



ZUE Capital Group

**CONSOLIDATED QUARTERLY REPORT
FOR 3 MONTHS ENDED 31 MARCH 2022**

Cracow, 18 May 2022

Content of the consolidated quarterly report:

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

Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the ZUE Capital Group.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE.
Railway gft	Railway gft Polska Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000532311, share capital of PLN 300,000 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 280,000 paid up in full. Subsidiary of ZUE.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period ZUE, BPK Poznań, Railway gft and RTI.
PLN	Polish złoty.
EUR	Euro
Act	Polish Companies Act (Uniform text, Journal of Laws of 2020, item 1526).

Share capital details as at 31 March 2022.

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I. Selected financial data of the Capital Group

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

	31-03-2022	31-03-2022	31-12-2021	31-12-2021
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	182,781	39,287	175,512	38,160
Current assets	372,762	80,121	398,655	86,675
Assets held for sale	3,340	718	3,340	726
Total assets	558,883	120,126	577,507	125,561
Equity	170,162	36,574	166,403	36,179
Non-current liabilities	48,307	10,383	57,034	12,400
Current liabilities	340,065	73,094	353,704	76,902
Lease liabilities associated with assets held for sale	349	75	366	80
Total equity and liabilities	558,883	120,126	577,507	125,561

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

	3 months ended 31 March 2022		3 months ended 31 March 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	153,599	33,052	150,875	32,999
Cost of sales	145,287	31,263	145,525	31,829
Gross profit (loss) on sales	8,312	1,789	5,350	1,170
Operating profit (loss)	3,604	776	-287	-63
Gross profit (loss)	4,909	1,056	-599	-131
Net profit (loss) from continuing operations	3,759	809	-754	-165
Total comprehensive income	3,759	809	-754	-165

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

	3 months ended 31 March 2022		3 months ended 31 March 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-28,948	-6,299	-605	-132
Cash flows from investing activities	-935	-201	-1,458	-319
Cash flows from financing activities	-5,164	-1,111	-5,225	-1,143
Total net cash flows	-35,047	-7,541	-7,288	-1,594
Cash at the beginning of the period	108,736	23,641	23,487	5,089
Cash at the end of the period	73,694	15,840	16,336	3,505

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	31-03-2022	31-12-2021	31-03-2021
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6525	4.5994	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.6472	n/a	4.5721
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.6525	4.5994	4.6603

II. Selected financial data of ZUE S.A.

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

	31-03-2022	31-03-2022	31-12-2021	31-12-2021
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	182,488	39,224	175,213	38,095
Current assets	351,867	75,630	373,415	81,188
Assets held for sale	3,544	762	3,544	771
Total assets	537,899	115,616	552,172	120,054
Equity	169,779	36,492	165,670	36,020
Non-current liabilities	47,209	10,147	55,325	12,029
Current liabilities	320,562	68,902	330,811	
Lease liabilities associated with assets held for sale	349	75	366	80
Total equity and liabilities	537,899	115,616	552,172	120,054

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

	3 months ended 31 March 2022		3 months ended 31 March 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	141,936	30,542	141,222	30,888
Cost of sales	134,573	28,958	136,403	29,834
Gross profit (loss) on sales	7,363	1,584	4,819	1,054
Operating profit (loss)	3,727	802	317	69
Gross profit (loss)	5,227	1,125	165	36
Net profit (loss) from continuing operations	4,109	884	7	2
Total comprehensive income	4,109	884	7	2

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

	3 months ended 31 March 2022		3 months ended 31 March 2021	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-28,887	-6,216	902	197
Cash flows from investing activities	-859	-185	-1,436	-314
Cash flows from financing activities	-4,945	-1,064	-4,971	-1,087
Total net cash flows	-34,691	-7,465	-5,505	-1,204
Cash at the beginning of the period	106,612	23,180	20,230	4,384
Cash at the end of the period	71,926	15,460	14,862	3,189

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	31-03-2022	31-12-2021	31-03-2021
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.6525	4.5994	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.6472	n/a	4.5721
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.6525	4.5994	4.6603



ZUE Capital Group

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR 3 MONTHS ENDED 31 MARCH 2022**

Cracow, 18 May 2022

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

Continuing operations	Note no.	3 months ended	3 months ended
		31-03-2022	31-03-2021
Sales revenue	4.3.1.	153,599	150,875
Cost of sales	4.3.2.	145,287	145,525
Gross profit (loss) on sales		8,312	5,350
General and administrative expenses	4.3.2.	5,261	6,199
Other operating income	4.3.3.	829	796
Other operating expenses	4.3.4.	276	234
Operating profit (loss)		3,604	-287
Financial income	4.3.5.	1,745	50
Financial expenses	4.3.6.	440	362
Pre-tax profit (loss)		4,909	-599
Corporate income tax	4.3.7.	1,150	155
Net profit (loss) from continuing operations		3,759	-754
Net profit (loss)		3,759	-754
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		0	0
Actuarial gains (losses) relating to specific benefit schemes		0	0
Other total net comprehensive income		0	0
Total comprehensive income		3,759	-754
Number of shares		23,030,083	23,030,083
Consolidated net profit attributable to:			
Shareholders of the Parent Company		3,759	-717
Non-controlling interests		0	-37
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		0.16	-0.03
Total comprehensive income attributable to:			
Shareholders of the Parent Company		3,759	-717
Non-controlling interests		0	-37
Total comprehensive income per share (PLN)		0.16	-0.03

Consolidated statement of financial position

ASSETS	Note no.	31-03-2022	31-12-2021
Non-current assets			
Property, plant and equipment		69,332	64,718
Investment property		6,174	6,145
Intangible assets		2,564	2,716
Right-of-use assets		34,971	41,510
Goodwill	4.7.1.	31,172	31,172
Retentions on construction contracts		17,829	7,431
Deferred tax assets	4.3.7.	20,696	21,778
Other financial assets		43	42
Other assets		0	0
Total non-current assets		182,781	175,512
Current assets			
Inventories		52,434	37,822
Trade and other receivables	4.5.1.	137,354	137,057
Measurement of long-term construction contracts	4.4.1	92,508	107,149
Retentions on construction contracts		3,954	3,713
Advance payments		11,936	3,425
Current tax assets	4.3.7.	5	32
Other financial assets		0	105
Other assets		877	616
Cash and cash equivalents		73,694	108,736
Current assets		372,762	398,655
Assets held for sale		3,340	3,340
Total current assets		376,102	401,995
Total assets		558,883	577,507

EQUITY AND LIABILITIES	Note no.	31-12-2022	31-12-2021
Equity			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		73,046	69,287
Total equity attributable to shareholders of the parent company		169,951	166,192
Equity attributable to non-controlling interests		211	211
Total equity		170,162	166,403
Non-current liabilities			
Long-term lease liabilities	4.6.2.	12,892	14,248
Retentions on construction contracts		17,617	24,068
Liabilities under employee benefits		1,864	1,864
Deferred tax liabilities	4.3.7.	321	284
Long-term provisions	4.4.2.	15,613	16,570
Total non-current liabilities		48,307	57,034
Current liabilities			
Trade and other payables	4.5.2.	66,063	134,916
Accruals	4.4.4.	68,944	70,258
Measurement of long-term construction contracts	4.4.1.	51,063	49,539
Retentions on construction contracts		17,319	17,760
Advance payments		61,793	6,737
Short-term loans and bank credits	4.6.1.	5,595	7,964
Short-term lease liabilities	4.6.2.	5,624	6,289
Other financial liabilities		36	36
Liabilities under employee benefits		42,395	42,057
Current tax liabilities	4.3.7.	0	1,098
Short-term provisions	4.4.2.	19,233	17,050
Total current liabilities		340,065	353,704
Lease liabilities associated with assets held for sale		349	366
Total liabilities		388,721	411,104
Total equity and liabilities		558,883	577,507

Consolidated statement of changes in equity

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

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2021	5,758	93,837	-2,690	57,589	154,494	155	154,649
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	-717	-717	-37	-754
Other net comprehensive income	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Balance at 31 March 2021	5,758	93,837	-2,690	56,872	153,777	118	153,895

	Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2021	5,758	93,837	-2,690	57,589	154,494	155	154,649
Change of interest in subsidiaries	0	0	0	0	0	0	0

Payment of dividend	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	11,765	11,765	56	11,821
Other net comprehensive income	0	0	0	-67	-67	0	-67
Other	0	0	0	0	0	0	0
Balance at 31 December 2021	5,758	93,837	-2,690	69,287	166,192	211	166,403

Consolidated statement of cash flows

	3 months ended 31-03-2022	3 months ended 31-03-2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	4,909	-599
Adjustments for:		
Depreciation and amortisation	3,346	3,058
Foreign exchange gains / (losses)	-5	-137
Interest and share in profit (dividends)	146	167
Gain / (loss) on disposal of investments	-718	10
Operating profit (loss) before changes in working capital	7,678	2,499
Change in receivables and retentions on construction contracts	-9,970	53,627
Change in inventories	-14,612	-8,434
Change in provisions and liabilities under employee benefits	3,565	716
Change in payables and retentions on construction contracts	-75,616	-62,344
Change in measurement of construction contracts	16,165	13,179
Change in accruals	-1,315	7,354
Change in advance payments	46,545	-6,733
Change in other assets	-259	-578
Other adjustments	0	109
Income tax paid / (tax refund)	-1,129	0
NET CASH FROM OPERATING ACTIVITIES	-28,948	-605
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	296	1
Purchase of property, plant and equipment and intangible assets	-1,431	-1,459
Interest received	200	0
NET CASH FROM INVESTING ACTIVITIES	-935	-1,458
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	0	3,400
Repayment of loans and bank credits	-2,372	-5,822
Decrease in lease liabilities	-2,262	-2,276
Lease interest paid	-429	-422
Other interest paid	-101	-105
NET CASH FLOWS FROM FINANCING ACTIVITIES	-5,164	-5,225
TOTAL NET CASH FLOWS	-35,047	-7,288
Net foreign exchange differences	5	137
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	108,736	23,487
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	73,694	16,336
- of limited availability	23,640	2,082

Notes to the condensed consolidated financial statements of the Capital Group

1. General information

1.1. Composition of the Capital Group

At the end of the reporting period, the Group was composed of ZUE S.A., Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o. and Railway gft Polska Sp. z o.o.

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

ZUE S.A. is the company was incorporated on 20 May 2002. Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000135388.

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

Structure of the Capital Group at this report preparation date:



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

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

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

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

1.2. Consolidated companies

Consolidated companies as at 31 March 2022:

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

ZUE is entitled to manage the financial and operating policy of BPK Poznań and Railway gft because as at 31 March 2022, it held a 100% and an 85% interest, respectively, in the companies.

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

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

No major changes to the Group's structure occurred between the beginning of 2022 and the date of approval of this report.

1.4. Core business of the Capital Group

The Group operates in the three aggregate operating segments:

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

Construction activities include:

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

In 2022, the Group focused on the provision of railway and urban infrastructure construction.

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

Design activities relating to urban and rail transport systems supplement the abovementioned construction activities.

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

- Rails for railways, tramways and cranes; special profiles, light rails and narrow-gauge railway;
- Steel, wooden and pre-stressed concrete sleepers;

- Crossovers and crossover components;
- Accessories required to build tram and railway tracks;
- Aggregate;
- Special technologies: RHEDA 2000® slab tracks, RHEDA CITY C, RHEDA CITY GREEN tram systems, "Ypsilon" steel sleepers.

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

1.5. Functional and reporting currency

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

2. Operational information

2.1. Sales markets

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

Construction activities are carried out by ZUE mainly on the railway and urban infrastructure market. The table below sets out major construction contracts.

Contract*	Contracting authority	Contract net value [PLNm] attributable to ZUE S.A.
Preparation of design documentation and completion of construction works in connection with the project named: LOT D – Works on the railway lines no. 131, 542 and 739 of the Rusiec Łódzki (km 137.500) – Zduńska Wola Karsznice (km 170.212) section as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-14 "Works on the railway line C-E 65 of the Chorzów Batory – Tarnowskie Góry – Karsznice – Inowrocław – Bydgoszcz – Maksymilianowo section.	PKP PLK S.A.	576
Design and construction services in connection with the project no. 1: "Works on the Chabówka - Zakopane railway line no. 99" and the project no. 2: "Construction of railway link in Chabówka along the Sucha Beskidzka – Chabówka I railway line no. 98 and the Chabówka – Zakopane railway line no. 99."	PKP PLK S.A.	407
Design services and construction works in connection with the following project: "Works on the railway line no. 25 of the Skarżysko Kamienna – Sandomierz section" executed as part of Eastern Poland Operational Programme.	PKP PLK S.A.	397
Works on the railway line no. 93 of the Trzebinia – Oświęcim – Czechowice Dziedzice section, Infrastructure and Environment Operational Programme (IEOP) 5.1-12.	PKP PLK S.A.	303
Completion of construction works in the area of the Kutno Local Traffic Control Centre (LCS) – the Żychlin-Barłogi section in connection with the following project: "Works on the railway line E20 of the Warszawa-Poznań section – other works, the Sochaczew-Swarzędz section" executed as part of the Connecting Europe Facility (CEF).	PKP PLK S.A.	302
Design and construction services for the project named "Construction of the Annopol depot."	Tramwaje Warszawskie	266
Reconstruction of the tram line with traction in the Nabrzeże Wieleckie, Nowa, Dworcowa, Kolumba, Chmielewskiego and Smolańska Streets, and the Powstańców Wilkp. Avenue and	City of Szczecin	213

extension of the Pomorzany terminus in Szczecin.		
Reconstruction of the tram line together with OCL network from the Żołnierza Square to the Niebuszewo terminus and along the Żołnierza Polskiego Square – the Matejki Street – the Piłsudskiego Street (to the Rodła Square).	City of Szczecin	153
Preparation of design documentation and completion of construction works as part of “design-build” project in connection with the Infrastructure and Environment Operational Programme (IEOP) 5.1-16 “Improvement of capacity of E 20 railway line of the Warszawa – Kutno section, Stage I: Works on the railway line no. 3 of the Warszawa – the Łowicz Local Traffic Control Centre (LCS) section.”	PKP PLK S.A.	92
Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow and additional contract.	Zarząd Dróg Miasta Krakowa	78
Preparation of building and detailed designs and the completion of LOT B works as part of “design-build” project in connection with the Infrastructure and Environment Operational Programme (IEOP) 7.1-19.1.a: “Upgrade of the railway line no. 8 of the Warszawa Okęcie – Radom (LOT A, B, F) section” – Phase II.	PKP PLK S.A.	78
Restoration of railway infrastructure on the Dorota - Sosnowiec Dańdówka section, line no. 171, as part of the following investment project: “Works on the south eastern part of the Upper Silesian Industrial Region ring road and adjacent sections.”	PKP PLK S.A.	69
Provision of bicycle lanes and reconstruction of road infrastructure along the Królowej Jadwigi and Piłsudskiego Streets (country road) in Dąbrowa Górnicza as part of the following project: “Promotion of green transport in Dąbrowa Górnicza – Stage III.” Construction works for the project named: “Reconstruction of the separate tramway track along the Królowej Jadwigi Street and Piłsudskiego Street in Dąbrowa Górnicza, the Róż Avenue – the Kasprzaka Street section.”	Dąbrowa Górnicza/Tramwaje Śląskie	62
Reconstruction of the tramway track along the Sobieskiego Street and the Królowej Jadwigi Street in Dąbrowa Górnicza from the KWK Paryż Terminus to the Róż Avenue and Provision of bicycle lanes and reconstruction of road infrastructure along the Sobieskiego and Królowej Jadwigi Streets (DW 910) in Dąbrowa Górnicza.	Dąbrowa Górnicza/Tramwaje Śląskie	62
Provision of design services and completion of construction works in connection with the following project: “Works on the ring rail line in Warsaw (the Warszawa Gołębki/Warszawa Zachodnia – Warszawa Gdańska section).”	PKP PLK S.A.	58
Maintenance and repair of tram lines in Cracow in 2019-2022.	City of Cracow	57
Reconstruction of the road and the tram line in the Chrobrego Street and the Mieszka I Street as part of the task named: “The system of sustainable urban transport in Gorzów Wlkp.”	City of Gorzów Wielkopolski – Municipal Council	57
Reconstruction of the tram line from the Wiejska Street to the OM Rządź tram terminus as part of the following project: “Reconstruction of tram infrastructure to improve public transport in Grudziądz.”	City of Grudziądz	48
Works on the E59 railway line, the Dobiegniew – Słonice section –	Strabag Sp. z o.o.	46

traction network.		
Provision of design services and completion of construction works in connection with the following project: "Construction of the Czarnca - Włoszczowa Płn. railway line no. 582."	PKP PLK S.A.	43
Maintenance and repair of tram infrastructure (traction electrical power engineering services) in Cracow in 2019-2022.	City of Cracow	41
Reconstruction of the tram line along the Jana Pawła II Street, from the Plac Centralny to the Ptaszyckiego Street and from the Ptaszyckiego Street to the Bardosa Street, including the reconstruction of OCL network, dehydration and reconstruction of colliding technical infrastructure as part of the investment project named: "Upgrade of tram line and associated infrastructure."	City of Cracow	27
Provision of design services and completion of works at the Munina and Żurawica stations as part of the project named: "Modernization of the railway line no. 91 Kraków Główny Osobowy – Medyka and the railway line no. 92 Przemyśl – Medyka, the Rzeszów – State Border section."	PKP PLK S.A.	25
Construction of railway link in Kalwaria Zebrzydowska along the Skawina – Żywiec railway line no. 97 and the Kalwaria Zebrzydowska Lanckorona – Bielsko Biała Główna railway line no. 117" executed as part of the following project: "Works on the railway lines no. 97, 98, 99 of the Skawina –Sucha Beskidzka – Chabówka – Zakopane sections.	PKP PLK S.A.	23
Maintenance and ongoing repairs of systems and equipment required to light roads, park lanes, squares, bridges, flyovers, tunnels, underpasses and to illuminate selected facilities in Cracow.	City of Cracow	21
Maintenance of tram lines and switches in Wrocław.	Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o. we Wrocławiu	19

* Contracts whose net value exceeds PLN 10m.

Design services relating to urban and rail transport systems are provided by BPK Poznań to both investors and companies which execute "design-build" projects. PKP Polskie Linie Kolejowe S.A. was the biggest customer of BPK Poznań in the reporting period.

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

2.2. Backlog

At the date of preparation of this report, the value of the Group's backlog is PLN 1,498m, including the contracted construction and assembly services worth PLN 1,479m. This provides the Group with an ability to carry out the works in the period 2022-2024. As for design services, the value of the signed contracts is PLN 4.6m. The backlog relating to the supply of materials and equipment is worth PLN 14m. ZUE has signed a number of master agreements for the supply of strategic materials to secure the performance of contracts.

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

Revenue generated by the Group and the Company in the first quarter of 2022 amounted to PLN 153,599 thousand and PLN 141,936 thousand, respectively. Gross margin reported by the Group was 5.4% and gross margin reported by the Company was 5.2%.

By the date of publication of this report, the Company won the new contracts in 2022 with the total net value of approx. PLN 124m.

Financial results are discussed in detail in the note 4.2.

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

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

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

2.5. Major events in the reporting period

Construction contracts:

On 16 February 2022, the Company informed that following the conclusion of the two contracts for additional works with PKP Polskie Linie Kolejowe S. A. (PKP PLK) (referred to in the current report 5/2018), the total net value of the contracts entered into between PKP PLK and ZUE since 3 December 2021 amounted to approx. PLN 60.4m. **(Current report 7/2022)**

On 4 March 2022, the Company entered into the contracts with Dąbrowa Górnicza and Tramwaje Śląskie S.A. for the project named: "Reconstruction of the tramway track along the Sobieskiego Street and the Królowej Jadwigi Street in Dąbrowa Górnicza from the KWK Paryż Terminus to the Róż Avenue" – task no. 2.5 as part of the following project: "Integrated tram infrastructure modernisation and development project in the Upper Silesia and Zagłębie region including the purchase of tram vehicles – stage II." The total net value of the contract: PLN 61.8m. The total gross value of the contract: PLN 76m. Project completion date: 580 days. **(Current report 9/2022)**

On 31 March 2022, the Issuer learnt about the cancellation by PKP PLK S.A. of the tender procedure for the project named: "Construction of the *Kraków Prądnik Czerwony* Fast Commuter Rail train stop and the development of Park & Ride (IT1)." The Company informed about the submission of the tender in the current report 36/2021. **(Current report 10/2022)**

Financial agreements:

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

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

Corporate events:

On 3 March 2022, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the net profit for the financial year 2021 of PLN 12,141 thousand in the following manner: 1) the part of the net profit for the financial year 2021 of PLN 3,415 thousand would be paid as dividend (PLN 0.15 per share); 2) the remaining balance of the net profit for the financial year 2021 of PLN 8,726 thousand will be allocated to reserve funds. The Company's Supervisory Board gave a favourable opinion on the recommendations on 7 April 2022. **(Current report 8/2022 and 11/2022)**

2.6. Major events after the end of the reporting period

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

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

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

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

2.7. Bonds, guarantees, loans and credit limits

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.

As at 31 March 2022:

- The amount of the bonds issued by the Group to third parties: PLN 537,495 thousand.
- The amount of the bonds issued by the Company to third parties: PLN 527,751 thousand.
- The amount of unused bond lines at the Group: PLN 288,265 thousand.
- The amount of unused bond lines at the Company: PLN 287,242 thousand.
- The amount of unused credits at the Group: PLN 38,900 thousand (including PLN 10,000 thousand with no ability of allocating to bonds);
- The amount of unused credits at the Company: PLN 38,900 thousand (including PLN 10,000 thousand with no ability of allocating to bonds).

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

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 31 March 2022 was PLN 16,451 thousand.

No loans or bonds of significant total value were granted or provided in the first quarter of 2022 by the Parent Company or any subsidiary to any single entity outside the Capital Group (or any subsidiary thereof).

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

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

The coronavirus epidemic declared in Poland or the related restrictions did not have any material influence on the Group's financial results achieved in the first quarter of 2022.

The Management Board of ZUE believe there are no indicators of impairment or any reasons for the recognition of additional provisions in connection with the pandemic. There are no major changes to the scope of operating activities. The Group's predictions about the performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Company's key assets.

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

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

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

The Management Board Report on the activities of the Capital Group for the period 1 January 2021 – 31

December 2021 contains a detailed description of the factors. No significant changes to the catalogue or description of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

In addition, the influence of the COVID_19 pandemic is discussed in item 2.12 and the influence of the situation in Ukraine is discussed in section 2.13.

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

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

The Management Board Report on the activities of the Capital Group for the period 1 January 2021 – 31 December 2021 contains a detailed description of the factors. No significant changes to the catalogue or description of the factors have been identified when comparing these financial statements with the information contained in the abovementioned report.

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

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

The Management Board Report on the activities of the Parent Company and the Capital Group for the period 1 January 2021 – 31 December 2021 contains a detailed description of the factors.

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

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

Measures taken by the Group

The Issuer has taken preventive measures to reduce the risk of infection among the employees and associates by letting the staff work remotely, giving instructions on hygiene and precautions to its employees and

subcontractors' employees, providing employees with protective equipment such as face masks or disinfectant agents, limiting the number of business meetings, giving comprehensive information on the activities aimed at reducing the risk of infection and measures to be taken in case of infection and limiting contacts with the employees who stayed in higher risk areas.

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

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

Impact of the coronavirus pandemic on the Group's activity and financial standing in the first quarter of 2022

The coronavirus epidemic in Poland and the related restrictions have an influence both on the performance of construction contracts and other areas of the Company's activity. Direct contacts with the representatives of investors and other entities involved in construction projects have been kept to a minimum and due precaution measures have been taken. Most of the contacts, arrangements and acceptances continued remotely. The work has been organised to ensure the safety of people involved in the performance of construction contracts.

In addition to general restrictions witnessed in Poland at the end of the reporting period and at present, employees and other people involved in construction projects have been absent due to isolation and quarantine caused by COVID-19. These factors, however, have not disturbed the Group's construction processes or supply chains thanks to the measures taken by the ZUE and the fact that the absence from work has been relatively small. In addition, the Issuer believes that the situation is common and experienced by the majority of entities operating on the market.

The Management Board of ZUE believe there are no indicators of impairment or any reasons for the recognition of additional provisions in connection with the pandemic. There are no major changes to the scope of operating activities. The predictions about further performance of concluded contracts enable it to establish the projections which confirm the recoverable amount of the Group's key assets.

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

The impact of the coronavirus pandemic on the Group's future position or results cannot be estimated at the date of preparation of this report.

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

Factors which may have a negative influence:

- Limited supply of certain building materials caused by disruptions in the chains of supply;
- Increased prices of certain imported building materials caused by the weakening of PLN to EUR and USD rates;
- Temporary suspension of competitive tenders for new urban infrastructure contracts as a result of poorer financial condition of the cities caused by the imposed restrictions;
- Possible problems associated with the liquidity of certain enterprises (e.g. subcontractors);
- Possible extensions of deadlines for certain construction contracts caused by delays in the issue of certain administrative consents or approvals;
- Impediments relating to the absence or temporary exclusion of the Group's employees, subcontractors and consortium members; and
- Possible suspension of works under construction contracts.

Factors which may have a positive influence:

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

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

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

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

The war in Ukraine did not have a material influence on the Group's 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 the Contracting Authority to minimize them. In addition, the Company makes advance payments for the supplied materials or uses short payment dates to obtain the best reasonably available prices.

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

Ukraine's political and economic situation is constantly monitored by the Group in terms of the actual and potential impact thereof on the Group's activities.

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

- a) Increased prices of certain imported products and materials caused by the weakening of PLN rate (as well as other currencies of the region);
- b) Disruptions in the chains of supply of certain imported products and materials;
- c) Increased prices of fuels, natural gas and electricity;
- d) Limited access to fuels;
- e) Greater financial risk of the countries of the region which may limit the access to financing and entail greater costs;
- f) Migration of Ukrainian employees from Poland to Ukraine (to protect their families and properties or at the request of the authorities); and
- g) Road obstructions after certain sections have been used for military transports or humanitarian aid.

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

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

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

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

2.15. Strategic objectives

The Group's principal objective in 2022-2024 is to take a maximum advantage of the current EU perspective.

The Group's strategic objectives include:

- o Maintenance of the position of the Group as one of the leaders of the rail transport infrastructure construction market;
- o Maintenance of the position of the Group as one of the leaders of the urban transport infrastructure construction market;
- o Strengthening of the Group's position on the transport systems design market;

- Development of sales services on the track materials manufacture and distribution market.

In the long-term perspective, the principal aim of the Group is to develop its offer of the service and maintenance of urban and rail infrastructure.

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

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

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 in the territory of Poland. Investments in tram infrastructure are made as part of decentralised revitalization plans drawn up for individual cities and urban areas. Railway undertakings, on the other hand, fall within the category of the long-term development and modernisation of the national railway network.

Rail infrastructure market

PKP PLK estimates combined investment needs in the Polish railway infrastructure of approximately PLN 300 billion. The expenditures concern the upgrade of all neglected or missing elements.¹ Works will be carried out as part of the current National Railway Program until 2023 worth approximately PLN 76 billion (NRP) and the *Kolej Plus* Program.

The Central Communication Port (CCP) project is also underway. The railway component of the project will entail constructing approximately 1,800 km of brand new railway lines and revamping of existing routes. The new sections under construction will serve as essential additions to the existing national network, which will be more capable of satisfying the nation's transport needs.

In the EU financial perspective for 2021-2027, a significant focus is on the development of railway transport. The principal aim of the Sustainable and Smart Mobility Strategy is to reduce transport-related emissions in the EU by 90% by 2050. The document should serve as a basis for ecological and digital transition in the EU. It should also make the EU transport system more resistant to future crises. The Strategy focusses on the ambitious development of the EU railway infrastructure, for instance the doubling of the high-speed train network and carbon neutral collective travel for journeys under 500 km by 2030, and doubling of the rail freight traffic and fully operational Multimodal Trans-European Transport Network (TEN-T) equipped with sustainable and smart transport with high-speed connectivity by 2050.²

Apart from the EU main budget, funds can be obtained from the Recovery Fund whose aim is to support the EU economy after the COVID-19 pandemic. Funds will also come from the "Connecting Europe" programme and a vast portion will be spent on railway projects.³

Despite the economic problems caused by the pandemic, the NRP and the CCP have been implemented and are currently at different stages of development. Advanced construction work is under way as part of the NRP, while the railway component of the CCP is currently at the conceptual and planning stage. In 2021, PKP PLK did not announce new tenders for a total amount of several billion zlotys, as had been anticipated. Since the beginning of 2022, the PKP PLK company has organised 9 larger tenders with a total value of approximately PLN 10.6 billion and tenders have been submitted by bidders. The tendering processes will conclude with auctions. The financing of projects has not been defined yet due to delayed EU funding approval process. A steady flow of new tenders is necessary to maintain the continuity of the investment process and ensure price stability and to avoid the occurrence of 'peaks' and 'troughs' between perspectives which has had a negative effect on the industry in the past. PKP PLK declare they are planning to announce new tenders worth more than ten billion zlotys a year.⁴

Urban infrastructure market

Urban rail transport is considered environmentally friendly. Accordingly, from the perspective of the 2021-2027 EU perspective, investments in such projects offer excellent potential in terms of financing. About EUR 1.3bn will be spent out of the EU Funds on Climate, Infrastructure and Environment for 2021-2027 to support clean urban transport infrastructure. The two major projects include the construction of 49 km of new tramways and the

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

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

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

⁴ <https://forsal.pl/transport/kolej/artykuly/8193533,pkp-plk-chca-oglosic-przetargi-na-ponad-10-mld-zl-do-konca-tego-roku.html>

upgrade of 63 km of existing tramways. Cracow, Warsaw, Gdańsk, Bydgoszcz, Szczecin, Poznań or the Upper Silesia cities are planning the construction or modernisation of tramways. There is a considerable number of tram infrastructure tenders on the market.

Tenders submitted on the tram and railway infrastructure markets often exceed the amounts investors intend to spend on such projects. Consequently, tender procedures are frequently cancelled by investors as they have no funds available. This situation has been caused by the growing prices of building materials, labour, energy or fuels.

3. Corporate information

3.1. Governing bodies of the Parent Company

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

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

Management Board:

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

Supervisory Board:

Mariusz Szubra	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
Agnieszka Klimas	Supervisory Board Member
Piotr Korzeniowski	Supervisory Board Member
Bogusław Lipiński	Supervisory Board Member

Audit Committee:

Mariusz Szubra	Audit Committee Chairperson
Barbara Nowak	Audit Committee Member
Piotr Korzeniowski	Audit Committee Member

Ms. Agnieszka Klimas, Mr. Mariusz Szubra and Mr. Piotr Korzeniowski meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (Uniform Text, Journal of Laws of 2020, item 1415).

3.2. Share capital structure

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

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

3.3. Treasury shares

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

The transaction is discussed in detail in the note no. 25 of the consolidated financial statements for the financial year ended 31 December 2015.

3.4. Shareholders of the Parent Company

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

Shareholder	Number of shares/votes as at 18 May 2022	% of the share capital/total number of votes	Number of shares/votes at the date of publication of the last interim report ⁽¹⁾	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53%	14,400,320	62.53%
METLIFE OFE	1,460,000 ⁽²⁾	6.34%	1,460,000	6.34%
PKO Bankowy OFE	1,780,786 ⁽³⁾	7.73%	1,780,786	7.73%
Other	5,388,977 ⁽⁴⁾	23.40%	5,388,977	23.40%
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (Consolidated Report of the Group for 2021): 2 March 2022.

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

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

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

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

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

Shareholder	Position at ZUE	Number of shares/votes as at 18 May 2022	Nominal value of shares (PLN)	% of the share capital/total number of votes	Changes in shareholding since the publication of the last interim report ⁽¹⁾
Wiesław Nowak	Management Board President	14,400,320	3,600,080	62.53	None
Marcin Wiśniewski	Management Board Vice-President	2,300	575	0.01	None
Jerzy Czeremuga	Management Board Vice-President	136	34	< 0.01	None
Maciej Nowak	Management Board Vice-President	7,806	1,951.50	0.03	None

(1) Publication of the last interim report (Consolidated Report of the Group for 2021): 2 March 2022.

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

No members of the Management Board or the Supervisory Board had any rights to acquire the Company shares at the date of preparation of the last interim report or this report.

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

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

3.7. Issue and redemption of debt and equity instruments

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

3.8. Dividend

No dividend was paid the Company in the reporting period.

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

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

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

4. Financial information

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

The Company did not publish any financial projections for the financial year 2022.

4.2. Factors and events with significant influence on the Group's results for the first quarter of 2022

Discussion of major items of the statement of profit or loss

Like in previous years, the majority of the Group's revenue was generated in Q1 2022 from construction activity conducted by ZUE (90%). In the period under analysis, the Company continued to perform previously concluded contracts.

In the first quarter of 2022, the sales revenue reported by both the Group and the Company was similar to the sales revenue reported in the analogous period of 2021. The sales revenue generated by the Group was PLN 153,599 thousand (a year-on-year increase by 2%) and the sales revenue generated by ZUE was PLN 141,936 thousand (a year-on-year increase by 1%).

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

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

	ZUE		GROUP	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
Sales revenue	141,936	141,222	153,599	150,875
Cost of sales	134,573	136,403	145,287	145,525
Gross profit (loss) on sales	7,363	4,819	8,312	5,350
<i>Gross margin</i>	5.2%	3.4%	5.4%	3.5%
General and administrative expenses	4,190	5,079	5,261	6,199
Other operating income	819	786	829	796
Other operating expenses	265	209	276	234
Operating profit (loss) (EBIT)**	3,727	317	3,604	-287
<i>EBIT margin**</i>	2.6%	0.2%	2.3%	-0.2%
<i>EBITDA***</i>	7,031	3,332	6,950	2,771
<i>EBITDA margin**</i>	5.0%	2.4%	4.5%	1.8%
Financial income	1,813	108	1,745	50
Financial expenses	313	260	440	362
Pre-tax profit (loss)	5,227	165	4,909	-599
Income tax	1,118	158	1,150	155

Net profit (loss) from continuing operations	4,109	7	3,759	-754
Net profit (loss)	4,109	7	3,759	-754
<i>net margin</i>	2.9%	0.0%	2.4%	-0.5%

* Operating profit + depreciation / amortisation.

** EBIT, EBITDA measures unspecified by the IFRS.

Compared to the analogous period of 2021, both the Group and the Company reported higher gross margin. EBIT, EBITDA and net margin also improved.

The Group's general and administrative expenses decreased by 15% when compared with the analogous period of 2021. (ZUE - a year-on-year decrease by 18%).

Current market situation and winning of new contracts

Since the beginning of 2022, the Company has won the contracts with the total value of PLN 124m. The Company continues to submit tenders on the urban and railway markets. The tenders submitted by bidders significantly exceed the investors' budgets and the situation is much more common than in previous years. Tender procedures are repeatedly cancelled. The discrepancy between tenders and cost estimates is due to the rise in the prices of raw and other materials, energy, fuels or labour caused by unstable international situation.

Discussion of major balance sheet items

As at 31 March 2022, the Group's total assets and liabilities amounted to PLN 558,883 thousand and the Company's total assets and liabilities amounted to PLN 537,899 thousand.

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

Item	Change compared to 31-12-2021	Balance as at 31-03-2022	Description
<u>Assets</u>			
Inventories	14,612	52,434	Purchase of materials required to perform contracts.
Cash and cash equivalents	-35,042	73,694	Use of funds to conduct operating activities.
<u>Liabilities</u>			
Trade and other payables	-68,853	66,063	Accounting for certain completed construction works.
Advance payments	55,056	61,793	Purchase of materials, transition of previously won contracts to the stage of performance.

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

The Group's cash flows from operating activities were influenced by changes in payables and retentions on construction contracts, and change in inventories.

No loans or credits were taken out by the Group or the Company in the first quarter of 2022. Cash flows from financing activities were mainly influenced by the repayment of loans and credits as well as a decrease in lease liabilities.

	ZUE		ZUE Group	
	Period ended 31-03-2022	Period ended 31-03-2021	Period ended 31-03-2022	Period ended 31-03-2021
Cash flows from operating activities	-28,887	902	-28,948	-605
Cash flows from investing activities	-859	-1,436	-935	-1,458
Cash flows from financing activities	-4,945	-4,971	-5,164	-5,225
Total net cash flows	-34,691	-5,505	-35,047	-7,288
Cash and cash equivalents at the beginning of the period	106,612	20,230	108,736	23,487

Cash and cash equivalents at the end of the period	71,926	14,862	73,694	16,336
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Discussion of the results reported by segments

90% of the Group's revenue is derived from construction activity, 9% from sales activity and 1% from design activity.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	141,936	14,159	2,032	-4,528	153,599
Gross profit on sales	7,363	997	192	-240	8,312
Net profit/loss	4,109	131	-318	-163	3,759

The note 4.3.8. contains more information about individual segments.

4.3. Notes to the statement of comprehensive income

4.3.1. Revenue

	Period ended 31-03-2022	Period ended 31-03-2021
Revenue from construction contracts	138,916	138,843
Revenue from the rendering of services	1,578	1,317
Revenue from the sale of goods, raw and other materials	13,105	10,715
Total	153,599	150,875

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

In 2022, the Group provided services in Poland. In addition, the Group earned revenue from the sale of materials to Germany in the total amount of PLN 53 thousand.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	31-03-2022	31-03-2021
Counterparty A	106,231	137,852

4.3.2. Operating expenses

	Period ended 31-03-2022	Period ended 31-03-2021
Change in products	-1,573	-2,879
Depreciation and amortization	3,346	3,058
Consumption of materials and energy, including:	29,672	29,233
- consumption of materials	27,520	28,874
- consumption of energy	2,152	359

Contracted services	74,300	80,341
Costs of employee benefits	30,117	30,296
Taxes and charges	430	418
Other expenses	4,462	3,131
Value of goods and materials sold	9,794	8,126
Total	150,548	151,724

	Period ended 31-03-2022	Period ended 31-03-2021
Cost of sales	145,287	145,525
General and administrative expenses	5,261	6,199
Total	150,548	151,724

Depreciation and amortisation

	Period ended 31-03-2022	Period ended 31-03-2021
Depreciation of property, plant and equipment	2,321	2,129
Depreciation of right-of-use assets	777	821
Amortisation of intangible assets	152	13
Depreciation of investments in real property	96	95
Total	3,346	3,058

4.3.3. Other operating income

	Period ended 31-03-2022	Period ended 31-03-2021
Gain on disposal of assets	718	0
Gain on disposal of non-current assets	718	0
Other operating income	111	796
Damages and penalties	0	21
Release of allowances for receivables	48	535
Refund of the costs of court proceedings	30	0
Substitute performance	24	181
Other	9	59
Total	829	796

4.3.4. Other operating expenses

	Period ended 31-03-2022	Period ended 31-03-2021
Loss on disposal of assets	0	10
Loss on disposal of non-current assets	0	10
Other operating expenses	276	224

Donations	22	0
Damages and penalties	33	4
Allowances for receivables	0	4
Costs of litigations	161	16
Substitute performance	24	181
Other	36	19
Total	276	234

4.3.5. Financial income

	Period ended 31-03-2022	Period ended 31-03-2021
Interest income	256	48
Interest on bank deposits	249	36
Interest on receivables	7	12
Other financial income	1,489	2
Foreign exchange gains	11	0
Discount of long-term items	1,478	0
Other	0	2
Total	1,745	50

4.3.6. Financial expenses

	Period ended 31-03-2022	Period ended 31-03-2021
Interest expenses	376	282
Interest on credits	57	36
Interest on loans	45	70
Interest on leases	246	170
Interest on trade and other payables	28	6
Other financial expenses	64	80
Foreign exchange losses	63	48
Discount of long-term items	0	27
Other	1	5
Total	440	362

4.3.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 31-03-2022	Period ended 31-03-2021
Current income tax	31	0

Deferred tax	1,119	155
Total tax expense/income	1,150	155

Current income tax

	Period ended 31-03-2022	Period ended 31-03-2021
Gross profit (loss)	4,909	-599
Difference between gross profit (loss) and income tax base:	-5,190	-379
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	1,100	9,091
- other differences (including loss carried forward)	-6,290	-9,470
Income/Loss	-281	-978
Income tax base	161	0
Income tax at the applicable rate of 19%	31	0
Current income tax	31	0

Income tax according to effective interest rate

	Period ended 31-03-2022	Period ended 31-03-2021
Gross profit (loss)	4,909	-599
Income tax at the applicable rate of 19%	933	-114
Effect of tax recognition of:	-1,024	-104
- Use of tax losses brought forward	1,195	-1,800
- Costs that are not tax-deductible under tax regulations	2,155	1,958
- Revenue not classified as revenue under tax regulations	-2,505	-2,375
- Tax-deductible expenses not classified as balance sheet expenses	4,504	2,644
- Taxable revenue not classified as balance sheet revenue	15	7
Revaluation of deferred tax assets (current year loss)	122	218
Deferred tax	1,119	155
Income tax according to effective tax rate	1,150	155
Effective tax rate	23%	-26%

Current tax assets and liabilities

	Balance at 31-03-2022	Balance at 31-12-2021
Current tax assets		
Tax refundable	5	32
Current tax liabilities		
Tax payable	0	1,098

Deferred tax

	Period ended 31-03-2022	Period ended 31-03-2021
Deferred tax balance at the beginning of the period	21,494	14,428

Temporary differences relating to deferred tax assets:	50,166	44,201
Provisions for expenses and accruals	26,576	22,692
Discount of receivables	421	142
Operating lease liabilities	2,906	1,942
Write-downs	936	933
Bonds and insurances accounted for over time	1,961	1,499
Tax work in progress	7,147	14,031
Measurement of long-term contracts	9,702	2,455
Other	517	507
Temporary differences relating to deferred tax liabilities:	32,738	40,305
Measurement of long-term contracts	17,576	27,172
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,467	12,421
Discount of payables	1,695	712
Unused tax losses and other tax credits carried forward:	2,947	10,377
Tax losses	2,947	10,377
Total temporary differences relating to deferred tax assets:	53,113	54,578
Total temporary differences relating to deferred tax liabilities:	32,738	40,305
Deferred tax balance at the end of the period	20,375	14,273
Change in deferred tax, including:	-1,119	-155
- recognised in income	-1,119	-155
- recognised in equity	0	0

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

4.3.8. Operating segments

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

- Construction;
- Design; and
- Sales.

The segments jointly meet the following rules:

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

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

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

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

The accounting policies applied to the segments are the same as the principles contained in the description of significant accounting policies. The Group settles sales and transfers between the segments based on current

market prices like with transactions with third parties.

Operating segments' results for the first quarter of 2022:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	141,936	14,159	2,032	-4,528	153,599
including:					
Revenue from external customers	140,802	11,058	1,761	-22	153,599
Inter-segment revenues	1,134	3,101	271	-4,506	0
including:					
Revenue from construction contracts	137,150	0	2,032	-266	138,916
Revenue from the provision of services	2,739	0	0	-1,161	1,578
Revenue from the sale of goods, raw and other materials	2,047	14,159	0	-3,101	13,105
Gross profit	7,363	997	192	-240	8,312
Financial income / expenses	1,500	-231	29	7	1,305
Interest received	255	0	0	-55	200
Interest paid	-472	-104	-9	55	-530
Pre-tax profit	5,227	164	-281	-201	4,909
Corporate income tax	1,118	33	37	-38	1,150
Net profit	4,109	131	-318	-163	3,759
Depreciation and amortisation	3,304	6	36	0	3,346
Property, plant and equipment	69,213	15	104	0	69,332
Non-current assets	182,488	155	761	-623	182,781
Total assets	537,899	17,641	10,935	-7,592	558,883
Total liabilities	368,120	16,001	11,518	-6,918	388,721

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

Operating segments' results for the first quarter of 2021:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	141,222	9,910	2,122	-2,379	150,875
including:					
Revenue from external customers	141,066	8,100	1,471	238	150,875
Inter-segment revenues	156	1,810	651	-2,617	0
including:					
Revenue from construction contracts	137,134	0	2,122	-413	138,843
Revenue from the provision of services	1,420	53	0	-156	1,317
Revenue from the sale of goods, raw and other materials	2,668	9,857	0	-1,810	10,715
Gross profit	4,819	460	263	-192	5,350
Financial income / expenses	-152	-139	-28	7	-312
Interest received	1	0	0	-1	0

Interest paid	-489	-36	-2	0	-527
Pre-tax profit	165	-214	-383	-167	-599
Corporate income tax	158	-3	32	-32	155
Net profit	7	-211	-415	-135	-754
Depreciation and amortisation	3,015	3	40	0	3,058
Property, plant and equipment	63,619	26	143	41	63,829
Non-current assets	167,441	495	854	-541	168,249
Total assets	447,633	12,193	12,459	-4,968	467,317
Total liabilities	294,030	11,465	12,427	-4,500	313,422

The Group operated in Poland in the first quarter of 2021.

4.4. Contracts, provisions, allowances and accruals

4.4.1. Construction contracts

	Balance at 31-03-2022	Balance at 31-12-2021
Assets (selected items)	170,582	152,077
- Measurement of long-term construction contracts	92,508	107,149
- Advance payments made in connection with performed contracts	11,936	3,425
- Retentions on construction contracts retained by customers	21,783	11,144
- Inventories	44,355	30,359
Liabilities (selected items)	248,441	200,329
- Measurement of long-term construction contracts	51,063	49,539
- Provisions for contract costs	66,439	68,636
- Advance payments received in connection with performed contracts	61,183	6,737
- Retentions on construction contracts retained for suppliers	34,936	41,828
- Provisions for warranty claims	18,353	19,059
- Provisions for expected losses on contracts	16,467	14,530

4.4.2. Provisions

Change in provisions

Provisions	01-01-2022	Created	Used	Released	Reclassified	31-03-2022	Item
Long-term provisions:	18,434	515	7	1,207	-259	17,476	
Provisions for employee benefits	1,864	0	0	0	0	1,864	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,570	515	7	1,207	-259	15,612	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	48,491	8,263	2,650	2,309	259	52,054	
Provisions for employee benefits	31,441	5,280	2,637	1,263	0	32,821	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,489	104	8	104	259	2,740	Short-term provisions

Provision for loss on contracts	14,530	2,879	0	942	0	16,467	Short-term provisions
Other provisions	31	0	5	0	0	26	Short-term provisions
Total provisions:	66,925	8,778	2,657	3,516	0	69,530	

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

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

Comparative information

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

4.4.3. Allowances

Change in allowances

Allowances	01-01-2022	Creation	Use	Release	31-03-2022
Allowances:	29,913	7,199	1,383	4	35,725
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	1	0	0	0	1
Allowances for trade receivables in connection with the increase of credit risk	28,642	7,199	1,383	4	34,454
Allowances for trade receivables – initial for expected credit losses	489	0	0	0	489

Write-downs of retentions	11	0	0	0	11
Total:	29,913	7,199	1,383	4	35,725

Allowances for trade receivables of PLN 34m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 32m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue. The major items include the notes of PLN 26m issued in past years.
- Receivables under court and enforcement cases of PLN 1.1m.
- Doubtful debt of PLN 0.9m of prior years.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 48 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

Comparative information:

Allowances	01-01-2021	Creation	Use	Release	31-12-2021
Allowances:	26,075	8,663	4,809	16	29,913
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	191	0	190	0	1
Allowances for trade receivables in connection with the increase of credit risk	24,914	8,360	4,619	13	28,642
Allowances for trade receivables – initial for expected credit losses	189	300	0	0	489
Write-downs of retentions	11	3	0	3	11
Total:	26,075	8,663	4,809	16	29,913

4.4.4. Accruals

	Balance at 31-03-2022	Balance at 31-12-2021
Provisions for contract costs	66,439	68,636
Other accruals	2,505	1,622
Total	68,944	70,258

4.5. Trade and other receivables and payables

4.5.1. Trade and other receivables

	Balance at 31-03-2022	Balance at 31-12-2021
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Trade receivables	167,978	161,414
Allowances for trade receivables in connection with the increase of credit risk	-34,454	-28,642
Allowances for trade receivables – initial for expected credit losses	-489	-489
Receivables from the state budget other than corporate income tax	205	632
Other receivables	4,114	4,142
Total trade and other receivables	137,354	137,057

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

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

	Balance at	
	31-03-2022	31-12-2021
Counterparty A	76,082	101,121

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

4.5.2. Trade and other payables

	Balance at	Balance at
	31-03-2022	31-12-2021
Trade payables	60,990	117,208
Liabilities to the state budget other than corporate income tax	4,813	17,466
Other payables	260	242
Total trade and other payables	66,063	134,916

4.6. Credits, loans, leases and management of capital

4.6.1. Loans and bank credits

	Balance at	Balance at
	31-03-2022	31-12-2021
Long-term	0	0
Bank credits	0	0
Loans received	0	0
Short-term	5,595	7,964
Bank credits	3,100	3,250
Loans received	2,495	4,714
Total	5,595	7,964

Summary of loan and credit agreements as at 31 March 2022

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2022	Amount of available loans/credits as at 31-03-2022	Use as at 31-03-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2022
2	mBank S.A. (i)	Master agreement	25,000		100	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	24,900	100		
		sublimit for non-revolving working capital credit	25,000	24,900	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	2,221	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		30,000	1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	35,000	30,000		
		Overdraft	4,000	4,000	0		
5	mBank S.A.	Working capital credit	3,250	0	3,100	1M WIBOR + margin	May 2022
6	Magdalena Nowak	Loan agreement	274	0	274	3M WIBOR + margin	Unspecified
Total amount of available loans and credits				38,900			
Total debt under loans and credits					5,595		
Total use for bonds					30,100		

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

Types of security and liabilities under loan and credit agreements did not change in the first quarter of 2022. Note 6.1. of the consolidated financial statements for the financial year ended 31 December 2021 contains a detailed list of the types of security and liabilities under loan and credit agreements.

No changes to credit agreements concluded by the Group occurred in the reporting period.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2021	Amount of available loans/credits as at 31-12-2021	Use as at 31-12-2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2022
2	mBank S.A. (i)	Master agreement	25,000		100	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	24,900	100		
		sublimit for non-revolving working capital credit	25,000	24,900	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	4,443	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		0	1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	65,000	0		
		Overdraft	4,000	4,000	0		
5	mBank S.A.	Working capital credit	3,250	0	3,250	1M WIBOR + margin	May 2022
6	Magdalena Nowak	Loan agreement	271	0	271	3M WIBOR + margin	Unspecified
Total amount of available loans and credits				38,900			
Total debt under loans and credits					7,964		
Total use for bonds					100		

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

4.6.2. Leases

Lease liabilities

	Balance at 31-03-2022	Balance at 31-12-2021
Long-term lease liabilities	12,892	14,248
Short-term lease liabilities	5,624	6,289
Lease liabilities associated with assets held for sale	349	366
Total	18,865	20,903

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

In the reporting period, the Group signed the leases with the total amount of PLN 406 thousand and purchased the leased assets with the total net value of PLN 6,005 thousand.

4.6.3. Management of capital

	Balance at 31-03-2022	Balance at 31-12-2021
Long- and short-term loans and bank credits	5,595	7,964
Long- and short-term lease liabilities	18,516	20,537
Lease liabilities associated with assets held for sale	349	366
Long- and short-term other financial liabilities	36	36
Total financial liabilities	24,496	28,903
Cash and cash equivalents	73,694	108,736
Net debt	-49,198	-79,833
Equity	170,162	166,403
Net debt to equity ratio	-28.91%	-47.98%

The Group reviews the capital structure each time for the purpose of the financing of major contracts/orders. During the review, the Group considers own resources required for day-to-day operations, the schedule of contract/order financing, the cost of capital and the risks associated with each class of the capital.

Negative net debt is due to the fact that total financial liabilities at the end of Q1 2022 fell below the amount of cash at the Group.

The Group uses own resources, loans, credits and leases to finance day-to-day operations. The information on the financial ratios contained in this report is cyclically monitored and presented in subsequent interim reports. Definitions of alternative measurements result from the layout of individual lines in relevant tables and according to the Issuer, no additional defining is required.

4.7. Other notes to the financial statements

4.7.1. Goodwill

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

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

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

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

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

At cost	31-03-2022	31-12-2021
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
Balance at the end of the reporting period	31,172	31,172

Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of the Company's assets. The impairment tests carried out at 31 December 2021 according to IAS 36 *Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 31 March 2022, the Group reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Group intends to carry out the test at the end of the year.

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

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 1,431 thousand.

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

As at 31 March 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 652 thousand.

Major investments in property, plant and equipment and intangible assets made by the Group in the reporting period included the purchase of cars for PLN 686 thousand.

In the first quarter of 2022, the Group sold the property, plant and equipment and intangible assets of the total net carrying amount of PLN 328 thousand. No property, plant and equipment or intangible assets were sold by the Group in the first quarter of 2021.

4.7.3. Financial instruments

The following table sets out the carrying amounts of all financial instruments of the Group with a breakdown into particular classes and categories of assets and liabilities as at 31 March 2022.

Balance at 31 March 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	24,003	0	0	0	39,464
Trade receivables	167,978	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	285	0	0	0	0
Cash and cash equivalents	0	73,694	0	0	0
Loans and bank credits	0	0	0	0	5,595
Lease liabilities	0	0	0	0	18,516
Lease liabilities associated with assets held for sale	0	0	0	0	349
Trade payables	0	0	0	0	60,990
Total	192,266	73,694	0	0	124,950

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

Balance at 31 December 2021

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

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

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

4.7.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2022	31-12-2021	31-03-2022	31-12-2021
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	0	0	0	0

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2022	31-03-2021	31-03-2022	31-03-2021
RTI	1	1	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	1	1	0	0

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	31-03-2022	31-12-2021	31-03-2022	31-03-2021
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	0	0	0	0

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

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

Remuneration of key management personnel

	Period ended 31-03-2022	Period ended 31-03-2021
Management Board	731	717
Proxy	112	113
Supervisory Board	67	67
Total	910	897

The remuneration of the Supervisory Board includes only the remuneration paid to Members for their service on the Board.

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

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

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

Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

Major pending court proceedings concerning claims:

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

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

An expert opinion was prepared according to which the petitioner's claims were to a considerable extent well-grounded. There was also another opinion and the arguments contained therein were basically the same as in the first opinion. The Parties made further reservations and the Court ordered that another opinion be prepared. The date of the next trial was not set by the date of preparation of these financial statements.

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

On 30 December 2016, the consortium of:

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

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

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

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

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

On 11 March 2019, the Court delivered the partial judgment whereby it ordered that PKP Polskie Linie Kolejowe S.A. pay ZUE PLN 347 thousand plus statutory default interest from 21 December 2016 to the date of payment and dismissed ZUE's claim concerning the payment of PLN 283 thousand plus statutory interest from 21 December 2016. The Parties appealed against this judgment. The Petitioner appealed against the dismissal of the claim of PLN 283 thousand plus statutory interest and the Defendant appealed against the order to pay PLN 347

thousand plus statutory interest. The appeal hearing referring to the partial judgment was held on 13 February 2020. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding. After the trial of 8 April 2021, the Court admitted the opinion of the expert which was prepared but was not submitted to the Parties. The date of the next trial, however, was not set.

Court case relating to the contract claim

On 28 April 2020, the claim of approx. PLN 34.8m was lodged against PKP PLK S.A. with the District Court in Warsaw to increase/pay the remuneration for the performance of the following contract: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The case is pending. The Parties exchange the pleadings. The Defendant (PKP PLK S.A.), represented by the General Counsel to the Republic of Poland, responded to the claim and applied for the dismissal thereof. The Plaintiff upheld the claim. Witnesses and the parties were heard and the proceedings are pending. An expert was appointed to prepare an opinion.

Other court cases concerning inflation claims in respect of railway contracts

The Group previously declared its intention to make contractual claims relating to railway projects in order to increase the amount of remuneration payable to the contractor for the performance of the railway contracts in case of any risks beyond the contractor's control. Accordingly, the Issuer and consortium members filed the four claims in December 2021 for the total amount (attributable to ZUE S.A.) of approx. PLN 19m. The claims concern the following projects:

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

The suits in all cases was submitted to the Defendant but no response was made.

4.7.6. Tax settlements

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

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

No significant or countable tax risks were recognised by the Group at 31 March 2022 or 31 December 2021.

The inspection of the corporate income tax for 2018 commenced at the Company on 7 February 2022.

4.7.7. Contingent assets and contingent liabilities

Contingent assets

	31-03-2022	31-12-2021
Bonds	87,740	89,133
Promissory notes	637	747
Total	88,377	89,880

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

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

Contingent liabilities

	31-03-2022	31-12-2021
Bonds	537,495	514,540
Guarantees	16,451	14,291
Promissory notes	291,362	301,346
Mortgages	81,529	81,529
Pledges	158,837	159,872
Total	1,085,674	1,071,578

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

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

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

Mortgages are additional security for limit agreements and a loan agreement.

Registered pledges have been established to secure limit agreements entered into with banks and a loan agreement. The pledged assets include machinery and equipment.

Apart from the registered pledges, there is a financial pledge over the borrower's bank accounts to secure the agreements entered into with the bank.

4.7.8. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment at 31 March 2022 or 31 December 2021.

4.7.9. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the three months ended 31 March 2022 or the three months ended 31 March 2021.

4.8. Other notes to the financial statements

4.8.1. Use of the International Financial Reporting Standards

Statement of compliance

The condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 31 March 2022 as endorsed by the European Union.

The consolidated financial statements for the three months ended 31 March 2022 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2022:

- **Amendments to IAS 16 “Property, Plant and Equipment”** – proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – clarification of costs considered in assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IFRS 3 “Business Combinations”** – updated reference to Conceptual Framework (effective for reporting periods beginning after 1 January 2022 with earlier application permitted);
- **Annual improvements 2018-2020** – the improvements clarify the guidelines for recognition and measurement: IFRS 1 “First-time Adoption of International Financial Reporting Standards,” IFRS 9 “Financial Instruments,” IAS 41 “Agriculture” and illustrative examples of IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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

Standards and interpretations published and endorsed by the EU but not yet effective

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

- **IFRS 17 “Insurance Contracts” and amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 1: “Presentation of Financial Statements” and guidelines of the IFRS Board on disclosures of accounting policies** – disclosure of material accounting policy information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 8 “Accounting Principles (Policies), Changes in Accounting Estimates and Errors”** – definition of estimates (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted).

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

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

- **Amendments to IAS 1 “Presentation of Financial Statements”** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 12 “Income Taxes”** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IFRS 17 “Insurance Contracts”** – first application of IFRS 17 and IFRS 9 – comparative information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date has been deferred by the IASB indefinitely).

4.8.2. Important accounting principles

4.8.2.1. Going concern

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

In the three months ended 31 March 2022, the Group recognised the sales revenue of PLN 153.6m and the gross profit on sales of PLN 8.3m. As at 31 March 2022, the Group presented the total current assets of PLN 372.8m, including trade and other receivables of PLN 137.4m and the cash of approx. PLN 73.7m. At the end of the reporting period, the Group had the backlog worth approx. PLN 1,498m and was in the process of winning new contracts.

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

4.8.2.2. Preparation basis

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

4.8.2.3. Comparability of financial information

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

4.8.2.4. Applied accounting principles

These quarterly consolidated financial statements for the three months ended 31 March 2022 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Group as at 31 December 2021. The financial statements for the financial year ended 31 December 2021 contain a detailed description of the accounting principles adopted by the Group.

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

4.8.3. Sources of estimation uncertainty

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

The estimates relate, *inter alia*, to.:

Impairment of goodwill (note no. 4.7.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 4.4.3.)

Provisions (note no. 4.4.2.)

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

Deferred income tax (note no. 4.3.7.)

Contingent assets and contingent liabilities (note no. 4.7.7.)

Uncertainty over tax settlements (note no. 4.7.6.)

No revisions to estimates occurred in the reporting period.



ZUE S.A.

**CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR 3 MONTHS ENDED 31 MARCH 2022**

Cracow, 18 May 2022

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

Separate statement of comprehensive income

Continuing operations	Note no.	3 months ended 31-03-2022	3 months ended 31-03-2021
Sales revenue	2.2.1.	141,936	141,222
Cost of sales	2.1.2.	134,573	136,403
Gross profit (loss) on sales		7,363	4,819
General and administrative expenses	2.1.2.	4,190	5,079
Other operating income	2.1.3.	819	786
Other operating expenses	2.1.4.	265	209
Operating profit (loss)		3,727	317
Financial income	2.1.5.	1,813	108
Financial expenses	2.1.6.	313	260
Pre-tax profit (loss)		5,227	165
Corporate income tax	2.1.7.	1,118	158
Net profit (loss) from continuing operations		4,109	7
Net profit (loss)		4,109	7
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		0	0
Actuarial gains (losses) relating to specific benefit schemes		0	0
Other total net comprehensive income		0	0
Total comprehensive income		4,109	7
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.18	0.00
Total comprehensive income per share (PLN)		0.18	0.00

Separate statement of financial position

	Note no.	Balance at 31-03-2022	Balance at 31-12-2021
ASSETS			
Non-current assets			
Property, plant and equipment		69,213	64,623
Investment property		6,174	6,145
Intangible assets		2,547	2,697
Right-of-use assets		34,881	41,356
Goodwill	2.5.1.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts		17,792	7,393
Deferred tax assets	2.1.7	20,488	21,606
Total non-current assets		182,488	175,213
Current assets			
Inventories		44,355	30,359
Trade and other receivables	2.3.1.	130,935	126,699
Measurement of long-term construction contracts	2.2.1.	84,181	98,329
Retentions on construction contracts		3,872	3,387
Advance payments		12,408	3,994
Current tax assets	2.1.7.	0	0
Advanced loans		3,550	3,572
Other assets		640	463
Cash and cash equivalents		71,926	106,612
Current assets		351,867	373,415
Assets held for sale		3,544	3,544
Total current assets		355,411	376,959
Total assets		537,899	552,172

EQUITY AND LIABILITIES

Equity

Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		72,874	68,765
Total equity		169,779	165,670

Non-current liabilities

Non-current lease liabilities	2.4.2.	12,831	14,178
Retentions on construction contracts		17,389	23,231
Liabilities under employee benefits		1,789	1,789
Long-term provisions	2.2.2.	15,200	16,127
Total non-current liabilities		47,209	55,325

Current liabilities

Trade and other payables	2.3.2.	57,750	122,266
Accruals	2.2.4.	65,353	66,463
Measurement of long-term construction contracts	2.2.1.	50,792	49,426
Retentions on construction contracts		15,607	16,628
Advance payments		61,183	6,737
Short-term loans and bank credits	2.4.1.	2,221	4,443
Current lease liabilities	2.4.2.	5,581	6,244
Other financial liabilities		36	36
Liabilities under employee benefits		42,633	40,220
Current tax liabilities	2.1.7.	0	1,098
Short-term provisions	2.2.2.	19,406	17,250
Total current liabilities		320,562	330,811
Lease liabilities associated with assets held for sale		349	366
Total liabilities		368,120	386,502
Total equity and liabilities		537,899	552,172

Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at	1 January 2022	5,758	93,837	-2,690	68,765	165,670
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	4,109	4,109
Other net comprehensive income		0	0	0	0	0
Balance at	31 March 2022	5,758	93,837	-2,690	72,874	169,779
Balance at	1 January 2021	5,758	93,837	-2,690	56,691	153,596
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	7	7
Other net comprehensive income		0	0	0	0	0
Balance at	31 March 2021	5,758	93,837	-2,690	56,698	153,603
Balance at	1 January 2021	5,758	93,837	-2,690	56,691	153,596
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	12,141	12,141
Other net comprehensive income		0	0	0	-67	-67
Balance at	31 December 2021	5,758	93,837	-2,690	68,765	165,670

Separate statements of cash flows

	3 months ended 31-03-2022	3 months ended 31-03-2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	5,227	165
Adjustments for:		
Depreciation and amortisation	3,304	3,015
Foreign exchange gains / (losses)	-5	-137
Interest and share in profit (dividends)	32	124
Gain / (loss) on disposal of investments	-717	10
Operating profit (loss) before changes in working capital	7,841	3,177
Change in receivables and retentions on construction contracts	-14,356	51,291
Change in inventories	-13,996	-6,932
Change in provisions and liabilities under employee benefits	3,642	390
Change in payables and retentions on construction contracts	-71,180	-60,675
Change in measurement of construction contracts	15,514	13,744
Change in accruals	-1,110	7,178
Change in advance payments	46,032	-6,904
Change in other assets	-176	-476
Other adjustments	0	109
Income tax paid / tax (refund)	-1,098	0
NET CASH FROM OPERATING ACTIVITIES	-28,887	902
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	295	1
Purchase of property, plant and equipment and intangible assets	-1,431	-1,459
Repayment of advanced loans	22	21
Interest received	255	1
NET CASH FROM INVESTING ACTIVITIES	-859	-1,436
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	0	3,400
Repayment of loans and bank credits	-2,222	-5,623
Decrease in lease liabilities	-2,251	-2,259
Lease interest paid	-428	-420
Other interest paid	-44	-69
NET CASH FLOWS FROM FINANCING ACTIVITIES	-4,945	-4,971
TOTAL NET CASH FLOWS	-34,691	-5,505
Net foreign exchange gains / (losses)	5	137
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	106,612	20,230
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	71,926	14,862
- of limited availability	23,634	2,075

Notes to the condensed separate financial statements of ZUE

1. General information

1.1. Core business of ZUE

ZUE's core business is the execution, as a general contractor or consortium leader or member or subcontractor, of multi-discipline projects including:

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

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

1.2. Functional and reporting currency

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

2. Financial information

2.1. Notes to the statement of comprehensive income

2.1.1. Revenue

	Period ended 31-03-2022	Period ended 31-03-2021
Revenue from construction contracts	137,150	137,134
Revenue from the rendering of services	2,739	1,420
Revenue from the sale of goods, raw and other materials	2,047	2,668
Total	141,936	141,222

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

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

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	31-03-2022	31-03-2021
Counterparty A	103,652	137,654

2.1.2. Operating expenses

	Period ended 31-03-2022	Period ended 31-03-2021
Change in products	-1,523	-2,838
Depreciation and amortization	3,304	3,015
Consumption of materials and energy, including:	29,641	29,203
- <i>consumption of materials</i>	27,503	28,844
- <i>consumption of energy</i>	2,138	359
Contracted services	72,947	79,647
Costs of employee benefits	28,210	28,197
Taxes and charges	402	388
Other expenses	4,389	3,055
Value of goods and materials sold	1,393	815
Total	138,763	141,482

	Period ended 31-03-2022	Period ended 31-03-2021
Cost of sales	134,573	136,403
General and administrative expenses	4,190	5,079
Total	138,763	141,482

Depreciation and amortisation

	Period ended 31-03-2022	Period ended 31-03-2021
Depreciation of property, plant and equipment	2,292	2,104
Depreciation of right-of-use assets	766	805
Amortisation of intangible assets	150	11
Depreciation of investments in real property	96	95
Total	3,304	3,015

2.1.3. Other operating income

	Period ended 31-03-2022	Period ended 31-03-2021
Gain on disposal of assets	717	0
Gain on disposal of non-current assets	717	0
Other operating income	102	786
Damages and penalties	0	21
Release of allowances for receivables	48	535
Refund of the costs of court proceedings	30	0
Substitute performance	24	181
Other	0	49
Total	819	786

2.1.4. Other operating expenses

	Period ended 31-03-2022	Period ended 31-03-2021
Loss on disposal of assets	0	10
Loss on disposal of non-current assets	0	10
Other operating expenses	265	199
Donations	22	0
Damages and penalties	33	0
Allowances for receivables	0	2
Costs of litigations	161	16
Substitute performance	24	181
Other	25	0
Total	265	209

2.1.5. Financial income

	Period ended 31-03-2022	Period ended 31-03-2021
Interest income	304	41
Interest on bank deposits	249	36
Interest on loans	55	5
Other financial income	1,509	67
Foreign exchange gains	11	0
Discount of long-term items	1,435	0
Guarantees	63	67
Total	1,813	108

2.1.6. Financial expenses

	Period ended 31-03-2022	Period ended 31-03-2021
Interest expenses	313	241
Interest on loans	43	69
Interest on leases	245	169
Interest on trade and other payables	25	3
Other financial expenses	0	19
Foreign exchange losses	0	3
Discount of long-term items	0	16
Total	313	260

2.1.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 31-03-2022	Period ended 31-03-2021
Current income tax	0	0
Deferred tax	1,118	158
Total tax expense/income	1,118	158

Current income tax

	Period ended 31-03-2022	Period ended 31-03-2021
Gross profit (loss)	5,227	165
Difference between gross profit (loss) and income tax base:		
- differences between gross profit and taxable income resulting from costs that are not tax-deductible under tax regulations and revenue not classified as revenue under tax regulations and additional costs and revenue	-5,227	-165
- other differences (including loss carried forward)	1,063	9,305
Income/Loss	0	0
Income tax base	0	0
Income tax at the applicable rate of 19%	0	0
Current income tax	0	0

Income tax according to effective interest rate

	Period ended 31-03-2022	Period ended 31-03-2021
Gross profit (loss)	5,227	165
Income tax at the applicable rate of 19%	993	31
Effect of tax recognition of:	-993	-31
- Use of tax losses brought forward	1,195	-1,799
- Costs that are not tax-deductible under tax regulations	2,092	1,839
- Revenue not classified as revenue under tax regulations	-2,402	-2,497
- Tax-deductible expenses not classified as balance sheet expenses	4,307	2,575
- Taxable revenue not classified as balance sheet revenue	15	7
Revaluation of deferred tax assets (current year loss)	0	0
Deferred tax	1,118	158
Income tax according to effective tax rate	1,118	158
Effective tax rate	21%	96%

Current tax assets and liabilities

	Balance at 31-03-2022	Balance at 31-12-2021
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	0

Deferred tax

	Period ended 31-03-2022	Period ended 31-03-2021
Deferred tax balance at the beginning of the period	21,606	14,296
Temporary differences relating to deferred tax assets:	48,617	42,438
Provisions for expenses and accruals	25,604	21,550
Discount of receivables	405	135
Operating lease liabilities	2,887	1,911
Write-downs	616	613
Bonds and insurances accounted for over time	1,961	1,499
Tax work in progress	6,950	13,776
Measurement of long-term contracts	9,650	2,413
Other	544	541
Temporary differences relating to deferred tax liabilities:	31,017	38,463
Measurement of long-term contracts	15,994	25,463
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	13,384	12,313
Discount of payables	1,639	687
Unused tax losses and other tax credits carried forward:	2,888	10,163
Tax losses	2,888	10,163

Total temporary differences relating to deferred tax assets:	51,505	52,601
Total temporary differences relating to deferred tax liabilities:	31,017	38,463
Deferred tax balance at the end of the period	20,488	14,138
Change in deferred tax, including:	-1,118	-158
- recognised in income	-1,118	-158
- recognised in equity	0	0

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

2.1.8. Operating segments

ZUE's reporting is based on operating segments. The Company analyses the areas of activity based on the aggregation rules under IFRS 8.12 and identifies one aggregate reporting segment, namely construction activity.

The Company is organised and managed within the abovementioned segment. The Company applies a uniform accounting policy to all operating areas within the segment of engineering construction and assembly services.

2.2. Contracts, provisions, allowances and accruals

2.2.1. Construction contracts

	Balance at 31-03-2022	Balance at 31-12-2021
Assets (selected items)	162,608	143,462
- Measurement of long-term construction contracts	84,181	98,329
- Advance payments made in connection with performed contracts	12,408	3,994
- Retentions on construction contracts retained by customers	21,664	10,780
- Inventories	44,355	30,359
Liabilities (selected items)	242,578	194,402
- Measurement of long-term construction contracts	50,792	49,426
- Provisions for contract costs	63,002	65,003
- Advance payments received in connection with performed contracts	61,183	6,737
- Retentions on construction contracts retained for suppliers	32,996	39,859
- Provisions for warranty claims	17,874	18,568
- Provisions for expected losses on contracts	16,731	14,809

2.2.2. Provisions

Change in provisions

Provisions	01-01-2022	Created	Used	Released	Reclassified	31-03-2022	Item
Long-term provisions:	17,916	528	7	1,207	-242	16,988	
Provisions for employee benefits	1,789	0	0	0	0	1,789	Liabilities under employee benefits (long-term)
Provisions for warranty claims	16,127	528	7	1,207	-242	15,199	Long-term provisions

Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	47,640	8,036	2,444	2,324	242	51,150	
Provisions for employee benefits	30,390	5,053	2,436	1,263	0	31,744	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,441	104	8	104	242	2,675	Short-term provisions
Provision for loss on contracts	14,809	2,879	0	957	0	16,731	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	65,556	8,564	2,451	3,531	0	68,138	

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

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

Comparative information:

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

2.2.3. Allowances

Change in allowances

Allowances	01-01-2022	Creation	Use	Release	31-03-2022
Allowances:	28,768	7,199	1,381	4	43,582
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	0	0	0	0	0
Allowances for trade receivables in connection with the increase of credit risk	27,557	7,199	1,381	4	33,371
Allowances for trade receivables – initial for expected credit losses	430	0	0	0	430
Write-downs of retentions	11	0	0	0	11
Total:	28,768	7,199	1,381	4	34,582

Allowances for trade receivables of PLN 33m include:

- Debit notes issued by the Company for penalties, damages and substitute performance of PLN 31m. The amount is for presentation purposes only because the notes are not the Company's revenue at the date of issue. The major items include the notes of PLN 25m issued in past years.
- Receivables under court and enforcement cases of PLN 1.1m.
- Doubtful debt of PLN 0.9m of prior years.

Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 48 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by ZUE for the penalties and damages that are not the Company's revenue at the date of issue.

Comparative information

Allowances	01-01-2021	Creation	Use	Release	31-12-2021
Allowances:	24,935	8,646	4,797	16	28,768
Write-downs of property, plant and equipment	0	0	0	0	0
Write-downs of right-of-use assets	0	0	0	0	0
Write-downs of investment property	770	0	0	0	770
Write-downs of inventories	190	0	190	0	0
Allowances for trade receivables in connection with the increase of credit risk	23,834	8,343	4,607	13	27,557
Allowances for trade receivables – initial for expected credit losses	130	300	0	0	430

Write-downs of retentions	11	3	0	3	11
Total:	24,935	8,646	4,797	16	28,768

2.2.4. Accruals

	Balance at 31-03-2022	Balance at 31-12-2021
Provisions for contract costs	63,002	65,003
Other accruals	2,351	1,460
Total	65,353	66,463

2.3. Trade and other receivables and payables

2.3.1. Trade and other receivables

	Balance at 31-03-2022	Balance at 31-12-2021
Trade receivables	160,626	150,544
Allowances for trade receivables in connection with the increase of credit risk	-33,371	-27,557
Allowances for trade receivables – initial for expected credit losses	-430	-430
Other receivables	4,110	4,142
Total trade and other receivables	130,935	126,699

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

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

	Balance at	
	31-03-2022	31-12-2021
Counterparty A	76,042	99,440

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

2.3.2. Trade and other payables

	Balance at 31-03-2022	Balance at 31-12-2021
Trade payables	53,521	105,396
Liabilities to the state budget other than corporate income tax	3,978	16,638
Other payables	251	232
Total trade and other payables	57,750	122,266

2.4. Credits, loans, leases and management of capital

2.4.1. Loans and bank credits

	Balance at 31-03-2022	Balance at 31-12-2021
Long-term	0	0
Bank credits	0	0
Loans received	0	0
Short-term	2,221	4,443
Bank credits	0	0
Loans received	2,221	4,443
Total	2,221	4,443

Summary of loan and credit agreements as at 31 March 2022

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2022	Amount of available loans/credits as at 31-03-2022	Use as at 31-03-2022	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2022
2	mBank S.A. (i)	Master agreement	25,000		100	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	24,900	100		
		sublimit for non-revolving working capital credit	25,000	24,900	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	2,221	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		30,000	1M WIBOR + margin	July 2022
	including:	sublimit for	65,000	35,000	30,000		

bonds			
Overdraft	4,000	4,000	0
Total amount of available loans and credits		38,900	
Total debt under loans and credits			2,221
Total use for bonds			30,100

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

Types of security and liabilities under loan and credit agreements did not change in the first quarter of 2022. Note 6.1. of the consolidated financial statements for the financial year ended 31 December 2021 contains a detailed list of the types of security and liabilities under loan and credit agreements.

No changes to credit agreements concluded by ZUE occurred in the reporting period.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2021	Amount of available loans/credits as at 31-12-2021	Use as at 31-12-2021	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2022
2	mBank S.A. (i)	Master agreement	25,000		100	1M WIBOR + margin	May 2022
	including:	sublimit for bonds	25,000	24,900	100		
		sublimit for non-revolving working capital credit	25,000	24,900	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	4,443	1M WIBOR + margin	June 2022
4	BNP Paribas Bank Polska S.A.	Premium multipurpose line of credit agreement	65,000		0	1M WIBOR + margin	July 2022
	including:	sublimit for bonds	65,000	65,000	0		
		Overdraft	4,000	4,000	0		
	Total amount of available loans and credits			38,900			
	Total debt under loans and credits				4,443		
	Total use for bonds				100		

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

2.4.2. Leases

Lease liabilities

	Balance at 31-03-2022	Balance at 31-12-2021
Long-term lease liabilities	12,831	14,178
Short-term lease liabilities	5,581	6,244

Lease liabilities associated with assets held for sale	349	366
Total	18,761	20,788

No leaseback agreements were signed by the Company in the reporting period. In the reporting period, the Company signed the leases with the total amount of PLN 406 thousand and purchased the leased assets with the total net value of PLN 6,005 thousand.

2.4.3. Management of capital

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

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

	Balance at 31-03-2022	Balance at 31-12-2021
Long- and short-term loans and bank credits	2,221	4,443
Long- and short-term lease liabilities	18,412	20,422
Lease liabilities associated with assets held for sale	349	366
Long- and short-term other financial liabilities	36	36
Total financial liabilities	21,018	25,267
Cash and cash equivalents	71,926	106,612
Net debt	-50,908	-81,345
Equity	169,779	165,670
Net debt to equity ratio	-29.98%	-49.10%

Negative net debt is due to the fact that total financial liabilities at the end of Q1 2022 fell below the amount of cash at the Company.

The Company uses own resources, loan and leases to finance day-to-day operations. There are also credit limits available to the Company.

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

2.5. Other notes to the financial statements

2.5.1. Goodwill

At cost	31-03-2022	31-12-2021
Goodwill of PRK	31,172	31,172
Balance at the end of the reporting period	31,172	31,172

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

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

Goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of the Company's assets. The impairment tests carried out at 31 December 2021 according to IAS 36 *Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets. As at 31 March 2022, the Company reviewed the assumptions used to carry out the test and decided that they were still up to date. Accordingly, there is no impairment of goodwill at the end of the reporting period. The Company intends to carry out the test at the end of the year.

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

The total capital expenditures disclosed in the reporting period in the statement of cash flows amounted to PLN 1,431 thousand.

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

As at 31 March 2021, net liabilities incurred to purchase property, plant and equipment amounted to PLN 652 thousand.

Major investments in property, plant and equipment and intangible assets made by the Company in the reporting period included the purchase of cars for PLN 686 thousand.

In the first quarter of 2022, the Company sold the property, plant and equipment and intangible assets of the total net carrying amount of PLN 327 thousand. No property, plant and equipment or intangible assets were sold by the Company in the first quarter of 2021.

2.5.3. Financial instruments

The following table sets out the carrying amounts of the Company's financial instruments with a breakdown into particular classes and categories of assets and liabilities.

Balance at 31 March 2022

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
Retentions on construction contracts (before discount)	23,804	0	0	0	37,333
Trade receivables	160,626	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	3,835	0	0	0	0
Cash and cash equivalents	0	71,926	0	0	0
Loans and bank credits	0	0	0	0	2,221
Lease liabilities	0	0	0	0	18,412
Lease liabilities associated with assets held for sale	0	0	0	0	349
Trade payables	0	0	0	0	53,521
Total	188,265	71,926	0	0	111,872

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

Balance at 31 December 2021

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

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

2.5.4. Transactions with related parties

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2022	31-12-2021	31-03-2022	31-12-2021
Railway gft	1,061	174	888	2,922
BPK Poznań	565	683	636	901
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	1,626	857	1,524	3,823
	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2022	31-03-2021	31-03-2022	31-03-2021
Railway gft	1,089	111	3,101	1,810
BPK Poznań	127	140	271	651
RTI	1	1	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	1,217	252	3,372	2,461
	Advanced loans		Financial income (interest on loans)	
	Balance at		Period ended	
	31-03-2022	31-12-2021	31-03-2022	31-03-2021
Railway gft	3,000	3,000	47	4
BPK Poznań	550	572	8	1
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	3,550	3,572	55	5

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

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

- o Lease of rooms, including utilities and phone services;

- o Financial services;
- o Sale of materials; and
- o Re invoicing of costs.

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

- o Purchase of materials used to build and repair tracks; and
- o Design services.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 31 March 2022 is PLN 16,451 thousand.

Remuneration of key management personnel

	Period ended 31-03-2022	Period ended 31-03-2021
Management Board	731	717
Proxy	112	113
Supervisory Board	67	67
Total	910	897

The remuneration of the Supervisory Board includes only the remuneration paid to Members for their service on the Board.

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

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

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

2.5.6. Tax settlements

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

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

No significant or countable tax risks were recognised by the Company at 31 March 2022 or 31 December 2021.

The inspection of the corporate income tax for 2018 commenced at the Company on 7 February 2022.

2.5.7. Contingent assets and contingent liabilities

Contingent assets

	31-03-2022	31-12-2021
Bonds	86,797	87,878
Promissory notes	6,064	6,917
Pledges	300	300
Total	93,161	95,095

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

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

Apart from the bonds and promissory notes, ZUE is the pledgee in connection with the pledge on movables established by a subsidiary.

Contingent liabilities

	31-03-2022	31-12-2021
Bonds	527,751	505,851
Guarantees	16,451	14,291
Promissory notes	277,660	287,551
Mortgages	81,529	81,529
Pledges	144,137	145,172
Total	1,047,528	1,034,394

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

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

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

Mortgages are additional security for limit agreements and a loan agreement.

Registered pledges have been established to secure limit agreements entered into with banks and a loan agreement. The pledged assets include machinery and equipment.

Apart from the registered pledges, there is a financial pledge over the borrower's bank accounts to secure the agreements entered into with the bank.

2.5.8. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment at 31 March 2022 or 31 December 2021.

2.5.9. Discontinued operations

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

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

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

2.5.11. Issue and redemption of debt and equity securities

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

2.5.12. Dividend

No dividend was paid the Company in the reporting period.

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

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

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

2.6. Other notes to the financial statements

2.6.1. Use of the International Financial Reporting Standards

Statement of compliance

The condensed separate financial statements have been drawn up in accordance with IAS 34 as at 31 March 2022 as endorsed by the European Union.

The separate financial statements for the three months ended 31 March 2022 have been prepared according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent.

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

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2022:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – clarification of costs considered in assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted);
- **Amendments to IFRS 3 "Business Combinations"** – updated reference to Conceptual Framework (effective for reporting periods beginning after 1 January 2022 with earlier application permitted);
- **Annual improvements 2018-2020** – the improvements clarify the guidelines for recognition and measurement: IFRS 1 "First-time Adoption of International Financial Reporting Standards," IFRS 9 "Financial Instruments," IAS 41 "Agriculture" and illustrative examples of IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2022 with earlier application permitted).

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

Standards and interpretations published and endorsed by the EU but not yet effective

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

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

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

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

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IAS 12 "Income Taxes"** – deferred tax related to assets and liabilities on particular transactions (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);
- **Amendments to IFRS 17 "Insurance Contracts"** – first application of IFRS 17 and IFRS 9 – comparative information (effective for annual periods beginning on or after 1 January 2023 with earlier application permitted);

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016), not endorsed by the EU;
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date has been deferred by the IASB indefinitely).

2.6.2. Important accounting principles

2.6.2.1. Going concern

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

In the three months ended 31 March 2022, the Company recognised the sales revenue of PLN 141.9m and the gross profit on sales of PLN 7.4m. As at 31 March 2022, the Company presented the total current assets of PLN 351.9m, including trade and other receivables of PLN 130.9m and the cash of approx. PLN 71.9m. At the end of the reporting period, ZUE had the backlog worth approx. PLN 1, 479m and was in the process of winning new contracts.

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

2.6.2.2. Preparation basis

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

2.6.2.3. Comparability of financial information

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

2.6.2.4. Applied accounting principles

These quarterly financial statements for the three months ended 31 March 2022 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of ZUE as at 31 December 2021. The financial statements for the financial year ended 31 December 2021 contain a detailed description of the accounting principles adopted by the Company.

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

2.6.3. Sources of estimation uncertainty

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

The estimates relate, *inter alia*, to.:

Impairment of goodwill (note no. 2.5.1.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 2.2.3.)

Provisions (note no. 2.2.2.)

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

Deferred income tax (note no. 2.1.7.)

Contingent assets and contingent liabilities (note no. 2.5.7.)

Uncertainty over tax settlements (note no. 2.5.6.)

No revisions to estimates occurred in the reporting period.

3. Approval of the condensed consolidated and separate financial statements

These condensed consolidated and separate financial statements for the three months ended 31 March 2022 were approved for publication by the Management Board of ZUE on 18 May 2022.

4. Signatures

The financial statements have been prepared by:

Marzena Filarek – Chief Accountant

Signatures of the management personnel:

Wiesław Nowak – Management Board President

Anna Mroczek – Management Board Vice-President

Jerzy Czeremuga – Management Board Vice-President

Maciej Nowak – Management Board Vice-President

Marcin Wiśniewski – Management Board Vice-President

Cracow, 18 May 2022