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

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

- Complete overhauls of vehicles (mainly wagons) – PLN 2,727 thousand;
- Complete overhaul of tamping machine – PLN 1,166 thousand;
- Purchase of cars – PLN 516 thousand;
- Purchase of discharge conveyors – PLN 384 thousand;
- Purchase of wheeled milling machine – PLN 240 thousand;
- Purchase of crawler paver – PLN 190 thousand.

In 2023, the Company sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 6,924 thousand. In 2022, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 379 thousand.

In the reporting period, the Company's lease liabilities increased by PLN 18,874 thousand (including the new leases with the amount of PLN 18,858 thousand) and the leased items with a total net value of PLN 8,236 thousand were purchased.

In 2023, ZUE modernized its car fleet, including 9 BEV electric cars and 3 hybrid HEVs. Aware of the need to reduce its consumption of fossil fuels, the Company is also modernizing its railway machinery in this direction.

33.2. Assessment of intended investments

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

34. Management of financial resources

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

The table below sets out the use of bank credits, multipurpose lines and loans as at 31 December 2023.

Group					
Bank / entity	Description	Principal according to the agreement	Interest	Use as at 31.12.2023	Repayment date
		PLN '000		PLN '000	
mBank (i)	Overdraft	10,000	ON WIBOR + margin	0	08.07.2024
mBank (ii)	Cooperation agreement	25,000	1M WIBOR + margin	13,229	11.06.2024
	including:				
	sublimit for bonds	25,000		13,229	
	sublimit for working capital credits	25,000		0	
mBank (iii)	Master Agreement	80,000	1M WIBOR + margin	31,451	11.06.2024
	including:				
	sublimit for bonds	80,000		31,451	
BNP Paribas (iv)	Multipurpose credit line agreement	100,000	As agreed	46,547	17.05.2024
	including:				
	sublimit for bonds	100,000		46,547	
Alior (x)	Revolving credit account agreement	40,000	1M WIBOR + margin	39 515	27.06.2025
Alior Bank (v)	Multicurrency credit limit agreement	30,000		13	22.06.2025
	including:				
	sublimit for bonds	30,000	As agreed	13	22.06.2024
	overdraft	1,500	1M WIBOR + margin	0	22.06.2025
PEKAO (vi)	Multipurpose credit limit agreement	75,000	As agreed	46,732	30.11.2024

	including:				
	sublimit for bonds	50,000		46,732	
CaixaBank (vii)	Bank bonds limit agreement	50,000	As agreed	25,266	30.04.2024
	including:				
	sublimit for bonds	50,000		25,266	
Agencja Rozwoju Przemysłu	Loan agreement	15,000	1M WIBOR + margin	15,000	31.08.2025
Railway gft					
mBank (viii)	Working capital credit	3,050	1M WIBOR+ margin	3,050	11.06.2024
mBank (ix)	Master Agreement	15,700	As agreed	6,348	11.06.2024
	including:				
	sublimit for bonds	15,700		6,348	
Total use of credits at the Group				57,565	
Total use of bonds at the Group				169,587	

- (i) On 29 June 2023, the Company and mBank S.A. signed an annex to the overdraft of 29.11.2004 whereby the maturity date was extended by one year.
- (ii) On 31 May 2023, the Company and mBank S.A. signed an annex to the Master Agreement of 29 July 2014 whereby the maturity date was extended by one year.
- (iii) On 31 May 2023, the Company and mBank S.A. signed an annex to the Master Agreement of 29 June 2016 whereby the maturity date was extended by one year.
- (iv) On 18 May 2023, the Company and BNP Paribas S.A. signed an annex to the multipurpose credit line agreement whereby the use of the limit was extended by one year.
- (v) On 26 June 2023, the Company and Alior SA signed the multicurrency credit limit agreement effective until 22.06.2024.
- (vi) On 29 November 2023, the Company and Bank Pekao signed an annex to the multipurpose credit limit agreement whereby the limit can be used until 30.11.2024.
- (vii) On 26 April 2023, the Company and CaixaBank S.A. Polish Branch signed the agreement for bank bond limit effective until 30.04.2024 whereby the limit of PLN 50m was raised.
- (viii) On 30 May 2023, the subsidiary signed an annex whereby the repayment date was extended until 11.06.2024.
- (ix) On 30 May 2023, the subsidiary signed an annex to the Master Agreement whereby the limit was set as PLN 15,700 thousand and the limit could be used until 11 June 2024.
- (x) On 28 June 2023, the Company and Alior Bank S.A. signed the revolving credit account agreement of up to PLN 40,000 thousand to be used until 27 June 2025.

35. Financial risk management

The main financial instruments used by the Company include:

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

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

Foreign exchange risk

As part of its operations, the Group makes settlements in foreign currencies, mainly in EUR and RON. The foreign exchange risk is mainly hedged by concluding contracts with counterparties whereby the risk is transferred to them. If this is not possible, currency exposure (if relevant) is hedged on the financial market using currency futures.

Interest rate risk

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

Price risk

The Group is exposed to price risk relating to the increase in prices of the most popular products and raw materials such as concrete, aggregates, steel elements (including tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact wire) and, due to a big number of machines, liquid fuels (including diesel oil and petrol). However, the risk is reduced by signing master agreements for the supply of strategic materials. Changes in the costs of labour may entail changes in the fees charged to the Group by subcontractors. However, contracts with subcontractors may be concluded at later dates as the works progress.

Credit risk

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

Before a contract is signed, each counterparty is assessed in terms of their ability to fulfil their financial obligations. If the assessment is negative, signing of the contract is conditional at least on the provision of proper security on property or financial security.

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

Liquidity risk

The Group reduces liquidity risk by keeping sufficient cash and concluding multi-purpose credit line agreements and loan agreements which serve as an additional safeguard against the loss of liquidity. The Group uses own resources, credits or long-term finance lease agreements to finance capital expenditures and to ensure a stable financing structure for such type of assets. Liquidity management is supported by the system of reporting cash flow projections.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

36. Scope of application of corporate governance principles

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

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

The Management Board of ZUE state that in the financial year 2023, the Company complied with the majority of the corporate governance principles set out in the appendix to the Resolution no. 13/1834/2021 passed by the Warsaw Stock Exchange Supervisory Board on 29 March 2021, except for the following principles.

Chapter I – Disclosure Policy, Investor Communications

1.3.1.) - Content

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

1.3.1.) – Company's comment

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

1.3.2.) - Content

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

1.3.2.) – Company's comment

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

1.4.) - Content

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

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

1.4.) – Company's comment

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

2.1.) - Content

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

2.1.) – Company's comment

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

2.2.) - Content

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

2.2.) – Company's comment

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

3.5.) - Content

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

3.5.) – Company's comment

The principle according to which persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board is not observed by the Company. Due to

the type and scope of the Company's activities, not every person responsible for any of these activities reports directly to the president or other member of the management board. The internal audit activities are monitored by the Audit Committee as part of the Committee's tasks and powers. However, relevant changes are planned by the Company and an internal audit unit may be separated from its structures.

3.6.) - Content

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

3.6.) – Company's comment

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

3.7.) - Content

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

3.7.) – Company's comment

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

4.1.) - Content

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

4.1.) – Company's comment

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

4.3.) - Content

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

4.3.) – Company's comment

Due to the Company's shareholding structure, the proceedings of general meetings have not been transmitted in real time. The Company's general meetings have been held in a standard manner typical for such kind of meetings. Therefore, the Issuer believes that shareholders' rights have been properly protected by the laws governing the provision of information about the course of general meetings binding on public companies. In addition, shareholders have access to material information about the course of general meetings contained in the reports published on the Company's website.

4.8.) - Content

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

4.8.) – Company's comment

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

4.9.1.) - Content

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

4.9.1.) – Company's comment

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

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

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

The responsibility for the implementation of an internal control system in the Group rests with the Management Board of ZUE. Supervision over the preparation of financial statements is entrusted to a person holding the position of Chief Accountant, who is charged with ongoing monitoring of the work through all its stages. Risks are identified and mitigated by qualified staff of the Group's financial unit. To guarantee an adequate level of security in the preparation of financial statements, accounting books were maintained in 2023 with the use of ERP software by IFS, which could be accessed by authorised personnel only. The system was implemented in 2021 to significantly improve the safety and efficient circulation of information within the organisation. The financial reporting process is controlled on an ongoing basis, through its successive stages. The Company's complete separate / consolidated financial statements are submitted to the Management Board for final approval.

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

Due to the type and scope of the Company's activities, there is no need for separate risk management or compliance supervision in separate organizational units. These tasks are dispersed and carried out by the Company's individual organizational units. The internal control division was established in 2023. The aim of internal control is to enhance the efficiency of business activities by supplying objective information about identified irregularities and inefficiencies, and the ways to remove them. Internal control includes all the areas to which potential material risks relate, including the areas relating to non-financial issues (especially environmental protection and employee issues). The efficiency of the Company's dispersed risk management and compliance supervision systems and internal control division have been favourably assessed by the Company's Management Board.

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

39. Shares and shareholding structure

39.1. Share capital structure

As at 31 December 2023, the registered share capital disclosed in the financial statements was PLN 5,757,520.75.

Share capital structure as at 26 March 2024

(PLN)

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

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

At 31 December 2023, the share capital structure was the same as at 26 March 2024.

39.2. Treasury shares

At the date of preparation of this report, the Company holds 264,652 treasury shares. The shares were acquired by the Company from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., the company which merged with ZUE S.A. The shares were bought back in 2015 on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back own shares. The shares were acquired by the Company outside organised trading for resale. The Company's Management Board intend to sell the shares in favourable market conditions on the stock exchange or outside organised trading. No treasury shares were acquired by the Company in 2023.

39.3.Shareholding structure

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

Shareholder	Number of shares/votes at 26 March 2024	% of the share capital / total number of votes	Number of shares/votes according to previous interim report ⁽¹⁾	% of the share capital / total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
Funds managed by Generali PTE ⁽²⁾	1,461,659 ⁽²⁾	6.35%	1,461,659	6.35%
PKO Bankowy OFE	1,812,038 ⁽³⁾	7.87%	1,812,038	7.87%
Other	5,356,066 ⁽⁴⁾	23.26%	5,356,066	23.26%
Total	23,030,083	100	23,030,083	100

⁽¹⁾ Publication of the last interim report (Consolidated report of the Group for the three quarters of 2023): 15 November 2023.

⁽²⁾ Shareholding on the basis of the notice of exceeding 5% of the total vote received on 25 July 2023. According to the Company's best knowledge, the information is valid as at the date of publication of this report.

⁽³⁾ Shareholding on the basis of information provided by the Central Securities Depository of Poland for the purposes of the Ordinary General Meeting of ZUE held on 7 June 2023. According to the Company's best knowledge, the information is valid as at the date of publication of this report.

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

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

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

Shareholder	Position at ZUE	Number of shares/votes at 26 March 2024	Nominal value (PLN)	% of share capital / total number of votes	Changes in shareholding since the publication of the last interim report ⁽¹⁾
Wiesław Nowak	Management Board President	14,400,320	3,600,080	62.53	None
Marcin Wiśniewski	Management Board Vice-President	2,300	575	0.01	None
Jerzy Czeremuga	Management Board Vice-President	136	34	< 0.01	None
Maciej Nowak	Management Board Vice-President	7,806	1,951.50	0.03	None

⁽¹⁾ Publication of the last interim report (Consolidated report of the Group for the three quarters of 2023): 15 November 2023.

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

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

39.5.Holders of securities conferring special control powers

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

39.6.Restrictions on exercise of voting rights

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

39.7.Restrictions on transferability of securities

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

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

Buy-back of ZUE treasury shares

No treasury shares were bought back by the Company in 2023.

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

39.9.Issue of securities

No securities were issued by the Group companies in 2023.

GOVERNING BODIES

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

40.1. Management Board of ZUE

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

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

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

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

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

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

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

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

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

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

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

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

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

pay damages.

40.3. Supervisory Board of ZUE

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

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

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

Meetings of the Supervisory Board are held in the Company's premises or other venue specified in the notice about the Supervisory Board meeting.

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

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

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

The composition of ZUE's management or supervisory bodies did not change in the reporting period and until the date of preparation of this report.

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

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

Irena Piekarska-Konieczna, Agnieszka Klimas and Maciej Szubra meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (consolidated text, Journal of Laws of 2023, item 1015).

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

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

Members of the Management Board of ZUE are appointed for the common term of three years and removed from the office by the Supervisory Board. The Management Board of ZUE has no power to decide about the issue of

shares. Such decisions can only be made by the General Meeting. Powers of the Management Board of ZUE to make decisions concerning share buybacks are as stipulated in the Act.

42. Audit Committee

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

The Audit Committee is composed of:

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

In 2023, the Audit Committee held four meetings.

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

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

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

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

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

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

The Audit Committee's recommendation concerning the appointment of Polinvest-Audit Sp. z o.o., an audit firm with registered office in Cracow (Polinvest) to audit the financial statements of ZUE for 2023 and to review the half-yearly financial statement of the Company prepared in the abovementioned period meets the applicable requirements.

Apart from the review of the half-yearly financial statements for 2023, Polinvest evaluated the Report on remuneration of members of the Company's Management and Supervisory Boards for 2022. The Audit Committee assessed the independence of Polinvest-Audit Sp. z o.o. and approved of the provision of audit services by the audit firm.

There is no Remuneration Committee at the Supervisory Board.

43. Amendments to ZUE's Articles of Association

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

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

44. Operation of the General Meeting of ZUE

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

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

The powers of the General Meeting include:

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

- | Dissolution and liquidation of the Company; and
- | Other matters reserved for the General Meeting according to the law or the Articles of Association.

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

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

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

The notice of the General Meeting is published at least twenty six days before the date scheduled for the General Meeting on the Company's corporate website and in a current report in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Once all items on the agenda have been dealt with, the General Meeting is closed by the Chairperson. Shareholders of the Company have no rights other than specified by the law.

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

The organisational structure of the Company in 2023 did not change considerably when compared with 2022. Section 1.2 of this Report deals with major changes concerning the Group's organisation.

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

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

OTHER INFORMATION ABOUT THE GROUP

47. Employee share scheme control system

ZUE has no employee share scheme control system.

48. Liabilities under pension and similar benefits

Liabilities under pensions and similar benefits for former management and supervisory personnel as well as liabilities incurred in connection with the said pensions are presented in the note no. 7.18 of the consolidated financial statements for 2023.

49. Preparation basis

This Management Board Report on the Activities of ZUE between 1 January – 31 December 2023 contains the information whose scope has been defined out in § 70 and § 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent (the "Regulation"). On the basis of § 71.8 of the Regulation, this report also contains the disclosures required in the case of the Report on the Activities of the Parent Company referred to in § 70.1.4 of the Regulation. Accordingly, no separate Report on the Activities of the Parent Company has been published by the Issuer.

The financial statements of the Company and the Group for the financial year 2023 have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (the "IFRS"). The IFRS include the standards and interpretations approved of by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC").

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

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

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

50. Major research and development projects

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

51. Appointment of entity authorised to audit financial statements

On the basis of a resolution passed by the Company's Supervisory Board, Polinvest-Audit Sp. z o.o. with registered office in Cracow, the Łukasiewicza Street no. 1, 31-429 Cracow, was appointed to audit the separate and consolidated financial statements of ZUE for the financial year 2023.

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

a) audit of the separate and consolidated financial statements of the Company for 2023;

b) review of the half-yearly separate and consolidated financial statements of the Company for the first half of 2023.

The agreement was concluded on 17 July 2023 for the duration of the audit.

The net remuneration of Polinvest-Audit Sp. z o.o. for the audit and review of the financial statements for 2023 was set as PLN 207 thousand.

The remuneration of Polinvest-Audit Sp. z o.o. for the audit and review of the financial statements for 2022 amounted to PLN 133 thousand.

In the reporting period, Polinvest-Audit Sp. z o.o. evaluated the Report on remuneration of members of the Company's Management and Supervisory Boards for 2022. No other services were provided in the reporting period by Polinvest-Audit Sp. z o.o. to the Issuer.

Polinvest-Audit Sp. z o.o. also reviewed and audited the separate and consolidated financial statements of the Company for 2019-2022.

52. Court proceedings

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

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

Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

Major pending court proceedings concerning claims:

Court case 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, 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 for the Defendant 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 works on the siding as part of the Infrastructure and Environment Operational Programme (IEOP) 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 those contained in the first opinion. The date of the next trial was set for 4 April 2024.

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

On 30 December 2016, the consortium of:

- 1) OHL ŽS, a.s. (Leader);
- 2) Swietelsky Baugesellschaft m.b.H; and
- 3) ZUE (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 arising from the performance of the following contract: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadolino – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III" (the "Contract").

The value in litigation (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 the 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 expert evidence which complied, to a considerable extent, with the Petitioners' arguments and was delivered to the parties. There was also a supplementary opinion whose content was basically the same as that of the first expert opinion. On 6 June 2023, the Court delivered the judgment whereby PKP Polskie Linie Kolejowe S.A. was ordered to pay the Company PLN 8.4m plus statutory default interest from 21 December 2016 to the date of payment and the remaining claims were dismissed. Both parties appealed against the judgment. In addition, the Petitioner replied to the Defendant's appeal. The date of the appeal trial is yet to be set.

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

On 5 June 2023, the consortium of:

- 1) OHL ŽS, a.s. (Leader);
- 2) Swietelsky Baugesellschaft m.b.H; and
- 3) ZUE (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 arising from the performance of the following construction contract: "Design services and completion of construction works on the Cracow – Medyka – state border railway line, the Biadolin – Tarnów section between 61,300 km and 80,200 km as part of the following project: "Modernisation of E 30/C-E 30 railway line, the Cracow – Rzeszów section, stage III" (the "Contract"). The value in litigation (the "Amount") was PLN 44.9m and included:

- 1) approx. PLN 2.2m – costs relating to the requirement to extend the performance bond and insurance provided by the Contractor; and
- 2) PLN 42.7m – fixed costs relating to the performance of works over the extended period.

The Company's total share in the Amount was approx. PLN 7m.

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 relating to the performance of the following contract: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The case is pending. The parties exchange the pleadings. The Defendant (PKP PLK S.A.), represented by the General Counsel to the Republic of Poland, replied to the claim and applied for the dismissal thereof. The Petitioner 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. The Company made objections by the specified deadline and applied for a supplementary opinion. The objections were submitted by the Court to the Institute.

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 lodged the four claims in December 2021 in 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 replied to all of the claims and applied for the dismissal thereof. The Petitioner replied to the Defendant's statements and the exchange of pleadings between the parties came to an end. The date of the 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 by the Court to hear witnesses and then the parties. For the project named: "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section," the judgment was delivered on 25 September 2023 by the I Instance Court whereby the Petitioners' claim was dismissed in full. The date of the trials concerning the project named: "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section" was set by the Court to hear witnesses and the parties. The judgment was delivered by the I Instance Court for the project named: "Works on the railway lines no. 140, 148, 157, 159, 173, 689, 691 of the Chybie – Żory – Rybnik – Nędza / Turze section" whereby the claim was dismissed in full. The judgment was appealed against. The hearings of evidence are carried out by the courts for other cases.

Two inflation claims in the total amount of approximately PLN 8m were made by the Issuer in December 2022. The claims concerned 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 on the railway line no. 7;" 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 exchange of pleadings came to an end and the first trials took place. The date of the next trial is yet to be set.

In December 2023, the Issuer sued PKP Polskie Linie Kolejowe S.A. of Warsaw in connection with the following project: "Preparation of design documentation and completion of construction and assembly works as part of the project named: Works on the railway line no. 93 of the Trzebinia – Oświęcim – Czechowice Dziedzice section." The value of the claim is approx. PLN 23.6m. The Issuer is waiting for a copy of the suit to be delivered to the Defendant.

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., made 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 6.7m and Energopol's claim amounts to approximately PLN 6.5m. The Defendant replied to the claim and applied for the claim to be dismissed. The exchange of pleadings between the parties came to an end. Witnesses were obliged by the Court to respond in writing to questions asked by the parties. All witnesses submitted their written testimonies. The date of the trial is yet to be set.

Court case concerning inflation claim

In December 2023, the Issuer sued PKP CARGO Terminale sp. z o.o. in connection with the project named: "Construction of multimodal terminal in Zduńska Wola – Karsznice." The claim concerned non-payment under the inflation clause contained in the contract. The value of the dispute is approx. PLN 12.3m. The Issuer was provided with the reply and responded to it in February 2024.

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

The Management Board of ZUE believe there is no information significant for the assessment of the staff, economic and financial position, profit or loss or changes therein, or information significant for the assessment of

the Company's or the Group's ability to perform their obligations other than presented in this report.

STATEMENTS BY THE MANAGEMENT BOARD OF ZUE S.A.

54. Statement of compliance

The Management Board of ZUE S.A. state that according to their best knowledge, the annual separate and consolidated financial statements of ZUE for 2023 and the comparative information have been prepared in accordance with applicable accounting principles and give a true and fair view of the economic and financial position of the Company and the Group and their profit or loss. The report on the activities of the Group contains a true view of the development and achievements of both the Company and the Group and their standing, including the description of fundamental risks and threats.

55. Statement of the appointment of auditor

(Prepared according to § 70.1.7 and § 71.1.7 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent)

On the basis of the statement by the Company's Supervisory Board of 26 March 2024 on the appointment of the audit firm to audit the annual separate and consolidated financial statements of ZUE and the Group, respectively, ZUE inform that:

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

a) audit the separate and consolidated financial statements of the Company for 2023;

b) review the half-yearly separate and consolidated financial statements of the Company for the first half of 2023;

— Polinvest Audit Sp. z o.o. and members of the team involved in the audit of the separate and consolidated financial statements of the Company and the Group for 2023 have met the requirements necessary to prepare an unbiased and independent audit report in accordance with the applicable laws, professional standards and professional ethics;

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

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

56. Signatures of the management personnel

Wiesław Nowak	Management Board President
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Anna Mroczek	Management Board Vice-President
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Jerzy Czeremuga	Management Board Vice-President
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Maciej Nowak	Management Board Vice-President
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Marcin Wiśniewski	Management Board Vice-President
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Cracow, 26 March 2024