



Dom Maklerski BDM S.A.

ZUE

ANALYTICAL REPORT - SUMMARY

The company has had a revenue record year in 2023 (the net result was close to a record, but supported by a one-off). According to today's price, the company's market cap. has almost doubled since the end of Q3'23 and in March'24 the price approached its IPO price (adjusted for dividends) after nearly 14 years. At the same time, the portfolio-to-revenue ratio is at its lowest since 2015/16 and its growth prospects in the coming months are limited (we do not expect any new major tenders from PKP PLK until autumn at the earliest, and the tram market may be similar). It should be taken into account that 2024 may be weaker in terms of revenue. On the other hand, we see opportunities for improvement on the profitability side, due to a reduction in the importance of problematic contracts or potential valorisation and surcharges. In the medium term, ZUE is well positioned for an inflow of EU funds, but the key to value creation will be building a sustainably profitable backlog. After updating our assumptions, we now target ZUE at PLN 11.1, implying a downgrade to Hold (previously: Accumulate, PLN 8.43). The valuation does not take into account possible claims and valorisation from PKP PLK (lawsuits filed for PLN 129m, ca. PLN 5.6/share).

Recent period results

In 2023, the company generated PLN 1.48bn in revenue (+61% y/y) and PLN 21.0m in net profit. The Q4'23 results (PLN 583m revenue and PLN 10.9m net profit) were much higher than we had anticipated, partly due to much higher-than-expected year-end sales. The Q4'23 gross margin on sales (4.4%) was comparable y/y (note that the company increased the provision for losses, which took about 1.5pp off the margin). The company had a very strong cash position at the end of the year (PLN 134m net cash), but we believe this was partly the result of large payments from customers with repayments to subcontractors shifted to Q1'24.

Backlog

ZUE's backlog stood at PLN 1.73bn after Q4'23 (vs. PLN 1.83bn a year earlier). We estimate that the current backlog is dominated by railway contracts in Poland, followed by railway contracts on the Romanian market and municipal contracts (tramway). The backlog still includes single contracts for PKP PLK signed in 2017 (we estimate that the value of work on these contracts may still amount to a small few tens of millions of PLN). Half a year after the parliamentary elections, the supply of rail contracts is low, and a review of investments is underway at PKP PLK. The gap in the supply of contracts may, in a negative scenario, start to resemble the 2016 period (then, in 2017, contracts were signed on low margins), which may affect the possibility of building a profitable backlog based on the first major wave of new tenders that will appear on the market.

Segmental positioning

The company has exposure primarily to the rail and tram markets (to a small extent also to local roads through its subsidiary Energopol). Both areas are largely financed by EU funds (rail - FENIKS, KPO, CEF, tram lines - FENIKS). An entry into the PSE market was also planned in the past. Meanwhile, entry into the Romanian market is not ZUE's only approach to foreign markets. In 2023, the first small Latvian contract was won, earlier the company had also had a foothold in the German market or it has been observing the Bulgarian direction for many years, and a contract in Slovakia was also implemented

Performance forecasts, ratios

ZUE is set for a record year in terms of revenue in 2023 (net profit was marginally lower than in 2011, including a PLN 5m positive balance of other activities). At the same time, the portfolio-to-revenue ratio for the last Q4 is the lowest since 2015/16 and its growth prospects in the coming months are limited (we do not expect new tenders from PKP PLK until autumn at the earliest, and the tram market may be similar). Our forecasts for 2024/24/26 assume PLN 1.0 / 1.1 / 1.2bn revenue and PLN 16 / 18 / 21m net profit respectively. The company at our forecasts trades at EV/EBITDA=5.8x for 2024 and 5.0x for 2025. Our forecasts do not take into account potential valorisation and surcharges requested by the company (court cases).

	2021	2022	2023	2024F	2025F	2026F
Sales [PLN m]	851,5	921,4	1 484,1	1 017,2	1 070,1	1 177,1
EBITDA [PLN m]	27,1	31,9	45,2	35,1	38,4	41,7
EBIT [PLN m]	14,2	18,1	30,4	20,4	23,6	26,8
Profit before tax [PLN m]	15,4	22,1	28,9	20,0	23,2	25,5
Net profit [PLN m]	11,8	16,4	21,0	15,9	18,4	20,6
Net debt (cash) [PLN m]	-80,2	-14,6	-134,2	-52,0	-63,6	-70,7
P/BV	1,5	1,4	1,3	1,2	1,1	1,1
P/E	21,7	15,6	12,2	16,0	13,9	12,4
EV/EBITDA	6,5	7,6	2,7	5,8	5,0	4,4
EV/EBIT	12,4	13,3	4,0	10,0	8,2	6,9
DPS [PLN/sh.]	0,00	0,15	0,07	0,23	0,17	0,40

HOLD
(PREVIOUS: ACCUMULATE)
TARGET PRICE 11,1 PLN
22nd APRIL 2024, 14:28 CEST

DCF valuation [PLN]	10,7
Peer valuation [PLN]	12,3
Target price [PLN]	11,1
Price upside/downside	-0,4%
Cost of capital	15,4%
Price [PLN]	11,10
Market cap [PLNm]	255,6
No. of shares [mn]	23,0
Max. price 6M [PLN]	14,30
Min. price 6m [PLN]	6,24
Rate of return 3M	31,8%
Rate of return 6M	72,9%
Rate of return 9M	65,7%
Shareholders	
Nowak Wiesław	62,5%
Bankowy OFE	8,1%
Generali OFE	6,3%
ZUE	1,1%
Others	21,8%

Krzysztof Pado
pado@bdm.com.pl
tel. (0-32) 208-14-32
Dom Maklerski BDM S.A.
ul. 3-go Maja 23, 40-096 Katowice



Valuation summary

	Share	Valuation
DCF valuation	80%	10,7
Peer valuation:	20%	12,3
Target price [PLN]		11,1

Source: Dom Maklerski BDM S.A.

DCF valuation

	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Revenues [PLN m]	1 017,2	1 070,1	1 177,1	1 353,8	1 455,3	1 469,9	1 484,6	1 499,4	1 514,4	1 529,6
EBIT [PLN m]	20,4	23,6	26,8	32,7	38,2	40,2	42,2	41,4	42,0	42,7
Tax rate	20,0%	20,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%	19,0%
Tax on EBIT [PLN m]	4,1	4,7	5,1	6,2	7,3	7,6	8,0	7,9	8,0	8,1
NOPLAT [PLN m]	16,4	18,9	21,7	26,5	30,9	32,5	34,2	33,5	34,0	34,6
Amortization [PLN m]	14,7	14,9	14,9	14,9	14,9	14,9	14,9	14,9	14,9	14,9
CAPEX [PLN m]	-17,1	-14,7	-14,9	-14,9	-14,9	-14,9	-14,9	-14,9	-15,0	-15,0
Working capital movement [PLN m]	-85,9	-3,6	-5,3	-0,3	-0,1	-0,1	-0,1	0,0	0,0	0,0
FCF [PLN m]	-72,0	15,4	16,4	26,2	30,8	32,4	34,1	33,5	34,0	34,5
DFCF [PLN m]	-65,6	12,3	11,4	15,8	16,2	14,8	13,5	11,5	10,1	8,9
Total DFCF [PLN m]	48,8									
Terminal value [PLN m]	243,2									
Discounted terminal value [PLN m]	62,7									
Enterprise value [PLN m]	111,5									
Net debt 2023 [PLN m]	-134,2									
Own shares [PLN m]	2,9									
Minority interests [PLN m]	1,4									
Equity value [PLN m]	247,3									
Number of shares [m]	23,0									
Value per share [PLN]	10,7									

Terminal growth rate: +1,0%

WACC calculation

	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Risk-free rate	5,85%	5,85%	5,85%	5,85%	5,85%	5,85%	5,85%	5,85%	5,85%	5,85%
Risk premium	9,50%	9,50%	9,50%	9,50%	9,50%	9,50%	9,50%	9,50%	9,50%	9,50%
Beta	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
Credit premium	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%	1,50%
Cost of equity	15,4%	15,4%	15,4%	15,4%	15,4%	15,4%	15,4%	15,4%	15,4%	15,4%
Contribution of equity	89,3%	91,2%	93,1%	94,9%	96,4%	97,5%	98,9%	99,5%	100,0%	100,0%
Cost of debt after tax	5,9%	5,9%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Contribution of debt	10,7%	8,8%	6,9%	5,1%	3,6%	2,5%	1,1%	0,5%	0,0%	0,0%
WACC	14,3%	14,5%	14,7%	14,9%	15,0%	15,1%	15,2%	15,3%	15,4%	15,4%

Source: Dom Maklerski BDM S.A.

DCF - sensitivity analysis

	Terminal growth rate				Risk premium	Terminal growth rate				Risk premium	Beta		
	0,00%	1,00%	2,00%	11,7		0,00%	1,00%	2,00%	11,7		0,9	1,0	1,1
beta	0,9	11,1	11,4	11,7	8,5%	11,2	11,4	11,7	8,5%	12,1	11,4	10,8	
	1,0	10,5	10,7	11,0	9,5%	10,5	10,7	11,0	9,5%	11,4	10,7	10,2	
	1,1	10,0	10,2	10,4	10,5%	10,0	10,2	10,4	10,5%	10,8	10,2	9,6	

Source: Dom Maklerski BDM S.A.

Peer valuation

	P/E			EV/EBITDA		
	2024F	2025F	2026F	2024F	2025F	2026F
Budimex	20,9	19,1	22,2	12,2	10,9	12,1
Mirbud	6,2	6,9	7,0	3,7	3,8	3,6
Torpol	15,5	12,3	11,0	5,0	3,7	3,1
Trakcja	21,2	18,0	15,5	8,5	7,6	6,9
Median	18,2	15,1	13,2	6,7	5,7	5,2
ZUE	16,0	13,9	12,4	5,8	5,0	4,4
Premium/discount	-11,9%	-8,4%	-6,4%	-13,9%	-11,9%	-15,3%
Valuation [PLN/share]	12,6	12,1	11,9	12,5	12,2	12,5
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]	12,2			12,4		
Multiple's contribution		50%		50%		
Value per share [PLN]	12,3					

Source: Dom Maklerski BDM S.A. BDM forecasts

Main risks:

- Dependence on main customers (PKP PLK)
- Level of investment in transport infrastructure in the CEE region.
- Risks related to the co-financing of project implementation from EU funds.
- Risks related to entering new markets (currently Romania).
- Risks related to the specific nature of the projects implemented.
- Relatively low barriers to entry, increase in competition
- Seasonality of results and weather factor
- Litigation

	2021	2022	2023	2024F	2025F	2026F
EPS, Adj+	0,51	0,71	0,91	0,69	0,80	0,90
Revenue [PLN m]	851,5	921,4	1 484,1	1 017,2	1 070,1	1 177,1
Gross Margin %	4,1%	4,6%	3,8%	4,9%	5,0%	4,9%
EBIT [PLN m]	14,2	18,1	30,4	20,4	23,6	26,8
EBITDA [PLN m]	27,1	31,9	45,2	35,1	38,4	41,7
Net Income Adj+ [PLN m]	11,8	16,4	21,0	15,9	18,4	20,6
Net Debt [PLN m]	-80,2	-14,6	-134,2	-52,0	-63,6	-70,7
BPS	7,22	7,79	8,63	9,09	9,72	10,21
DPS	0,00	0,15	0,07	0,23	0,17	0,40
Return on Equity %	7,1%	9,1%	10,6%	7,6%	8,2%	8,8%
Return on Assets %	2,0%	2,4%	2,2%	2,2%	2,4%	2,5%
Depreciation [PLN m]	9,0	9,9	10,2	11,2	11,4	11,4
Amortization [PLN m]	0,3	0,6	0,6	0,1	0,1	0,1
Free Cash Flow [PLN m]	105,8	-54,1	142,6	-77,0	15,6	20,7
CAPEX [PLN m]	6,0	4,8	8,2	17,1	14,7	14,9

RESEARCH DEPARTMENT:

Maciej Bobrowski

Director

tel. (032) 208 14 12

e-mail: maciej.bobrowski@bdm.pl

[strategy, industry, media/entertainment, TMT](#)

Krzysztof Pado

Deputy Director

Investment Adviser

tel. (032) 208 14 35

e-mail: krzysztof.pado@bdm.pl

[oil&gas, construction, building materials, real estate](#)

Krzysztof Tkocz

Analyst

tel. (032) 208 14 38

e-mail: krzysztof.tkocz@bdm.pl

[gaming](#)

Anna Tobiasz

Junior analyst

Investment Adviser

tel. (032) 208 14 35

e-mail: anna.tobiasz@bdm.pl

INSTITUTIONAL SALES DEPARTMENT:

Leszek Mackiewicz

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl

Piotr Dedecjus

tel. (022) 62-20-100

e-mail: piotr.dedecjus@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl

Tomasz Grzeszczyk

tel. (022) 62-20-854

e-mail: tomasz.grzeszczyk@bdm.pl

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Hold	11,1	Accumulate	8,43	22.04.2024*	14:28 CEST	11,10	84 109
Accumulate	8,43	Buy	7,76	04.01.2024*	09:55 CEST	7,86	77 054
Buy	7,76	relaunch	---	12.09.2023*	13:45 CEST	5,62	66 241
Buy	11,8	---	---	17.02.2017	14:39 CEST	9,94	58 348

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme.

Explanations of terminology:

EBIT - earnings before interest and tax
 EBITDA — earnings before interest, taxes, depreciation, and amortization
 Net debt – interest bearing debt minus cash and equivalents
 WACC - weighted average cost of capital
 CAGR - cumulative average annual growth
 EPS - earnings per share
 DPS - dividend per share
 CEPS - net profit plus depreciation per share
 EV – market capitalization plus interest bearing debt minus cash and equivalents
 EV/S – market capitalization / sales
 EV/EBITDA – EV / sales
 P/EBIT – market capitalization / EBIT
 MC/S – market capitalization / sales
 P/E – market capitalization / net profit
 P/BV – market capitalization / book value
 P/CE - market capitalization / net profit plus depreciation
 ROE – net profit / equity
 ROA - net income / assets
 Gross margin - gross profit on sales / sales
 EBITDA margin – EBITDA / sales
 EBIT margin – EBIT / sales
 Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);
 Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);
 Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);
 Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);
 Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).
 Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.
 Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

The strengths and weaknesses of the valuation methods used in the report:

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).
 DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.
 Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in 2Q'24*:			, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
	numbers	%	numbers	%
Buy	2	40%	0	0%
Accumulate	2	40%	0	0%
Hold	1	20%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

A Legal note:

This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565.

The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>.

The report has been prepared and made available for distribution by BDM.

GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW.

This report does not constitute an investment, legal, accounting advice or any other, and BDM shall not be responsible for damages arising from or connected with the use of the data presented in the report or the use of any elements of the report by recipients. The report or any copy of it cannot be disseminated, directly or indirectly, in the United States, Canada, Australia or Japan, or transmitted to citizens or residents of a state where its distribution can be restricted by law, which does not limit the possibility of publishing the report on internet websites of the Issuer, BDM or GPW. Persons who disseminate this document should be aware of the necessity to comply with such restrictions.

The document can be intended for professional or institutional customers of BDM as well as for other BDM qualified customers entitled to receive general recommendations based on agreements for brokerage services. This report can also reach other entities through media distribution channels based on a decision of the manager of the analysis department. The fact that a recipient has obtained this report does not mean that he shall be treated as a BDM customer. The compilation cannot be published or copied without a prior written consent of BDM.

Persons who will receive this report and who are not professional customers or qualified investors should consult an independent financial advisor before making any investment decision based on this analysis in order to obtain any necessary and crucial explanations concerning the contents of this analysis.

To prepare this analytical report BDM has not considered individual needs or situations of customers. BDM is not obliged to guarantee that a financial instrument or financial instruments covered by this report are appropriate for a given investor.

Opinions of an analyst and any recommendations included in this report neither constitute an investment, legal, accounting or tax advice or a statement that any investment strategy is adequate or appropriate because of individual circumstances concerning the customer, nor constitute personal recommendation.

The analysis is for information purposes only and does not constitute an advertisement or an offer or an invitation to subscribe or purchase financial instruments.

An investor should be aware that each investment decision in the capital market is subject to numerous risks that finally can result in a financial loss suffered by him. The return rate on individual investments can fluctuate depending on various factors beyond the control of the investor. Therefore, a customer who makes a single investment decision should not only check currency and correctness of individual assumptions made by the analyst in the report but also to have an independent assessment and own analysis (also based on scenarios other than the ones presented in the report) taking into consideration the level of acceptable risk. When deciding on activity on the capital market the investor should take into consideration the fact that the investment portfolio structure (diversification of investment through possessing more than one financial instrument) can reduce risk exposure to an individual instrument bringing a negative rate of return in a given period. At the same time, however, it can lead to limitation of a positive rate of return the investor could achieve in the case of a single financial instrument in a given time period. The investor should be aware that the investment portfolio structure and any investment strategy for the stock market do not guarantee the achievement of a positive rate of return and do not protect him against final loss.

For the first time this report has been made available to the public on 22.04.2024 (14:28 CET). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

In the opinion of BDM this report has been prepared observing principles of methodological correctness and objectivity on the basis of sources available to the public which BDM considers reliable. The sources of information used in recommendation are all data related to financial instruments concerned and available to an analyst, including current and periodic reports of the company, current and periodic reports of entities used for comparative valuation, business reports, press releases and other. However, BDM S.A., in no case, guarantees the accuracy and completeness of this report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. The forecasts presented in the report are solely based on the analysis made by BDM without consultations with companies or other entities and are based on a number of assumptions which could prove to be wrong in the future. BDM does not guarantee that the presented forecasts will prove right.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

Any opinions, forecasts or estimates made in the report are merely an expression of analyst assessment as of the day of preparation of the report and at any moment they can be changed without notice. BDM does not guarantee that the opinions or assumptions made by an analyst/analysts and included in this report are compatible with other analysis prepared by BDM. BDM updates issued recommendations depending on the market situation and analyst assessment, and the frequency of such updates is not defined.

According to BDM this report has been made with due diligence and reliability. However, BDM shall not be held liable for any damages incurred as a result of decisions made on the basis of information included in this report.

The report was not transferred to the issuer prior to its publication.

An analyst (analysts) preparing this document receives a fixed remuneration and the BDM Management Board has the right to grant them additional remuneration. Additional remuneration may indirectly depend on the results of other services offered by BDM, including investment banking services, but it shall not depend directly on financial results resulting from other services, including financial banking, which have been or could have been reached by BDM.

BDM is not obliged to take any actions which could cause financial instruments that are the subject of the valuation contained in this document to be valued by the market in accordance with the valuation contained in this document.

The investor should assume that BDM employees or proxies or shareholders may hold long or short positions in the issuer’s shares or other financial instruments related to the issuer’s shares; this particularly concerns the situation of holding not more than 5% of the capital, and they may also carry out transactions on them as proxies.

Each of the above-mentioned persons could carry out transaction relating to the financial instruments concerned prior to this publication. At the same time, however, the instruments concerned are entered in the restrictive list for employees of the Analysis Department immediately at the start of work on the report.

We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the “Policy of management of conflicts of interest at the BDM S.A.”. We point out that as for 22.04.2024:

- BDM states and assures that BDM is not involved financially in financial instruments of the Issuer.
- BDM is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005,
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to section A and B od Annex I to the Directive 2014/65/EU of the European Parliament and of the Council (hereinafter the Directive 2014/65/EU),
- BDM is not a party to an agreement with the issuer relating to the production of the recommendation,
- There is other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments*
- There are other significant connections between BDM or its related affiliates and the issuer of financial instruments**
- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

*BDM is a party to the “ANALYTICAL REPORT PREPARATION SERVICES AGREEMENT” concluded with the WSE.

**BDM acts as an issue sponsor for ZUE

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

BDM is subject to supervision by the Polish Financial Supervision Commission.

This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.