



ZUE Capital Group

**CONSOLIDATED QUARTERLY REPORT
FOR 3 MONTHS ENDED 31 MARCH 2019**

Cracow, 22 May 2019

Contents of the consolidated quarterly report:

- I. Selected financial information of ZUE Capital Group.
- II. Selected financial information 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 225,000 paid up in full. Subsidiary of ZUE.
RTI Germany	Railway Technology International Germany GmbH with registered office in Görlitz, Germany, entered into the German Register of Entrepreneurs (<i>Handelsregister B, HRB</i>) maintained by the District Court in Dresden (<i>Amtsgericht Dresden</i>) under entry number HRB 36690. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period ZUE, BPK Poznań, Railway gft, RTI and RTI Germany.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Journal of Laws of 2017, item 1577, as amended).

Share capital details as at 31 March 2019.

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I. Selected financial information of the Capital Group

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

	31-03-2019		31-12-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	188,916	43,921	182,498	42,441
Current assets	351,551	81,731	447,064	103,968
Total assets	540,467	125,652	629,562	146,409
Equity	145,842	33,906	146,748	34,127
Non-current liabilities	44,054	10,242	36,402	8,466
Current liabilities	350,571	81,504	446,412	103,816
Total equity and liabilities	540,467	125,652	629,562	146,409

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

	Period ended 31-03-2019		Restated Period ended 31-03-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	194,827	45,332	125,903	30,132
Cost of sales	190,687	44,369	122,362	29,284
Gross profit (loss) on sales	4,140	963	3,541	848
Operating profit (loss)	-738	-172	-2,335	-559
Gross profit (loss)	-774	-180	-2,280	-546
Net profit (loss) from continuing operations	-908	-211	-1,890	-452
Total comprehensive income	-908	-211	-1,890	-452

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

	Period ended 31-03-2019		Period ended 31-03-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-79,054	-18,394	-76,108	-18,215
Cash flows from investing activities	-686	-160	-11,676	-2,794
Cash flows from financing activities	12,430	2,892	2,926	700
Total net cash flows	-67,310	-15,662	-84,858	-20,309
Cash at the beginning of the period	81,723	19,005	117,748	28,231
Cash at the end of the period	14,415	3,351	32,944	7,828

Rules adopted to translate selected financial information into EUR:

Item	Exchange rate	Exchange rate on	Exchange rate on	Exchange rate on
		31-03-2019	31-12-2018	31-03-2018
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.3013	4.3000	4.2085
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	4.2978	n/a	4.1784

"Cash at the beginning of the year" and "Cash at the end of the year" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.3013	4.3000	4.2085
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II. Selected financial information of ZUE S.A.

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

	Balance at 31-03-2019		Balance at 31-12-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	188,247	43,765	181,913	42,305
Current assets	327,696	76,186	414,705	96,443
Total assets	515,943	119,951	596,618	138,748
Equity	145,904	33,921	146,242	34,010
Non-current liabilities	42,026	9,771	34,480	8,019
Current liabilities	328,013	76,259	415,896	96,719
Total equity and liabilities	515,943	119,951	596,618	138,748

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

	Period ended 31-03-2019		Restated Period ended 31-03-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	187,981	43,739	112,613	26,951
Cost of sales	184,464	42,921	110,171	26,367
Gross profit (loss) on sales	3,517	818	2,442	584
Operating profit (loss)	-351	-82	-2,269	-543
Gross profit (loss)	-235	-55	-2,021	-484
Net profit (loss) from continuing operations	-338	-79	-1,692	-405
Total comprehensive income	-338	-79	-1,692	-405

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

	Period ended 31-03-2019		Period ended 31-03-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-74,452	-17,323	-75,269	-18,014
Cash flows from investing activities	-932	-217	-11,687	-2,797
Cash flows from financing activities	9,816	2,284	640	153
Total net cash flows	-65,568	-15,256	-86,316	-20,658
Cash at the beginning of the period	79,404	18,466	116,144	27,846
Cash at the end of the period	13,839	3,217	29,882	6,947

Rules adopted to translate selected financial information into EUR:

Item	Exchange rate	Exchange rate on	Exchange rate on	Exchange rate on
		31-03-2019	31-12-2018	31-03-2018
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.3013	4.3000	4.2085
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	4.2978	n/a	4.1784
"Cash at the beginning of the year" and "Cash at the end of the year" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.3013	4.3000	4.2085



ZUE Capital Group

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED 31 MARCH 2019**

Cracow, 22 May 2019

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

Continuing operations	Note no.	Restated	
		3 months ended 31-03-2019	3 months ended 31-03-2018
Sales revenue	4.3.1.	194,827	125,903
Cost of sales	4.3.2.	190,687	122,362
Gross profit (loss) on sales		4,140	3,541
General and administrative expenses	4.3.2.	4,875	5,221
Other operating income	4.3.3.	238	253
Other operating expenses	4.3.4.	241	908
Operating profit (loss)		-738	-2,335
Financial income	4.3.5.	477	383
Financial expenses	4.3.6.	513	328
Pre-tax profit (loss)		-774	-2,280
Corporate income tax	4.3.7.	134	-390
Net profit (loss) from continuing operations		-908	-1,890
Net profit (loss)		-908	-1,890
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		-908	-1,890
Number of shares		23,030,083	23,030,083
Consolidated net profit attributable to:			
Shareholders of the parent		-876	-1,942
Non-controlling interests		-32	52
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		-0.04	0.00
Total comprehensive income attributable to:			
Shareholders of the parent		-876	-1,942
Non-controlling interests		-32	52
Total comprehensive income per share (PLN)		-0.04	-0.08

Consolidated statement of financial position

	Note no.	Balance at 31-03-2019	Restated Balance at 31-12-2018
ASSETS			
Non-current assets			
Property, plant and equipment	4.7.1.	52,185	104,700
Investment property	4.7.2.	6,165	5,265
Intangible assets	4.7.3.	212	8,616
Right-of-use assets	4.7.4.	66,681	0
Goodwill	4.7.5.	31,172	31,172
Retentions on construction contracts	4.4.2.	9,601	9,720
Deferred tax assets	4.3.7.	22,742	22,876
Other assets		158	149
Total non-current assets		188,916	182,498
Current assets			
Inventories	4.7.8.	50,445	48,720
Trade and other receivables	4.5.1.	139,093	194,837
Measurement of long-term construction contracts	4.4.1.	141,252	114,910
Retentions on construction contracts	4.4.2.	2,388	3,021
Current tax assets	4.3.7.	0	0
Loans advanced	4.7.7.	2,839	2,813
Other assets		1,119	1,040
Cash and cash equivalents	4.6.4.	14,415	81,723
Total current assets		351,551	447,064
Total assets		540,467	629,562

	Note no.	Balance at 31-03-2019	Restated Balance at 31-12-2018
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		48,843	49,717
Total equity attributable to shareholders of the parent company		145,748	146,622
Equity attributable to non-controlling interests		94	126
Total equity		145,842	146,748
Non-current liabilities			
Long-term lease liabilities	4.6.2.	18,139	14,815
Retentions on construction contracts	4.4.2.	14,871	11,371
Other financial liabilities		0	70
Liabilities under employee benefits		2,004	1,994
Long-term provisions	4.4.3.	9,040	8,152
Total non-current liabilities		44,054	36,402
Current liabilities			
Trade and other payables	4.5.2.	247,757	356,631
Measurement of long-term construction contracts	4.4.1.	4,326	7,047
Retentions on construction contracts	4.4.2.	7,601	8,312

Short-term loans and bank credits	4.6.1.	24,573	7,907
Short-term lease liabilities	4.6.2.	14,692	13,001
Other financial liabilities		316	316
Liabilities under employee benefits		26,250	23,455
Current tax liabilities	4.3.7.	0	4
Short-term provisions	4.4.3.	25,056	29,739
Total current liabilities		350,571	446,412
Total liabilities		394,625	482,814
Total equity and liabilities		540,467	629,562

Consolidated statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent	Equity attributable to non-controlling interests	Total equity
Balance at	1 January 2019	5,758	93,837	-2,690	49,717	146,622	126	146,748
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	-876	-876	-32	-908
Other net comprehensive income		0	0	0	0	0	0	0
Other		0	0	0	2	2	0	2
Balance at	31 March 2019	5,758	93,837	-2,690	48,843	145,748	94	145,842
Balance at	1 January 2018	5,758	93,837	-2,690	112,605	209,510	-91	209,419
Change of interest in subsidiaries		0	0	0	0	0	0	0
Payment of dividend		0	0	0	0	0	0	0
Issue of shares		0	0	0	0	0	0	0
Issue costs		0	0	0	0	0	0	0
Buy-back of shares		0	0	0	0	0	0	0
Profit (loss)		0	0	0	-1,942	-1,942	52	-1,890
Other net comprehensive income		0	0	0	0	0	0	0
Balance at	31 March 2018	5,758	93,837	-2,690	110,663	207,568	-39	207,529
Balance at	1 January 2018	5,758	93,837	-2,690	112,605	209,510	-91	209,419
Change of interest in subsidiaries		0	0	0	-19	-19	8	-11

Payment of dividend	0	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0	0
Profit (loss)	0	0	0	-62,794	-62,794	209	-62,585	
Other net comprehensive income	0	0	0	-75	-75	0	-75	
Balance at	31 December 2018	5,758	93,837	-2,690	49,717	146,622	126	146,748

Consolidated statement of cash flows

	3 months ended	3 months ended
	31-03-2019	31-03-2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	-774	-2,280
Adjustments for:		
Depreciation and amortisation	3,046	2,545
Foreign exchange gains / (losses)	-3	-54
Interest and share in profit (dividends)	363	27
(Gain) / loss on disposal of investments	-86	-6
Operating profit (loss) before changes in working capital	2,546	232
Change in receivables, measurement of contracts and retentions on construction contracts	30,145	-4,066
Change in inventories	-1,722	-17,764
Change in provisions and liabilities under employee benefits	-990	-91
Change in payables, measurement of contracts and retentions on construction contracts, excluding loans and bank credits and lease liabilities	-108,951	-54,404
Change in accrued expenses	-82	-15
Income tax paid / tax refund	0	0
NET CASH FROM OPERATING ACTIVITIES	-79,054	-76,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	131	450
Purchase of property, plant and equipment and intangible assets	-824	-9,102
Loans advanced	-17	-3,217
Interest received	24	193
Gain / (loss) on redemption of debt instruments	0	0
NET CASH FROM INVESTING ACTIVITIES	-686	-11,676
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	17,954	6,345
Repayment of loans and bank credits	-1,289	-598
Decrease in lease liabilities	-3,928	-2,614
Lease interest paid	-241	-152
Other interest paid	-66	-55
Other cash provided by / (used in) financing activities – dividends	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES	12,430	2,926
TOTAL NET CASH FLOWS	-67,310	-84,858
Net foreign exchange gains / (losses)	3	54
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	81,723	117,748
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	14,415	32,944
- of limited availability	0	0

Notes to the condensed consolidated financial statements of ZUE Capital Group

1. General information

1.1. Composition of the Capital Group

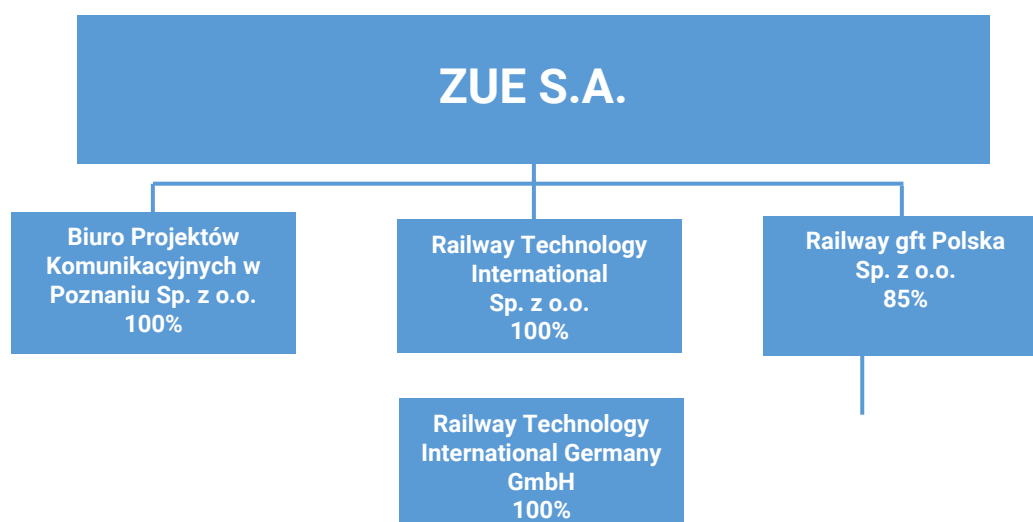
At the end of the reporting period, the Capital Group is composed of ZUE S.A. (the Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Railway Technology International Germany GmbH (indirect subsidiary).

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

The Company has been established under the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). 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, human resources and the supply of materials. In addition, ZUE's task is to create a uniform trade and marketing policy of the Capital Group and to promote the Group's potential among its customers.

Structure of the Capital Group at the date of the report approval:



Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. has been established under the deed of 15 June 2009 signed in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). 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 under the deed of 21 October 2014 in the Notary's Office in Cracow, the Lubicz Street no. 3 (Rep. A no. 3715/2014). 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 under the deed of 20 July 2011 in the Notary's Office in Warsaw, al. Jerozolimskie 29/26 (Rep. A no. 2582/2011). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000397032.

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH has been established under the deed of 8 May 2012 in the Notary's Office in Radebeul, Rathenaustrasse 6, Germany (no. 1090/2012). Görlitz (Germany) is the company's registered office.

The companies within the Capital Group have been incorporated for indefinite period. The financial statements of all subsidiaries have been prepared for the same reporting period as the financial statements of 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 2019:

Company name	Registered office	Shares as at		Consolidation method
		31 March 2019	31 December 2018	
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 at 31 March 2019, it held a 100% and 85% interest, respectively, in the companies.

At 31 March 2019, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial information on the Group's economic and financial condition, Railway Technology International Germany GmbH was not consolidated as at 31 March 2019.

1.3. Changes in the Group's structure in 2019 and their consequences

No changes to the Group's structure occurred between the beginning of 2019 and the date of this report's approval.

On 12 April 2019, the Extraordinary Shareholders Meeting of RTI resolved to increase the share capital of RTI from PLN 225 thousand to PLN 260 thousand through the creation of 700 new shares with a nominal value of PLN 50 each. All the new shares of the total nominal value of PLN 35 thousand were acquired by the existing shareholder; i.e. ZUE. The increase of the share capital of RTI was entered into the National Court Register on 26 April 2019.

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

- Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, stations and civil structures.
- **Distribution and transmission lines power infrastructure**, including:
 - Construction and upgrade of high and very high voltage cable and overhead lines, transformer stations, including telecommunications technology equipment and MV and LV cable lines.

In 2019, the Group continues to provide rail and urban infrastructure construction services. The power infrastructure market is being observed and analysed.

Construction activities have been diversified recently to include civil structures so that the Company can deliver reinforced concrete projects, such as viaducts, bridges, passages, resistance walls or noise barriers, based on its skills and resources.

Design activities concerning urban and rail transport systems 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, "Ypsylon" steel sleepers.

The financial information 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 activity conducted by the Group.

Construction activity is carried out by ZUE mainly on the rail and urban infrastructure market. The table below presents major construction contracts performed by the Company.

Contract*	Contracting authority	Contract net value (PLNm) attributable to ZUE
Provision of design services and completion of 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	379
Preparation of design documentation and completion of construction works in connection with a "design-build" contract as part of the following project: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section."	PKP PLK S.A	372
Design and construction services in connection with the project no. 1: "Works on the Chabówka - Zakopane railway line no. 99" and the project no. 2: "Construction of railway link in Chabówka along the Sucha Beskidzka – Chabówka railway line no. 98 and the Chabówka – Zakopane railway line no. 99."	PKP PLK S.A	330
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
Provision of design services and completion of works in connection with	PKP PLK S.A	281

the following project: "Works on the railway lines no. 14 and 811 of the Łódź Kaliska - Zduńska Wola - Ostrów Wielkopolski section, stage I: Łódź Kaliska – Zduńska Wola."		
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	270
Provision of design services and completion of works in connection with the Infrastructure and Environment Operational Programme (IEOP) 5.2 – 4 "Works on the railway line no. 146 of the Wyczerpy – Chorzew Siemkowiec section."	PKP PLK S.A	210
Provision of design services and completion of construction works in connection with the following project: "Works on the railway lines no. 140, 148, 157, 159, 173, 689 and 691 of the Chybie – Żory – Rybnik – Nędza / Turze section" as part of 2014 Infrastructure and Environment Operational Programme (IEOP)."	PKP PLK S.A	96
Reconstruction of the tramway from the Lecha estate to the Żegrze roundabout (section II).	Poznańskie Inwestycje Miejskie Sp. z o.o.	83
Preparation of design documentation and completion of construction works in connection with a "design-build" contract as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-16 "Improvement of capacity of E 20 railway line of the Warszawa – Kutno section, Stage I: Works on the railway line no. 3 of the Warszawa – the Łowicz Local Traffic Control Centre (LCS) section."	PKP PLK S.A	92
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	72
Reconstruction of the line of the Królewska, Podchorążych and Bronowicka Streets in Cracow, the reconstruction of tramway tracks, OCL network and dehydrating and lightening system and the reconstruction of colliding technical infrastructure. The task executed as part of the following project: "Upgrade of tramway tracks and the associated infrastructure."	City of Cracow	63
Provision of design services and completion of construction works and purchase of land in the area of the Medyka station in connection with the following project: "Investment project at the Medyka - Mościska II border crossing."	PKP PLK S.A	64
Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow and additional contract.	City of Cracow	61
Reconstruction of rail transport infrastructure along the Wojska Polskiego Street from the Magnuszewska terminus to the Wojska Polskiego, Szpitalna, Szarych Szeregów and Bełzy transport hub.	City of Bydgoszcz	53
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	53
Modernisation of E30 railway line Kraków Medyka, the Biadoliny – Tarnów section.	OHL ZS, a.s. S. A. Polish Branch	45
Provision of design services and completion of construction works in connection with the following project: "Construction of the Czarncza - Włoszczowa Płn. railway line no. 582."	PKP PLK S.A	40
Modernisation of OCL network, B1.G Krzewie - Kłodawa section (140,000-155,000) – construction works in the area of the Kutno Local Traffic Control Centre (LCS).	Budimex S.A.	33
Construction of transport hub – the Zawodzie hub as part of the following project: "Katowice System of Integrated Transport Hubs – the Zawodzie hub."	Tramwaje Śląskie S.A.	33
Maintenance of street lighting equipment and building illuminations in Cracow with a breakdown into four regions.	City of Cracow	16
Maintenance and repair of tram infrastructure in Cracow in the period 1.01.2019 - 30.09.2019 (273 days).	City of Cracow	17
Protection of civil structures on the Dęblin – Lublin section as part of the project named: "Works on the Warszawa Wschodnia Osobowa – Dorohusk railway line no. 7 of the Warszawa – Otwock – Dęblin – Lublin section, stage I."	PKP PLK S.A	30

* Contracts whose net value exceeds PLN 10m.

Design services relating to urban and rail transport systems are provided both to investors and companies which execute "design-build" projects. The biggest customers of BPK Poznań in the reporting period included PKP Polskie Linie Kolejowe S.A., Pomorska Kolej Metropolitalna S.A., BALZOLA Sp. z o.o., Poznańskie Inwestycje Miejskie, PGE Dystrybucja S.A. Rzeszów Branch, PGE Dystrybucja S.A. Zamość Branch, COLAS POLSKA SP. Z O.O., ZKM w Gdańsku Sp. z o.o. and UG Świętochłowice.

As regards sales activities, Railway gft sold rails, track accessories, sleepers, rail fastening systems and aggregate. In 2019, the main customers included Kolejowe Zakłady Nawierzchniowe "Bieżanów" Sp. z o. o., Przedsiębiorstwo Inżynieryjnych Robót Kolejowych "TOR-KRAK" Sp. z o.o., NDI S.A., Aldesa Construcciones Polska Sp. z o.o. and Skanska S.A.

2.2. Backlog

ZUE's orders relating to construction activities are the biggest item of the Group's backlog.

At this report preparation date, the net value of the contracted construction and assembly services is PLN 1,742m and provides the Group with an ability to carry out the works in the period 2019-2021. As for design services, the net value of the signed contracts scheduled for performance in 2019-2020 is PLN 12m. The backlog relating to the supply of materials and equipment in 2019 is worth PLN 23m (net).

At the date of preparation of this report, ZUE submitted the most economically advantageous tenders in connection with the tender procedures whose net value was approx. PLN 620m. The Issuer participates in the new tender procedures.

Due to the growing costs of labour, materials and services, a considerable number of submitted tenders exceed the amount investors intend to spend on the project as a results of which tender procedures are repeatedly cancelled according to the law or contract awarding is delayed because contracting authorities apply for additional funding of intended projects. The companies within the Group participate in tenders both in Poland and abroad. The Group's focus is predominantly on the European market.

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

In the first quarter of 2019, the Group reported the year-on-year increase in revenue by 55%. ZUE's revenue increased by 67%. Both the Company and the Group reported the increase in gross profit and the year-on-year decrease in losses.

Financial results are discussed in detail in the note 4.1.

No major events other than operating events described in detail in the note 2.4 and 2.5 below occurred by this report preparation date.

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

No unusual factors or events other than specified in this report occurred in the reporting period.

2.5. Major events in the reporting period

Construction works:

Following the conclusion of the contract of 6 February 2019 between the Company and PKP Polskie Linie Kolejowe S.A. for the provision of design services and completion of works on the Warszawa Włochy – Ożarów Mazowiecki section, the railway line no. 3, in connection with the Infrastructure and Environment Operational Programme (POIiŚ) 5.1-16: Improvement of capacity of E20 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" of the net value of PLN 12m, the total net value of the contracts between the companies within the PKP PLK Group and the companies within the ZUE Group signed since 12 October 2018 amounted to approx. PLN 25.7m. **(Current report 3/2019)**

On 15 March 2019, the Company learnt about the submission of the most economically advantageous tender in the tender procedure for the project named: "Completion of construction works relating to the reconstruction of track and overhead contact system in the Wyszyńskiego hub and Szarych Szeregów Square." The Contracting

Authority: The City of Szczecin. Net value of the tender submitted by the Company: PLN 36.5m. Gross value of the tender submitted by the Company: PLN 44.9m. Project completion date: 450 calendar days of the contract conclusion date. **(Current report 8/2019)**

On 28 March 2019, the Company learnt about the cancellation by PKP PLK of the tender procedure for the project named: Preparation of design documentation and completion of construction works as part of the following contract: "Construction of the integrated transport system including a tunnel under the tracks of the Skarżysko Kamienna railway station." The Company informed about the submission of the most economically advantageous tender in the current report 46/2018 of 29 October 2018. **(Current report 9/2019)**

Financial agreements:

On 22 January 2019, the Company entered into the agreement with CaixaBank S.A. Polish Branch with registered office in Warsaw. The Agreement was concluded for 12 months and could be extended, and provided for the bank guarantee limit of up to PLN 30m (the Limit) within which the Company could apply for bid bonds (up to the Limit), advance payment bonds (up to PLN 10m), performance bonds and defects liability bonds (up to PLN 10m). **(Current report 1/2019)**

On 1 March 2019, the Company received a signed annex to the multi-purpose revolving credit limit with Bank Polska Kasa Opieki S.A. with registered office in Warsaw (PEKAO) (the Annex). The Company informed about the said agreement in the current reports 20/2017 and 74/2017. Under the Annex, the term of the limit (PLN 100m) was extended until 30 November 2019 and the use thereof was limited to bank guarantees (up to the maximum amount of the Limit) of any type (including, in particular, bid bonds, performance bonds and defects liability bonds) provided at the Company's request to secure the contracts carried out by the Company. **(Current report 5/2019)**

On 8 March 2018, the Company published preliminary financial results for 2018. **(Current report 6/2019)**

Corporate events:

On 7 February 2019, the Company's Management Board learnt from Elektrobudowa S.A. with registered office in Katowice (Elektrobudowa) about the suit for payment dated 7 January 2019. The suit was filed with the District Court of Poznań by Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu sp. z o.o. (MPK). In their suit MPK demanded that ZUE and Elektrobudowa pay on a joint and several basis the total amount of approx. PLN 20.2m as contractual penalties plus default interest and the costs of proceedings. The suit was based by MPK on the contract of 13 July 2011 between MPK and the Consortium of ZUE and Elektrobudowa for the construction of the FRANOWO tram depot in Poznań. The Company informed about the conclusion of the contract in the current report 39/2011. The works under the contract were performed and completed by the Consortium in June 2015. The Company believes that the claims following from the suit are groundless. **(Current report 4/2019)**

2.6. Major events after the end of the reporting period

Following the end on 1 April 2019 of an e-auction organised in connection with tender procedure for the project named: 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, 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," the tender submitted by the Company scored highest. The Company informed about the submission of the most economically advantageous tender in the current report 51/2018 of 14 December 2018. Net value of the tender submitted by the Company: PLN 582.7m. Gross value of the tender submitted by the Company: PLN 716.7m. Project completion date: 41 months. **(Current report 10/2019)**

On 8 May 2019, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for covering the net loss for the financial year 2018 of PLN 64m from reserve funds and capital reserve. **(Current report 11/2019)**

2.7. Bonds, guarantees, credit limits and advanced loans

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 2019:

- The amount of the bonds issued by the Group to third parties: PLN 562,293 thousand;
- The amount of the bonds issued by the Company to third parties: PLN 552,479 thousand;
- The amount of unused bond lines at the Group: PLN 355,671 thousand (including PLN 20 thousand which may be allocated to revolving credit);
- The amount of unused bond lines at the Company: PLN 353,106 thousand (including PLN 20 thousand which may be allocated to revolving credit);
- The amount of unused credit lines at the Group: PLN 56,668 thousand (including PLN 20 thousand which may be allocated to bonds); and
- The amount of unused credit lines at the Company: PLN 54,995 thousand (including PLN 20 thousand which may be allocated to bonds).

In the first quarter of 2019, ZUE signed an annex to the Cooperation Agreement with mBank S.A. whereby the sublimit for revolving credits was raised to PLN 40,000 thousand and the agreement was renamed to Master Agreement.

At the end of the reporting period, the amount of the loans granted by ZUE is PLN 3,126 thousand and the amount of the loans granted at the Group is PLN 2,839 thousand.

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 2019 is PLN 25,037 thousand.

As at 31 March 2019, the total amount of the subsidiaries' liabilities to counterparties guaranteed by the Parent Company is approx. PLN 25.0m, including the liabilities of Railway gft of PLN 19.5m.

The Company guaranteed the liabilities of Railway gft in connection with the following bank agreements:

- Bond line master agreement with mBank S.A. – the guarantee of PLN 8m between July 2015 and August 2023;
- Revolving credit agreement with mBank S.A. – the guarantee of PLN 5.5m between August 2015 and November 2020;
- Revolving credit agreement with BNP Paribas S.A. – the guarantee of PLN 6m between December 2016 and August 2027.

No loans or bonds whose total value would be significant were provided in the first quarter of 2019 by the Parent Company or the subsidiaries 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 factors or events occurred in the reporting period.

2.1. 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;
- Increase in the prices of raw materials and liquid fuels;
- Increase in the fees charged by subcontractors;
- Unstable EUR/PLN rate; and
- Outcome of court proceedings.

The Directors' Report on the activities of the Parent Company ZUE S.A. and the Capital Group in 2018 contains a detailed description of the abovementioned factors.

No significant changes have been identified when comparing the abovementioned factors with the information contained in the annual report.

2.2. 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 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 winning of 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; and
- Risk related to unstable margins.

The Directors' Report on the activities of the Parent Company ZUE S.A. and the Capital Group in 2018 contains a detailed description of the abovementioned risks.

No significant changes have been identified when comparing the abovementioned risks with the information contained in the annual report.

2.3. Risks relating to social and employee issues, natural environment, respect of human rights and counteracting corruption which may influence the Group's future performance

- Risk related to higher employment costs;
- Risk related to qualified staff leaving their workplace;
- Risk related to influence on natural environment;
- Risk related to social aspects and human rights; and
- Risk related to corruption.

The Directors' Report on the activities of the Parent Company ZUE S.A. and the Capital Group in 2018 contains a detailed description of the abovementioned risks.

No significant changes have been identified when comparing the abovementioned risks with the information contained in the annual report.

2.4. 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 revenue and profit 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 rail market are determined by the National Railway Programme and the EU perspective for the years 2018-2021. 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 executed 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.

2.5. Strategic objectives

The main strategic objective in 2019-2021 is to take a maximum advantage of the current EU perspective.

The Group's strategic objectives include:

- Maintenance of the position of the Group as one of the leaders of the rail transport infrastructure construction market;
- Maintenance of the position of the Group as one of the leaders of the urban transport infrastructure construction market;
- Strengthening of the Group's position on the transport system design market;
- Development of sales services on the track materials manufacture and distribution market.

The Company's Management Board will try to geographically diversify its operations in a short- and long-term perspective by entering foreign markets.

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.

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

Prospects of the markets the Group operates in:

Rail infrastructure market

The rail infrastructure market is the main market the Group operates in and generates the biggest portion of the Group's revenue. Most of the contracts performed by the Company are railway contracts. ZUE continues its activities aimed at the expansion of the backlog on this market. After it has considered the plans set out in the National Railway Programme and the plans following the execution of the said Programme, the Group believes that the Polish rail infrastructure construction market enjoys broad prospects in the forthcoming years.

Urban infrastructure market

After several years of stagnation, in 2018 urban authorities announced and awarded a significant number of contracts for the modernization or extension of tram infrastructure. Further investments are planned in the years to come. The Company believes that this trend will continue in 2019 and 2020 and a big number of tenders will be announced for major projects on the urban market, which have been included in the long-term plans concerning the extension of tram networks. The urban infrastructure construction market is the second major market for the Group.

Power infrastructure market

The Group is not currently operating on this market. The market, however, is observed and analysed by the Group.

3. Corporate information

3.1. Governing bodies of the Parent Company

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

Composition of the Company's Management and Supervisory Boards at the date of approval of these 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
Bogusław Lipiński	Supervisory Board Member
Piotr Korzeniowski	Supervisory Board Member
Michał Lis	Supervisory Board Member

Audit Committee:

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

Mr. Mariusz Szubra and Mr. Piotr Korzeniowski meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089, as amended).

3.2. Structure of the share capital

The Company's share capital amounts to PLN 5,757,520.75 and is divided into 23,030,083 shares with a par 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 described in detail in the note no. 25 of the Consolidated Financial Statements for the year ended 31 December 2015.

3.4. Shareholders of the Parent Company

According to the information held, the Parent Company had the following shareholding structure at the date of preparation of these financial statements:

Shareholder	Number of shares/votes at 22 May 2019	% 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	1,400,000 ⁽²⁾	6.08	1,400,000 ⁽²⁾	6.08
PKO Bankowy OFE	1,500,000 ⁽³⁾	6.51	1,500,000 ⁽³⁾	6.51
NN Investment Partners TFI	1,190,437 ⁽⁴⁾	5.17	1,190,437 ⁽⁴⁾	5.17
Other	4,539,326 ⁽⁵⁾	19.71	4,539,326 ⁽⁵⁾	19.71
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (Consolidated Report of the Group for 2018): 28 March 2019.

(2) Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Extraordinary General Meeting of ZUE held on 8 December 2014 provided in the current report 41/2014 of 8 December 2014.

(3) Shareholding on the basis of the list of shareholders holding at least 5% of votes at the Ordinary General Meeting of ZUE held on 18 June 2014 provided in the current report 31/2014 of 18 June 2014.

(4) Shareholding on the basis of the notice of exceeding 5% of the total vote of 26 June 2018 referred to by the Issuer in the current report 30/2018 of 26 June 2018.

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

3.1. Shares and powers of members of the management and supervisory boards

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

Shareholder	Position at ZUE	Number of shares/votes at 22 May 2019	% of share capital/total number of votes	Changes in shareholding since the publication of the last interim report; i.e. since 28 March 2019
Wiesław Nowak	Management Board President	14,400,320	62.53	None
Marcin Wiśniewski	Management Board Vice-President	2,300	0.01	None
Jerzy Czeremuga	Management Board Vice-President	136	< 0.01	None
Maciej Nowak	Management Board Vice-President	7,806	0.03	None
Michał Lis	Supervisory Board Member	661	< 0.01	None

According to the best knowledge of the Company's Management Board, other members of the Issuer's management or supervisory bodies 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 publication of the last interim report or the date of preparation of this report.

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

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

3.3. Issue and redemption of debt and equity securities

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

3.4. Dividend

No dividend was paid the Company in the reporting period.

On 8 May 2019, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for covering the net loss for the financial year 2018 of PLN 64,050 thousand in the following way:

- 1) the net loss for the financial year 2018 of PLN 39,435 thousand would be covered from capital reserve; and
- 2) the net loss for the financial year 2018 of PLN 24,615 thousand would be covered from reserve funds.

4. Financial information

4.1. Discussion of financial results

Discussion of major items of the statement of profit or loss

In the first quarter of 2019, both ZUE and the Group reported a year-on-year increase in sales revenue. The revenue generated by the Group was PLN 194,827 thousand – up by 55% compared to the analogous period of 2018. The Company's revenue amounted to PLN 187,981 thousand and increased over the year by 67%.

Almost the entire Q1 2019 revenue (96%) was derived by the Group from construction activities conducted by ZUE. In 2019, the Company carries out the construction works based mainly on long-term railway contracts won in 2016/2017. These contracts do not provide for real price indexation and the reasons for this include the excessively growing costs of project execution. Apart from the railway contracts, the Company performs the urban infrastructure contracts chiefly won in 2018.

The financial results of both ZUE and the Group in the period under analysis improved when compared with the analogous period of 2018.

Comparison of the results reported by ZUE and the Group:

Item	ZUE		Group	
	31-03-2019	31-03-2018	31-03-2019	31-03-2018
Sales revenue	187,981	112,613	194,827	125,903
Gross profit (loss) on sales	3,517	2,442	4,140	3,541
Operating profit (loss) (EBIT) **	-351	-2,269	-738	-2,335
EBITDA***	2,663	237	2,308	210
Pre-tax profit (loss)	-235	-2,021	-774	-2,280
Net profit (loss)	-338	-1,692	-908	-1,890

* Operating profit + depreciation / amortisation.

** EBIT, EBITDA measures unspecified by IFRS.

Compared with the analogous period of 2018, the Group's gross profit in the first quarter of 2019 grew by PLN 599 thousand and the Company's gross profit grew by PLN 1,075 thousand.

The Group's general and administrative expenses in the period 1 January – 31 March 2019 stood at PLN 4,875 thousand – down by 7% when compared with Q1 2018. The Company's general and administrative expenses in the period under analysis amounted to PLN 3,816 thousand and decreased year-on-year by 10%.

In the period under analysis, the Group reported other operating income of PLN 238 thousand and other operating expenses of PLN 241 thousand. ZUE reported other operating income of PLN 168 thousand and other operating expenses of PLN 220 thousand. The results have been presented in detail in the notes no. 4.3.3. and 4.3.4. of the consolidated financial statements and the notes no. 2.1.3. and 2.1.4. of the separate financial statements.

The Group's operating profit/loss in Q1 2019 improved over the year by PLN 1,597 thousand. The analogous item reported by ZUE improved by PLN 1,918 thousand.

The Group's financial income stood at PLN 477 thousand and its financial expenses amounted to PLN 513 thousand. The Company reported financial income of PLN 517 thousand and financial expenses of PLN 401 thousand. Detailed information is contained in the notes no. 4.3.5. and 4.3.6. of the consolidated financial statements and the notes no. 2.1.5. and 2.1.6. of the separate financial statements.

The Group's net loss in the first quarter of 2019 decreased year-on-year by PLN 982 thousand. The Company's net loss decreased year-on-year by PLN 1,354 thousand.

Discussion of major balance sheet items

As at 31 March 2019, the Group's total assets and liabilities amounted to PLN 540,467 thousand and the Company's total assets and liabilities amounted to PLN 515,943 thousand.

Major changes in the balance sheet of the Group:

Item	Change compared to 31-12-2018	Balance at 31-03-2019	Description
Assets			
Property, plant and equipment	-52,515	52,185	The change mainly results from the implementation of IFRS 16 discussed in the note 4.8.2.
Intangible assets	-8,404	212	The change mainly results from the implementation of IFRS 16 discussed in the note 4.8.2.
Right-of-use assets	66,681	66,681	The change mainly results from the implementation of IFRS 16 discussed in the note 4.8.2.
Trade and other receivables	-55,744	139,093	Settlement of a part of the receivables for completed construction works.
Measurement of long-term construction contracts	26,342	141,252	More construction works in connection with performer contracts.
Cash and cash equivalents	-67,308	14,415	Use of own resources to conduct operating activities.
Liabilities			
Long-term lease liabilities	3,324	18,139	The change mainly results from the implementation of IFRS 16 discussed in the note 4.8.2.
Trade and other payables	-108,874	247,757	Settlement of a part of completed construction works.
Short-term loans and bank credits	16,666	24,573	Greater use of other financing.
Short-term lease liabilities	1,691	14,692	The change mainly results from the implementation of IFRS 16 discussed in the note 4.8.2.

Discussion of items of the statement of cash flows

The Group's cash flows from operating activities were mainly influenced by changes in receivables, retentions and payables in connection with the performance of construction contracts.

The Group's cash flows from investing activities were mainly influenced by the purchase of non-current assets. The transaction was financed by own resources.

The Group's cash flows from financing activities were influenced by the use of credits and the decrease in liabilities under leases.

At the end of the first quarter of 2019, the Group held cash of PLN 14,415 thousand.

	ZUE		Group	
	Period ended 31-03-2019	Period ended 31-03-2018	Period ended 31-03-2019	Period ended 31-03-2018
Cash flows from operating activities	-74,452	-75,269	-79,054	-76,108
Cash flows from investing activities	-932	-11,687	-686	-11,676
Cash flows from financing activities	9,816	640	12,430	2,926
Total net cash flows	-65,568	-86,316	-67,310	-84,858
Cash and cash equivalents at the beginning of the period	79,404	116,144	81,723	117,748
Cash and cash equivalents at the end of the period	13,839	29,882	14,415	32,944

Discussion of the results reported by segments

The revenue generated in the first quarter of 2019 by the companies within the Group amounted to PLN 194,827 thousand. The largest portion of the Group's revenue was derived from construction activity (96%).

	Construction	Sales	Design	Exclusions	Total
Sales revenue	187,981	11,861	2,016	-7,031	194,827
Gross profit on sales	3,517	430	209	-16	4,140
Net profit/loss	-338	-211	-369	10	-908

More detailed information about the segments' results is contained in the note no. 4.3.8.

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

The Company did not publish any financial projections for the financial year 2019.

4.3. Notes to the statement of comprehensive income

4.3.1. Revenue

	Period ended 31-03-2019	Period ended 31-03-2018
Revenue from construction contracts	186,114	112,412
Revenue from the rendering of services	1,538	1,807
Revenue from the sale of goods, raw and other materials	7,175	11,684
Total	194,827	125,903

The Group recognises revenue from design and construction activities under revenue from construction contracts.

The Group's sales revenue in the period 1 January - 31 March 2019 amounted to PLN 194,827 thousand and increased by 55% over the revenue reported in the analogous period of 2018.

The Group operated in Poland in the first quarter of 2019.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	31-03-2019	31-03-2018
Counterparty A	113,171	52,697

4.3.2. Operating expenses

	Period ended 31-03-2019	Period ended 31-03-2018
Change in products	-1,202	-794
Depreciation and amortization	3,046	2,545
Consumption of materials and energy, including:	67,694	66,815
- consumption of materials	66,063	65,448
- consumption of energy	1,631	1,367
Contracted services	84,472	23,357
Costs of employee benefits	26,865	20,001
Taxes and charges	390	397
Other expenses	2,969	2,200
Value of goods and materials sold	11,328	13,062
Total	195,562	127,583

	Period ended 31-03-2019	Period ended 31-03-2018
Cost of sales	190,687	122,362
General and administrative expenses	4,875	5,221
Total	195,562	127,583

The Group's general and administrative expenses in the period 1 January - 31 March 2019 amounted to PLN 4,875 thousand and decreased by 7% when compared with the Group's general and administrative expenses reported in the first quarter of 2018.

Depreciation and amortisation

	Period ended 31-03-2019	Period ended 31-03-2018
Depreciation of property, plant and equipment	1,863	2,338
Depreciation of right-of-use assets	1,051	0
Amortisation of intangible assets	40	123
Depreciation of investments in real property	92	84
Total	3,046	2,545

4.3.3. Other operating income

	Period ended 31-03-2019	Period ended 31-03-2018
Gain on disposal of assets	86	6
Gain on disposal of non-current assets	86	6
Other operating income	152	247
Damages and penalties	56	26
Release of allowances for receivables	2	20
Refund of the costs of court proceedings	15	78
Release of provisions for court cases	0	86
Release of write-downs of inventories	38	10
Other	41	27
Total	238	253

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by the Group companies (income and expenses according to their netted balance). The comparative information has been restated. The restated information is recognised in the note 4.8.2.

4.3.4. Other operating expenses

	Period ended 31-03-2019	Period ended 31-03-2018
Loss on disposal of assets	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses	241	908
Donations	0	8
Damages and penalties	2	446
Allowances for receivables	206	359
Costs of litigations	20	34
Other	13	61
Total	241	908

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by the Group companies (income and expenses according to their netted balance). The comparative information has been restated. The restated information is recognised in the note 4.8.2.

4.3.5. Financial income

	Period ended 31-03-2019	Period ended 31-03-2018
Interest income	49	203
Interest on bank deposits	9	186
Interest on loan	17	17
Interest on receivables	23	0
Other financial income	428	180
Foreign exchange gains	0	26
Discount of long-term items	417	153
Other	11	1
Total	477	383

4.3.6. Financial expenses

	Period ended 31-03-2019	Period ended 31-03-2018
Interest expenses	435	270
Interest on bank credits	72	55
Interest on loans	2	2
Interest on leases	321	152
Interest on trade and other payables	40	61
Other financial expenses	78	58
Foreign exchange losses	33	0
Discount of long-term items	13	47
Other	32	11
Total	513	328

In 2019, Interest on leases includes the interest of PLN 105 thousand on recognised leases in accordance with the implementation of IFRS 16.

4.3.7. Corporate income tax

Corporate income tax recognised in statement of comprehensive income

	Period ended 31-03-2019	Period ended 31-03-2018
Current income tax	0	0
Deferred tax	134	-390
Total tax expense/income	134	-390

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes the items of income or expense that are not taxable or deductible and the items of income or expense that are never taxable. The Group's tax liability is calculated using tax rates applicable during the fiscal year in question.

The Group is subject to general regulations governing corporate income tax. The Group neither forms a tax capital group nor operates in a Special Economic Zone. Tax year and financial year coincide with a calendar year.

Income tax according to effective tax rate

	Period ended 31-03-2019	Period ended 31-03-2018
Gross profit (loss)	-774	-2,280
Income tax at the applicable rate of 19%	-147	-434
Effect of tax recognition:	-3,546	-1,644
Use of tax losses of prior years	135	52
- Costs that are not tax-deductible under tax regulations and tax-deductible expenses that are not balance sheet expenses	2,153	7,233
- Revenue not classified as revenue under tax regulations and taxable revenue that is not balance sheet revenue	5,564	8,825
Revaluation of deferred tax assets (current year loss)	3,693	2,078
Deferred tax	134	-390
Income tax adjustments	0	0
Income tax paid /(tax refund) on income earned abroad	0	0
Income tax according to effective tax rate	134	-390
Effective tax rate	-17%	17%

Current tax assets and liabilities

	Balance at 31-03-2019	Balance at 31-12-2018
Current tax assets		

Tax refundable	0	0
Current tax liabilities		
Tax payable	0	4
Deferred tax		
	Period ended	Period ended
	31-03-2019	31-03-2018
Deferred tax balance at the beginning of the period	22,876	8,024
Temporary differences relating to deferred tax assets:	43,802	31,175
Provisions for expenses and accruals	24,222	11,594
Discount of receivables	250	368
Operating lease liabilities	2,977	199
Write-downs	1,533	1,505
Bonds and insurances settled over time	1,077	1,582
Tax work in progress	12,618	15,530
Measurement of long-term contracts	823	197
Other	302	200
Temporary differences relating to deferred tax liabilities:	40,274	32,486
Measurement of long-term contracts	26,945	22,916
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,664	9,103
Discount of payables	632	456
Other	33	11
Unused tax losses and other tax credits carried forward:	19,214	9,725
Tax losses	19,214	9,725
Total temporary differences relating to deferred tax assets:	63,016	40,900
Total temporary differences relating to deferred tax liabilities:	40,274	32,486
Deferred tax balance at the end of the period	22,742	8,414
Change in deferred tax, including:	-134	390
- recognised in income	-134	390
- recognised in equity	0	0

The recognition of deferred tax in equity is a result of calculating 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 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 following rules are met jointly by the segments:

- 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 clients 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, power engineering and power electronics services and civil structures.

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

The construction activities are also supplemented by the sale of materials required 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 presented 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 in Q1 2019:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	187,981	11,861	2,016	-7,031	194,827
including:					
Revenue from external customers	187,846	6,555	-1,206	1,632	194,827
Inter-segment revenues	135	5,306	3,222	-8,663	0
including:					
Revenue from construction contracts	185,688	0	2,016	-1,590	186,114
Revenue from the provision of services	1,672	1	0	-135	1,538
Revenue from the sale of goods, raw and other materials	621	11,860	0	-5,306	7,175
Gross profit	3,517	430	209	-16	4,140
Financial income / expenses	116	-146	-13	7	-36
Interest received	24	0	0	0	24
Interest paid	-233	0	-8	0	-241
Pre-tax profit	-235	-182	-369	12	-774
Corporate income tax	103	29	0	2	134
Net profit	-338	-211	-369	10	-908
Depreciation and amortisation	3,014	4	30	-2	3,046
Property, plant and equipment	49,318	4	191	2,672	52,185
Non-current assets	188,247	422	1,117	-870	188,916
Total assets	515,943	17,780	16,572	-9,828	540,467
Total liabilities	370,039	17,111	16,708	-9,233	394,625

In the first quarter of 2019, the Group operated in the territory of Poland.

Operating segments' results in Q1 2018:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	112,613	14,237	3,279	-4,226	125,903
including:					
Inter-segment revenues	130	2,619	2,007	-4,756	0
Revenue from external customers	112,483	11,618	1,272	530	125,903
including:					
Revenue from construction contracts	110,740	0	3,279	-1,607	112,412
Revenue from the provision of services	1,664	143	0	0	1,807
Revenue from the sale of goods, raw and other materials	209	14,094	0	-2,619	11,684
Gross profit	2,442	778	552	-231	3,541
Financial income / expenses	248	-118	-86	11	55
Interest received	213	0	0	-20	193
Interest paid	-151	-54	-2	0	-207
Pre-tax profit	-2,021	182	-198	-243	-2,280
Corporate income tax	-329	-15	0	-46	-390
Net profit	-1,692	197	-198	-197	-1,890
Depreciation and amortisation	2,506	1	40	-2	2,545
Property, plant and equipment	98,930	4	156	2,810	101,900
Non-current assets	165,477	237	834	-531	166,017
Total assets	420,570	22,287	14,006	-7,372	449,491
Total liabilities	211,896	22,389	13,990	-6,313	241,962

In the first quarter of 2018, the Group operated in the territory of Poland.

4.4. Contracts, retentions and provisions

4.4.1. Construction contracts

The following details relate to long-term construction contracts performed by the Group.

	31-03-2019	31-03-2018
Revenue from long-term construction contracts	180,385	107,462
Costs of long-term construction contracts *)	185,031	102,891
Gross profit (loss) on long-term contracts	-4,646	4,571
	Balance at	Balance at
	31-03-2019	31-12-2018
Assets (selected items)	170,013	142,926
- Measurement of long-term construction contracts	141,252	114,910
- Advance payments transferred in connection with performed contracts	16,772	15,275
- Retentions on construction contracts retained by customers	11,989	12,741
Liabilities (selected items)	198,232	201,250
- Measurement of long-term construction contracts	4,326	7,047
- Provisions for contract costs	74,477	62,002
- Advance payments received in connection with performed contracts	63,431	75,009
- Retentions on construction contracts retained for suppliers	22,472	19,683
- Provisions for warranty claims	10,793	10,122
- Provisions for expected losses on contracts	22,733	27,387

*) the item does not include the provision for losses on contracts or the provision for warranty claims.

The construction contracts include, in line with the Group's policy, construction and design activities.

The increase in the measurement of long-term construction contracts was influenced by a greater progress of works.

Provisions for contract costs are included in accruals.

Provision for a loss on contracts is created if the budgeted costs exceed the total revenue under a contract.

Provision for contract costs increased mainly after more subcontractors had been involved in the performance of contracts.

4.4.2. Retentions on construction contracts

	Balance at	Balance at
	31-03-2019	31-12-2018
Retained by customers – to be repaid after 12 months	9,601	9,720
Retained by customers – to be repaid within 12 months	2,388	3,021
Total retentions on construction contracts retained by customers	11,989	12,741
Retained for suppliers – to be repaid after 12 months	14,871	11,371
Retained for suppliers – to be repaid within 12 months	7,601	8,312
Total retentions on construction contracts retained for suppliers	22,472	19,683

The construction contracts and work-for-hire contracts entered into by the Group provide for an obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or

insurance companies. If the term of a bond provided by a bank is longer than 37 months, the bank establishes additional security in the form of cash deposit.

4.4.3. Provisions

Changes in provisions

Provisions	01-01-2019	Created	Used	Released	Reclassified	31-03-2019	Item
Long-term provisions:	10,146	1,057	37	0	-122	11,044	
Provisions for employee benefits	1,994	10	0	0	0	2,004	Liabilities under employee benefits (long-term)
Provisions for warranty claims	8,152	1,047	37	0	-122	9,040	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	44,187	4,643	2,468	5,845	122	40,639	
Provisions for employee benefits	14,448	4,451	2,403	913	0	15,583	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,970	0	61	278	122	1,753	Short-term provisions
Provision for loss on contracts	27,387	0	0	4,654	0	22,733	Short-term provisions
Other provisions	382	192	4	0	0	570	Short-term provisions
Total provisions:	54,333	5,700	2,505	5,845	0	51,683	

A provision for warranty claims is created 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.

Provisions for employee benefits include the provisions for leaves, bonuses and retirement and pension gratuities.

(Long-term) liabilities under employee benefits include long-term liabilities under the company social benefits fund.

A provision for a loss on contracts is created if the budgeted costs exceed the total revenue under a contract.

Provisions for expected losses on contracts decreased following the settlement of contracts.

Comparative information:

Provisions	01-01-2018	Created	Used	Released	Reclassified	31-12-2018	Item
Long-term provisions:	7,644	3,841	308	222	-809	10,146	
Provisions for employee benefits	1,888	231	1	4	-120	1,994	Liabilities under employee benefits (long-term)
Provisions for warranty claims	5,756	3,610	307	218	-689	8,152	Long-term provisions

Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	14,426	45,767	13,385	3,430	809	44,187	
Provisions for employee benefits	10,892	16,709	12,657	616	120	14,448	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,702	10	706	725	689	1,970	Short-term provisions
Provision for loss on contracts	616	28,708	0	1,937	0	27,387	Short-term provisions
Other provisions	216	340	22	152	0	382	Short-term provisions
Total provisions:	22,070	49,608	13,693	3,652	0	54,333	

4.5. Trade and other receivables and payables

4.5.1. Trade and other receivables

	Balance at 31-03-2019	Balance at 31-12-2018
Trade receivables	135,854	192,693
Loss allowances for trade receivables in connection with the increase of credit risk	-17,646	-17,654
Loss allowances for trade receivables – initial for expected credit losses	-119	-119
Receivables from the state budget other than corporate income tax	69	383
Advance payments	16,772	15,275
Other receivables	4,163	4,259
Total trade and other receivables	139,093	194,837

The Group receives advance payments from Investors (see Liabilities) and transfers them also to subcontractors to ensure the timely performance of construction contracts.

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

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 2 thousand and the creation of allowances of PLN 206 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from debit notes issued by the Group for the penalties and damages that were not the Group's revenue at the moment of issue.

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

	Balance at 31-03-2019	Balance at 31-12-2018
Counterparty A	74,752	147,395

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 company meets additional requirements concerning the settlement of 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 allowances.

4.5.2. Trade and other payables

	Balance at 31-03-2019	Balance at 31-12-2018
Trade payables	100,981	188,156
Liabilities to the state budget other than corporate income tax	8,426	30,959
Accruals	74,833	62,428
Other payables	86	79
Advance payments	63,431	75,009
Total trade and other payables	247,757	356,631

Trade and other payables include:

- Accruals – provisions for the costs of subcontractors and provisions for the risks relating to the settlement of contracts;
- Advance payments – prepayments received by ZUE on the basis of relevant provisions of the contracts with PKP PLK to perform construction contracts.

4.6. Debt and management of capital and liquidity

4.6.1. Loans and bank credits

	Balance at 31-03-2019	Balance at 31-12-2018
Long-term	0	0
Bank credits	0	0
Received loans	0	0
Short-term	24,573	7,907
Bank credits	24,315	7,651
Received loans	258	256
Total	24,573	7,907

Summary of credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2019	Amount of available credits as at 31-03-2019	Use as at 31-03-2019	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	11-06-2019
2	mBank S.A. (i)	Master agreement including: sublimit for bonds Non-revolving working credit facility	50,000		13,888	3M WIBOR + margin	17-07-2020
			10,000		0		
			40,000	24,995	13,888		

3	BNP Paribas Bank Polska S.A. (ii)	Multipurpose credit line agreement	170,000		90,668	1M WIBOR + margin	24-10-2019
		including:					
		sublimit for bonds	170,000		90,668		
		sublimit for working credit facilities	20,000	20,000	0		
4	BNP Paribas Bank Polska S.A.	Multipurpose credit line	600	325	275	1M WIBOR + margin	05-11-2019
5	mBank S.A.	Overdraft	500	139	361	O/N WIBOR + margin	07-06-2019
6	mBank S.A.	Working credit facility for contract prefinancing	2,000	509	1,491	1M WIBOR + margin	25-11-2019
7	mBank S.A.	Working credit facility	5,000	0	5,000	1M WIBOR + margin	23-08-2019
8	BNP Paribas Bank Polska S.A.	Revolving credit agreement	4,000	700	3,300	3M WIBOR + margin	07-11-2019
Total amount of available credits at the Group			56,668				
Total debt under credits at the Group					24,315		
Total use of bonds at the Group					90,668		

(i) Annex of 21 February 2019 whereby the sublimit for working credit facilities was raised to PLN 40,000 thousand. On 22 February 2019, the working credit facility agreement was signed as part of the available sublimit under the Master Agreement.

(ii) ZUE's ability to use the limit for both bank bonds and working credit facility.

Security and liabilities under credit agreements:

1. **Overdraft** – bill of exchange.
2. **Master agreement:**
 - a) Mortgage;
 - b) Borrower's statement on submission to enforcement.
3. **Multipurpose credit limit agreement:**
 - a) Bill of exchange;
 - b) Cash deposit for the bonds expiring after 37 months;
 - c) Security deposit of PLN 4,000 thousand;
 - d) Registered pledge on non-current assets owned by the borrower;
 - e) Assignment of rights under policy;
 - f) Borrower's statement on submission to enforcement.
4. **Multipurpose credit limit:**
 - a) Blank bill of exchange;
 - b) Borrower's statement on submission to enforcement.
5. **Overdraft:**
 - a) Blank bill of exchange;
 - b) ZUE's guarantees.
6. **Working credit facility for contract prefinancing:**
 - a) Blank bill of exchange;

- b) ZUE's guarantees;
- c) Assignment of claims.
- 7. **Working credit facility:**
 - a) ZUE's guarantees;
 - b) Registered pledge on inventories;
 - c) Blank bill of exchange;
 - d) Statements on submission to enforcement;
 - e) Assignment of rights under insurance policy.
- 8. **Revolving credit agreement:**
 - a) Bill of exchange;
 - b) Statements on submission to enforcement.

The following changes occurred in the reporting period with regard to the credit agreements entered into by the Group:

- mBank – Master Agreement – Annex of 21 February 2019 whereby the agreement (Cooperation Agreement) was renamed to Master Agreement and the sublimit for working credit facilities was raised to PLN 40,000 thousand. On 22 February 2019, the working credit facility agreement was signed as part of the available sublimit under the Master Agreement.

The following changes occurred after the end of the reporting period with regard to the credit agreement entered into by the Group:

- mBank – Overdraft – Annex of 9 May 2019 whereby the repayment date was extended until 11 June 2019.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2018	Use as at 31-12-2018	Interest	Repayment date
1	mBank S.A. (i)	Overdraft	10,000	0	O/N WIBOR + margin	10-05-2019
2	mBank S.A.	Cooperation agreement	50,000	0	3M WIBOR + margin	17-07-2020
		including:				
		sublimit for bonds	50,000	0		
		sublimit for working credit facilities	30,000	0		
3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement	170,000	104,508	1M WIBOR + margin	24-10-2019
		including:				
		sublimit for bonds	170,000	104,508		
		sublimit for working credit facilities	20,000	0		
4	BGŻ BNP Paribas S.A. (iv)	Multipurpose credit line	600	313	1M WIBOR + margin	05-11-2019
5	mBank S.A. (iii)	Overdraft	500	496	O/N WIBOR + margin	07-06-2019
6	mBank S.A. (ii)	Working credit facility for contract prefinancing	2,000	842	1M WIBOR + margin	25-11-2019

7	mBank S.A.	Working credit facility	5,000	5,000	1M WIBOR + margin	23-08-2019
8	BGŻ BNP Paribas S.A.	Revolving credit agreement	4,000	1,000	3M WIBOR + margin	06-08-2019
Total use of credits at the Group				7,651		
Total use of bonds at the Group				104,508		

(i) Annex of 9 May 2018 whereby the limit was raised to PLN 10,000 thousand.

(ii) New agreement of 26 April 2018.

(iii) Annex of 5 June 2018 whereby the limit was raised to PLN 500 thousand.

(iv) Annex of 15 November 2018 whereby the limit was raised to PLN 600 thousand.

4.6.2. Lease liabilities

	Balance at 31-03-2019	Balance at 31-12-2018
Long-term lease liabilities	18,139	14,815
Short-term lease liabilities	14,692	13,001
Total	32,831	27,816

The increase in lease liabilities following the implementation of IFRS 16 as at 1 January 2019 amounted to PLN 7,951 thousand. Detailed information is contained in the note no. 4.8.2.

The Group did not use any leasebacks in the reporting period.

4.6.3. Management of capital

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

The Group recognised negative net debt because the amount of cash was greater than total debt at the end of 2018.

The Group uses own resources (especially ZUE's) and credit limits to finance day-to-day operations.

	Balance at 31-03-2019	Balance at 31-12-2018
Long- and short-term loans and bank credits	24,573	7,907
Long- and short-term lease liabilities	32,831	27,816
Long- and short-term other financial liabilities	316	386
Total financial liabilities	57,720	36,109
Cash and cash equivalents	14,415	81,723
Net debt	43,305	-45,614
Equity	145,842	146,748
Net debt to equity ratio	29.69%	-31.08%

The Group recognised positive net debt because the total financial liabilities at the end of the first quarter of 2019 exceeded the amount of the Group's cash.

The Group uses own resources and credits to finance day-to-day operations.

4.6.4. Cash and cash equivalents

	Balance at 31-03-2019	Balance at 31-12-2018
Cash on hand and at banks	14,415	81,723
Bank deposits up to three months	0	0
TOTAL	14,415	81,723

Cash decreased at the end of the first quarter of 2019 after it had been used to conduct operating activities.

Cash as at 31 March 2019 does not include the amount of PLN 4 thousand kept on escrow accounts. The funds are payable to the Company and consortium members. The Company does not have a full control of the funds and cannot use them freely without the consortium's consent. Accordingly, the Company believes that the cash cannot be defined as assets and is not presented in the balance sheet at 31 March 2019. The cash kept on ZUE's escrow accounts as at 31 December 2018 was PLN 2,962 thousand.

Discussion of items of the statement of cash flows

The Group's cash flows from operating activities were mainly influenced by changes in retentions, payables and receivables in connection with the performance of construction contracts.

Cash flows from investing activities were mainly influenced by the purchase of non-current assets financed with own resources.

Cash flows from financing activities were influenced by the use of credits and a decrease in lease liabilities.

At the end of the first quarter of 2019, the Group held the cash of PLN 14,415 thousand.

	ZUE		Group	
	Period ended 31-03-2019	Period ended 31-03-2018	Period ended 31-03-2019	Period ended 31-03-2018
Cash flows from operating activities	-74,452	-75,269	-79,054	-76,108
Cash flows from investing activities	-932	-11,687	-686	-11,676
Cash flows from financing activities	9,816	640	12,430	2,926
Total net cash flows	-65,568	-86,316	-67,310	-84,858
Cash and cash equivalents at the beginning of the period	79,404	116,144	81,723	117,748
Cash and cash equivalents at the end of the period	13,839	29,882	14,415	32,944

4.7. Other notes to the financial statements

4.7.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	26,220	52,061	85,735	2,291	166,307	302	0	166,609
Opening balance adjustment	0	0	-19,437	-36,016	0	-55,453	0	0	-55,453
Balance at 1 January 2019 after opening balance adjustment	0	26 220	32,624	49,719	2,291	110,854	302	0	111,156
Additions	0	24	383	428	7	842	266	0	1,108
Presentation adjustment	0	0	0	0	0	0	0	0	0
Transfer to non-current assets	0	0	0	0	0	0	175	0	175
Sale/liquidation	0	0	534	159	40	733	0	0	733
Balance at 31 March 2019	0	26,244	32,473	49,988	2,258	110,963	393	0	111,356

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	8,716	23,084	28,227	1,882	61,909	0	0	61,909
Opening balance adjustment	0	0	-1,964	-1,946	0	-3,910	0	0	-3,910
Balance at 1 January 2019 after opening balance adjustment	0	8,716	21,120	26,281	1,882	57,999	0	0	57,999
Elimination on disposal of assets	0	0	533	118	40	691	0	0	691
Depreciation expense	0	222	575	1,042	24	1,863	0	0	1,863
Balance at 31 March 2019	0	8,938	21,162	27,205	1,866	59,171	0	0	59,171
Carrying amount									
Balance at 1 January 2019	0	17,504	28,977	57,508	409	104,398	302	0	104,700
Balance at 1 January 2019 after opening balance adjustment	0	17,504	11,504	23,438	409	-51,543	0	0	-51,543
Balance at 31 March 2019	0	17,306	11,311	22,783	392	51,792	393	0	52,185

The Group did not recognise any impairment losses in the reporting period.

As at 31 March 2019, the amount of liabilities incurred to purchase property, plant and equipment was PLN 359 thousand. As at 31 March 2018, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 14,341 thousand.

Opening balance adjustment results from the implementation of IFRS 16.

Assets pledged as security

Note 4.7.13 deals with property, plant and equipment pledged as security for bank agreements. The Group's lease liabilities (note 4.6.2) are secured with the lessor's title to the leased assets (vehicles, machines and equipment).

Comparative information:

Property, plant and equipment		Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Gross value	1 January 2018	0	26,162	46,839	67,387	2,271	142,659	3,202	3,705	149,566
Additions		0	47	7,389	19,539	116	27,091	10,747	945	38,783
Presentation adjustment		0	11	0	-11	0	0	0	0	0
Transfer to non-current assets		0	0	0	0	0	0	13,647	4,650	18,297
Sale/liquidation		0	0	2,167	1,180	96	3,443	0	0	3,443
Balance at	31 December 2018	0	26,220	52,061	85,735	2,291	166,307	302	0	166,609
Depreciation		Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at	1 January 2018	0	7,768	21,513	23,408	1,854	54,543	0	0	54,543
Elimination on disposal of assets		0	0	1,668	938	95	2,701	0	0	2,701
Depreciation expense		0	948	3,239	5,757	123	10,067	0	0	10,067
Balance at	31 December 2018	0	8,716	23,084	28,227	1,882	61,909	0	0	61,909
Carrying amount										
Balance at	1 January 2018	0	18,394	25,326	43,979	417	88,116	3,202	3,705	95,023
Balance at	31 December 2018	0	17,504	28,977	57,508	409	104,398	302	0	104,700

4.7.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	126	4,251	4,594	0	0	0	8,971	0	0	8,971
Opening balance adjustment	0	992	0	0	0	0	992	0	0	992
Balance at 1 January 2019 after opening balance adjustment	126	5,243	4,594	0	0	0	9,963	0	0	9,963
Additions	0	0	0	0	0	0	0	0	0	0,00
Impairment	0	0	0	0	0	0	0	0	0	0,00
Sale/liquidation	0	0	0	0	0	0	0	0	0	0,00
Balance at 31 March 2019	126	5,243	4,594	0	0	0	9,963	0	0	9,963

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	1,656	2,050	0	0	0	3,706	0	0	3,706
Opening balance adjustment	0	0	0	0	0	0	0	0	0	0
Balance at 1 January 2019 after opening balance adjustment	0	1,656	2,050	0	0	0	3,706	0	0	3,706
Elimination on disposal of assets	0	0	0	0	0	0	0	0	0	0

Depreciation expense	0	19	73	0	0	0	92	0	0	92,00
Balance at 31 March 2019	0	1,675	2,123	0	0	0	3,798	0	0	3,798
Carrying amount										
Balance at 1 January 2019	126	2,595	2,544	0	0	0	5,265	00	0	5,265.00
Balance at 1 January 2019 after opening balance adjustment	126	3 587	2,544	0	0	0	6,257	0	0	6,257.00
Balance at 31 March 2019	126	3,568	2,471	0	0	0	6,165	0	0	6,165.00

The investment property as at 31 March 2019 included the real estate in Kościelisko (plots no. 2001 and 2491). The investment property includes buildings together with the land and leasehold.

The Group's investment property is held either as freehold or leasehold interests.

No impairment losses were released by the Group in the reporting period. The total amount of investment property impairment losses of prior years is PLN 1,770 thousand.

Opening balance adjustment results from the implementation of IFRS 16.

Comparative information:

Gross value		Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at	1 January 2018	126	4,251	4,582	0	0	0	8,959
Additions		0	0	12	0	0	0	12
Impairment		0	0	0	0	0	0	0
Sale/liquidation		0	0	0	0	0	0	0
Balance at	31 December 2018	126	4,251	4,594	0	0	0	8,971

Depreciation		Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at	1 January 2018	0	1,490	1,878	0	0	0	3,368
Elimination on disposal of assets		0	0	0	0	0	0	0
Depreciation expense		0	166	172	0	0	0	338
Balance at	31 December 2018	0	1,656	2,050	0	0	0	3,706

Carrying amount		Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at	1 January 2018	126	2,761	2,704	0	0	0	5,591
Balance at	31 December 2018	126	2,595	2,544	0	0	0	5,265

4.7.3. Intangible assets

Structure of intangible assets

	Balance at 31-03-2019	Balance at 31-12-2018
Acquired concessions, patents, licenses and similar assets, including:	212	224
- Software	212	224
Other intangible assets, including:	0	8,392
- Leasehold	0	8,392
Total	212	8,616

Movements in intangible assets

	Leasehold	Other intangible assets – software	Total
Gross value			
Balance at 1 January 2019	9,341	4,566	13,907
Opening balance adjustment	-9,341	0	-9,341
Balance at 1 January 2019 after opening balance adjustment	0	4,566	4,566
Additions	0	28	28
Sale/liquidation	0	56	56
Balance at 31 March 2019	0	4,538	4,538
Amortisation and impairment			
Balance at 1 January 2019	949	4,342	5,291
Opening balance adjustment	-949	0	-949
Balance at 1 January 2019 after opening balance adjustment	0	4,342	4,342
Amortisation expense	0	40	40
Sale/liquidation	0	56	56
Balance at 31 March 2019	0	4,326	4,326
Carrying amount			
Balance at 1 January 2019	8,392	224	8,616
Balance at 1 January 2019 after opening balance adjustment	0	224	224
Balance at 31 March 2019	0	212	212

No impairment losses were recognised by the Company in 2019 or 2018.

Opening balance adjustment results from the implementation of IFRS 16.

Comparative information:

	Leasehold	Other intangible assets – software	Total
Gross value			
Balance at 1 January 2018	9,341	4,539	13,880
Additions	0	31	31
Sale/liquidation	0	4	4
Balance at 31 December 2018	9,341	4,566	13,907
Amortisation and impairment			
Balance at 1 January 2018	827	3,966	4,793
Amortisation expense	122	380	502
Sale/liquidation	0	4	4
Balance at 31 December 2018	949	4,342	5,291
Carrying amount			
Balance at 1 January 2018	8,514	573	9,087
Balance at 31 December 2018	8,392	224	8,616

4.7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2019	0	0	0	0	0	0	0	0	0	0
Opening balance adjustment	812	13,833	932	19,475	36,699	0	71,751	0	0	71,751
Balance at 1 January 2019 after opening balance adjustment	812	13,833	932	19,475	36,699	0	71,751	0	0	71,751
Conclusion of new contracts	85	0	63	0	379	0	527	311	0	838
Changes resulting from the amendments to contracts	0	0	0	0	0	0	0	0	0	0
Changes resulting from the shortening of contracts	0	0	0	0	0	0	0	0	0	0
Reclassification to discontinued operations	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2019	897	13,833	995	19,475	37,078	0	72,278	311	0	72,589

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	0	0	0	0	0	0	0	0	0
Opening balance adjustment	0	946	0	1,964	1,947	0	4,857	0	0	4,857
Balance at 1 January 2019 after opening balance adjustment	0	946	0	1,964	1,947	0	4,857	0	0	4,857
Depreciation expense	90	32	105	277	547	0	1,051	0	0	1,051
Decrease in depreciation resulting from reclassification to discontinued operations	0	0	0	0	0	0	0	0	0	0

Balance at	90	978	105	2,241	2,494	0	5,908	0	0	5,908
Carrying amount										
Balance at 1 January 2019	0	0	0	0	0	0	0	0	0	0
Balance at 1 January 2019 after opening balance adjustment	812	12,887	932	17,511	34,752	0	66,894	0	0	66,894
Balance at 31 March 2019	807	12,855	890	17,234	34,584	0	66,370	311	0	66,681

Opening balance adjustment results from the implementation of IFRS 16.

4.7.5. Goodwill

The goodwill of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (PRK) is a result of the acquisition of 85% of PRK shares and the control gained in 2010. The acquisition of PRK was settled 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 a result of the purchase of 830 shares in BPK Poznań and the control gained on 2012.

The acquisition of BPK Poznań was settled 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 design activities.

At cost	Balance at 31-03-2019	Balance at 31-12-2018
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

Annual goodwill impairment test

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Group carried out tests for the impairment of goodwill. The impairment tests carried out at 31 December 2018 according to *IAS 36 Impairment of Assets* revealed no risks to the loss of the carrying amount of the Company's assets. As at 31 March 2019, 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.

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

The total capital expenditure disclosed in the cash flow statement for the reporting period amounted to PLN 824 thousand.

At 31 March 2019, liabilities incurred to purchase property, plant and equipment amounted to PLN 575 thousand. At 31 December 2018, liabilities incurred to purchase property, plant and equipment amounted to PLN 506 thousand.

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

- Complete overhauls of machines and vehicles – PLN 275 thousand;
- Purchase of cars – PLN 154 thousand; and
- Purchase of a server – PLN 154 thousand.

In the first quarter of 2019, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 43 thousand. In the first quarter of 2018, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 155 thousand.

4.7.7. Advanced loans

	Balance at 31-03-2019	Balance at 31-12-2018
Loans advanced to related parties	97	80
Loans advanced to other parties	3,106	3,080

Impairment losses	-364	-347
Total	2,839	2,813

Advanced loans include principal and interest charged at the end of the reporting period. In the reporting period, the Group granted a special-purpose loan of PLN 17 thousand to a related party.

4.7.8. Inventories

	Balance at 31-03-2019	Balance at 31-12-2018
Goods, raw and other materials	48,634	47,987
Work-in-progress	1,612	534
Finished goods	199	199
Total	50,445	48,720

The security for liabilities created on inventories at 31 March 2019 and 31 December 2018 amounted to PLN 4,000 thousand.

4.7.9. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments with a breakdown into particular classes and categories of assets and liabilities as at 31 March 2019.

Balance at 31 March 2019

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	13,302	0	0	0	24,216
Trade receivables	135,854	0	0	0	0
Other financial liabilities	0	0	0	0	316
Advanced loans	2,839	0	0	0	0
Cash and cash equivalents	14,415	0	0	0	0
Loans and bank credits	0	0	0	0	24,573
Lease liabilities	0	0	0	0	32,831
Trade payables	0	0	0	0	100,981
Total	166,410	0	0	0	182,917

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

Balance at 31 December 2018

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	14,100	0	0	0	21,177
Trade receivables	192,693	0	0	0	0
Other financial liabilities	0	0	0	0	386

Advanced loans	2,813	0	0	0	0
Cash and cash equivalents	81,723	0	0	0	0
Loans and bank credits	0	0	0	0	7,907
Lease liabilities	0	0	0	0	27,816
Trade payables	0	0	0	0	188,156
Total	291,329	0	0	0	245,442

In the comparative period, the Group classified financial instruments according to IFRS 9 effective since 1 January 2018.

4.7.10. Transactions with related parties

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

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2019	31-12-2018	31-03-2019	31-12-2018
RTI	1	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	1	0	0	0

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2019	31-03-2018	31-03-2019	31-03-2018
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	
	31-03-2019	31-12-2018	31-03-2019	31-03-2018
RTI	21	21	0	0
RTI Germany	76	59	0	0
Wiesław Nowak	0	0	0	0
Total	97	80	0	0

In the reporting period, transactions were entered into between ZUE and 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.

On 7 January 2019, ZUE and RTI Germany signed a loan agreement whereby RTI Germany was granted a special-purpose loan of EUR 4 thousand to be repaid by 20 December 2019. The loan was disbursed on 11 January 2019.

On 12 April 2019, the Extraordinary Shareholders Meeting decided about the increase of the share capital of RTI whereby ZUE acquired the newly created RTI shares for PLN 35 thousand.

On 29 April 2019, RTI repaid the loans granted by ZUE plus interest. The repayment concerned the loan agreements of 26 May 2017, 7 December 2017 and 13 April 2018.

Compensation of key management personnel

	Period ended	Period ended
	31-03-2019	31-03-2018

Management Board	708	1,642
Supervisory Board	70	128
Total	778	1,770

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

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

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

Major pending court proceedings concerning liabilities:

Court case concerning the following project: "Construction of the tram depot in Poznań."

On 7 February 2019, the Company received the suit for payment of 7 January 2019 filed with the District Court of Poznań by Miejskie Przedsiębiorstwo Komunikacyjne w Poznaniu sp. z o.o. (MPK, the "Contracting Authority," the "Plaintiff") against ZUE S.A. and Elektrobudowa S.A. of Katowice. In their suit MPK demanded that ZUE and Elektrobudowa pay on a joint and several basis the total amount of approx. PLN 20.2m as contractual penalties plus statutory default interest and the costs of proceedings.

The suit was based by the Plaintiff on the contract of 13 July 2011 between MPK and the Consortium of ZUE and Elektrobudowa for the construction of the FRANOWO tram depot in Poznań (the "Contract"). The Company informed about the conclusion of the Contract in the current report 39/2011. The works under the Contract were performed and completed by the Consortium in June 2015.

The Company believed that the claims enforced under the suit were groundless because there was no fault on part of the Company or the failure to cooperate properly with the Plaintiff during the performance of the Contract. Accordingly, the Company replied to the suit and questioned both the legitimacy and amount of the Plaintiff's claims. The case was referred by the Court for mediation with the consent of all parties.

As a precaution, the Company created a financial provision relating to the said litigation. The Company informed thereof in the current report 7/2017 of 6 February 2017.

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 14 August 2014, the Petitioner (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.) filed a lawsuit against the Defendant (PKP Polskie Linie Kolejowe S.A.). The Petitioner sued the Defendant for the contractual penalty of PLN 72,835,010.99 plus interest from 18 August 2012 until payment (with PLN 18,521,943.30 plus interest from 18 August 2012 until payment attributable to the Company) for the Defendant's delay in the handover of the Construction Site. The lawsuit concerned the construction contract of 27 October 2009 between the Petitioner (the Contractor) and the Defendant (the Contracting Authority) for the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding. Phase 3: construction work on the siding as part of the project no. POLiŚ 7.1-18: "Modernisation of the railway line no. 8, construction of the Okęcie Airport siding."

The Defendant questioned the claims made by the Petitioner both in terms of their amount and legitimacy and filed a motion to dismiss the action. The Defendant filed a claim that the contractual fee charged by the Petitioners was too high in case the said motion for the dismissal was rejected. On 11 December 2017, the District Court of Warsaw delivered the judgment whereby it ordered that PKP PLK S.A. pay ZUE S.A. PLN 1,852,194.33 plus statutory interest from 18 August 2012 to the date of payment and dismissed the remaining claims. ZUE S.A. appealed against the judgment and demanded that all claims be considered. The Defendant also appealed against the judgment and demanded that all claims of the Petitioner be dismissed.

In addition, on 29 September 2016, the Petitioner (PORR Polska Infrastruktura; 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 11,506,921.00 (out of which PLN 2,926,209.77 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.”

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 S.A. PLN 347,126.79 plus statutory default interest from 21 December 2016 to the date of payment and dismissed ZUE’s claim concerning the payment of PLN 283,213.65 plus statutory interest from 21 December 2016.

4.7.12. 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 in 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 Group as a result of such inspections.

No significant or countable tax risks were recognised by the Group at 31 March 2019 or 31 December 2018.

4.7.13. Contingent assets and contingent liabilities

Contingent assets

	Balance at 31-03-2019	Balance at 31-12-2018
Bonds	74,456	74,700
Guarantees	56	55
Bills of exchange	2,443	2,140
Total	76,955	76,895

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

Contingent liabilities

	Balance at 31-03-2019	Balance at 31-12-2018
Bonds	562,293	597,356
Guarantees	25,037	24,951
Bills of exchange	365,244	364,811
Mortgages	54,259	54,259
Pledges	23,291	23,927
Total	1,030,124	1,065,304

Contingent liabilities in the form of bonds for the benefit of third parties include, in particular, bid bonds, performance bonds, defects liability bonds, payment 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 and strategic clients are secured by bills of exchange.

Mortgages are additional security for the credit agreement with mBank SA and the insurance agreement with PZU SA.

Registered pledges were established in connection with annexes to the agreements between ZUE and BNP PARIBAS and PEKAO whereby limits had been raised and the agreement with BGK. The pledged assets include wagons, pile driver and maintenance train. In addition, a registered pledge was established in connection with the credit agreement with mBank entered into by a subsidiary. The pledge is on inventories.

4.7.14. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditure on property, plant and equipment at 31 March 2019 or 31 December 2018.

4.7.15. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the three months ended 31 March 2019 or the three months ended 31 March 2018.

4.8. Other notes to the financial statements

4.8.1. Use of 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 2019 as endorsed by the European Union (EU).

The quarterly consolidated financial statements for the three months ended 31 March 2019 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 2019:

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to IFRS 9 “Financial Instruments”** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments following from the review of IFRS 2015-2017** (effective for annual periods beginning on or after 1 January 2019);
- **IFRIC Interpretation 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019).

The Group believes that except for IFRS 16, the remaining amendments to the standards or interpretations do not have any considerable influence on the Group’s consolidated financial statements. The implementation of IFRS 16 has been discussed in detail in the note 4.8.2.

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

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) excluding the following new standards and amendments to the standards not yet approved for use in the EU at the date of preparation of this report:

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 3 “Business Combinations”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date has been deferred by the IASB indefinitely);
- **Amendments to IAS 1 and IAS 8: “Definition of Material”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

4.8.2. Important accounting principals

4.8.2.1. Going concern

The quarterly condensed financial statements of the Group have been prepared assuming that the Group will continue in operational existence for at least 12 months of the end of the reporting period; i.e. 31 March 2019.

The financial standing of the Parent Company is the most important factor influencing the Group’s ability to continue in operational existence. The key factors influencing the Group’s ability to continue as a going concern include liquidity, proper backlog and market situation.

The following facts should be taken into account when analysing the Group’s financial situation: in the three months ended 31 March 2019, the Group recognised sales revenue of PLN 195m (a year-on-year increase by 55%) and gross profit of PLN 4.1m. As at 31 March 2019, the Group presented current assets of PLN 351.5m including cash of more than PLN 14.4m. At the date of preparation of this report, the Group had the backlog worth approx. PLN 1,777m. The Group is in the process of winning new contracts.

Accordingly, the Management Board of ZUE state that there are no significant going concern risks at the date of preparation of these quarterly condensed financial statements and these financial statements have been prepared assuming that the Group will continue in operational existence for the foreseeable future.

4.8.2.2. Preparation basis

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

4.8.2.3. Comparability of financial information

No changes in the presentation of financial information have been made in the comparative periods, except for the following changes.

In order to make the consolidated financial statements clearer, reinvoices and damages have been presented by the Group companies jointly (other operating income and expenses according to their netted balance).

The table below presents the influence of changes on the consolidated statement of comprehensive income:

Continuing operations	Restated	Approved	Effect of changes
	3 months ended	3 months ended	
	31-03-2018	31-03-2018	
Sales revenue	125,903	125,903	0
Cost of sales	122,362	122,362	0
Gross profit (loss) on sales	3,541	3,541	0
General and administrative expenses	5,221	5,221	0
Other operating income	253	253	-468
Other operating expenses	908	908	-468
Operating profit (loss)	-2,335	-2,335	0
Financial income	383	383	0
Financial expenses	328	328	0
Pre-tax profit (loss)	-2,280	-2,280	0
Corporate income tax	-390	-390	0
Net profit (loss) from continuing operations	-1,890	-1,890	0
Net profit (loss)	-1,890	-1,890	0

Following the implementation of IFRS 16, the Group presented in these consolidated financial statements and the comparative information the item named: "Lease liabilities." The following were presented under equity and liabilities:

- "Long-term lease liabilities;" and
- "Short-term lease liabilities."

Previously the Group recognised liabilities relating to the financing of property, plant and equipment and obligations under finance lease under "Loans and bank credits and other financing sources." Since 2019, the Group has also recognised liabilities under right-of-use assets in the new separate item.

The table below presents the influence of changes on the consolidated statement of financial position:

	Restated	Approved	
	Balance at	Balance at	Effect of
	31-12-2018	31-12-2018	changes
ASSETS			
Non-current assets			
Total non-current assets	182,498	182,498	0
Current assets			
Total current assets	447,064	447,064	0
Total assets	629,562	629,562	0
EQUITY AND LIABILITIES			
Equity			
Total equity attributable to shareholders of the parent	146,622	146,622	0
Equity attributable to non-controlling interests	126	126	0
Total equity	146,748	146,748	0
Non-current liabilities			
Long-term loans and bank credits and other financing sources	0	14,815	-14,815
Long-term loans and bank credits	0	0	0
Long-term lease liabilities	14,815	0	14,815
Total non-current liabilities	36,402	36,402	0
Current liabilities			
Short-term loans and bank credits and other financing sources	0	20,908	-20,908
Short-term loans and bank credits	7,907	0	7,907
Short-term lease liabilities	13,001	0	13,001
Total current liabilities	446,412	446,412	0
Total liabilities	482,814	482,814	0
Total equity and liabilities	629,562	629,562	0

4.8.2.4. Applied accounting principles

Except for the following changes, these quarterly consolidated financial statements for the three months ended 31 March 2019 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 2018. The financial statements for the financial year ended 31 December 2018 contain a detailed description of the accounting principles applied by the Group.

These quarterly consolidated financial statements do not include all the information and 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.

4.8.2.5. Changes to accounting principles and financial statements preparation

Implementation of IFRS 16

Application of IFRS 16 for the first time

The International Financial Reporting Standard 16 Leases (IFRS 16) was issued by the International Accounting Standards Board (IASB) in January 2016 and superseded IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Forms of a Lease. IFRS 16 establishes principles for the measurement, presentation and disclosure of leases.

IFRS 16 introduces a single lessee accounting model eliminating the distinction between operating and finance leases and requires a lessee to recognise the right-of-use asset and a lease liability, except for short-term leases and low value asset leases.

Impact of IFRS 16 on the Group's financial statements

Implementing IFRS 16 with a modified retrospective approach.

The Group applied IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application (modified approach). The date of the initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied a modified approach so there is no requirement to restate comparative financial information. Instead, the Group recognised the cumulative effect of initially applying this Standard as an adjustment to the opening balance at the date of initial application.

The change of the definition of a lease mainly related to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. The Group applied the definition of a lease and the related guidelines specified in IFRS 16 to all lease contracts signed or amended on or after 1 January 2019 regardless of whether the Group is a lessee or lessor under the contract.

Practical solutions used by the Group

When applying IFRS 16 for the first time, the Group applied the following practical solutions approved of by the standard:

1. Not to recognise operating leases with a lease term less than 12 months of 1 January 2019, which were treated as short-term leases;
2. Not to recognise leases where the underlying asset has a low value; i.e. PLN 20 thousand;
3. To use a single discount rate to a portfolio of leases with similar characteristics;
4. To exclude initial direct costs from the measurement of the right of use asset at the date of initial application;
5. To use knowledge, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Exemptions offered by practical solutions:

Short-term lease	1,392
Lease of low value assets	90
Total exemptions	1,482

As at 1 January 2019, the discount rates applied by the Group to determine the amount of discounted lease payments range from 3.04% to 6.3% for PLN- and EUR-denominated contracts (depending on the term of the lease).

Impact on the Group's accounting

Summary of impact of IFRS 16 on the lessee's accounting:

1. Application of IFRS 16 to lease contracts previously classified as operating leases under IAS 17 caused the recognition of right-of-use assets and lease liabilities.
2. Non-current assets held under finance lease contracts previously presented under property, plant and equipment were presented under right-of-use assets.
3. Lease liabilities previously classified as finance lease contracts under IAS 17 and disclosed under loans and bank credits and other financing sources were presented in (short- and long-term) lease liabilities.
4. The disclosure requirements contained in IAS 40 were applied to right-of-use assets that met the definition of investment property.

Right-of-use assets recognised as at 1 January 2019 (contracts which contain a lease)

The Group is a lessee of cars, apartments, land and leasehold land.

Lease of cars	682
Lease of apartments, land and office equipment	1,782

Leasehold land	4,495
Total	6,959

Right-of-use assets recognised as at 1 January 2019 which meet the requirements of the definition of investment property

A right-of-use asset is presented separately by the Group according to IAS 40.

Leasehold land in investment property	992
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Right-of-use liabilities recognised as at 1 January 2019 (contracts which contain a lease)

Lease of cars	682
Lease of apartments, land and office equipment	1,782
Leasehold land	4,495
Leasehold land in investment property	992
Total	7,951

Contracts previously recognised as finance lease

For the leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of lease asset and lease liability immediately before that date measured applying IAS 17.

Presentation at 1 January 2019:

Right-of-use liabilities	27,816
Right-of-use assets	51,543

PLN 27,816 thousand includes vehicles, machines and technical equipment leased under IAS 17.

Right-of-use assets – reclassified from intangible assets

Leasehold land	8,392
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Impact of the implementation of IFRS16 on the financial statements

At the date of application of IFRS 16, the Group recognised the right-of-use assets of PLN 7,951 thousand and the lease liabilities of PLN 7,951 thousand.

The table below presents the influence of changes on the consolidated statement of financial position:

	According to	Approved	Effect of changes
	IFRS 16		
	Balance at	Balance at	
	2019-01-01	2018-12-31	
ASSETS			
Non-current assets			
Property, plant and equipment	53,157	104,700	-51,543
Investment property	6,257	5,265	992
Intangible assets	224	8,616	-8,392
Right-of-use assets	66,894	0	66,894
Total non-current assets	190,449	182,498	7,951
Total current assets	447,064	447,064	0
Total assets	637,513	629,562	7,951
EQUITY AND LIABILITIES			
Total equity			
	146,748	146,748	0
Long-term loans and bank credits and other financing sources	0	14,815	-14,815
Long-term loans and bank credits	0	0	0
Long-term lease liabilities	21,280	0	21,280
Total non-current liabilities	42,867	36,402	6,465
Short-term loans and bank credits and other financing sources	0	20,908	-20,908
Short-term loans and bank credits	7,907	0	7,907
Short-term lease liabilities	14,487	0	14,487
Total current liabilities	447,898	446,412	1,486
Total liabilities	490,765	482,814	7,951
Total equity and liabilities	637,513	629,562	7,951

Hedge accounting

No hedge accounting is applied by 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 values 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. 4.7.5.)
Useful economic lives of non-current assets
Loss allowances for receivables (note no. 4.5.1.)
Provisions (note no. 4.4.3.)
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. 4.7.13.)
Uncertainty over tax settlements (note no. 4.7.12.)

No changes to estimates occurred in the reporting period.

5. Approval of the condensed consolidated financial statements

These condensed consolidated financial statements for the three months ended 31 March 2019 were approved for publication by the Management Board of ZUE on 22 May 2019.

6. Signatures

The financial statements have been prepared by:

Ewa Bosak 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, 22 May 2019



ZUE S.A.

**CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED 31 MARCH 2019**

Cracow, 22 May 2019

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

Separate statement of comprehensive income

	Note no.	Restated	
		3 months ended 31-03-2019	3 months ended 31-03-2018
Continuing operations			
Sales revenue	2.1.1.	187,981	112,613
Cost of sales	2.1.2.	184,464	110,171
Gross profit (loss) on sales		3,517	2,442
General and administrative expenses	2.1.2.	3,816	4,256
Other operating income	2.1.3.	168	114
Other operating expenses	2.1.4.	220	569
Operating profit (loss)		-351	-2,269
Financial income	2.1.5.	517	403
Financial expenses	2.1.6.	401	155
Pre-tax profit (loss)		-235	-2,021
Corporate income tax	2.1.7.	103	-329
Net profit (loss) from continuing operations		-338	-1,692
Net profit (loss)		-338	-1,692
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		-338	-1,692
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		-0.01	-0.07
Total comprehensive income (loss) per share (PLN)		-0.01	-0.07

Separate statement of financial position

		Restated	
	Note no.	Balance at 31-03-2019	Balance at 31-12-2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.5.1.	49,318	101,815
Investment property	2.5.2.	9,875	8,642
Intangible assets	2.5.3.	177	8,115
Right-of-use assets	2.5.4.	65,583	0
Goodwill	2.5.5.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts	2.2.2.	9,350	9,463
Deferred tax assets	2.1.7.	22,382	22,485
Loans advanced	2.5.7.	169	0
Total non-current assets		188,247	181,913
Current assets			
Inventories	2.5.8.	42,657	37,311
Trade and other receivables	2.3.1.	135,347	188,084
Measurement of long-term construction contracts	2.2.1.	129,810	103,400
Retentions on construction contracts	2.2.2.	2,298	2,938
Current tax assets	2.1.7.	0	0
Loans advanced	2.5.7.	2,957	2,804
Other assets		788	764
Cash and cash equivalents	2.4.4.	13,839	79,404
Total current assets		327,696	414,705
Total assets		515,943	596,618

	Note no.	Balance at 31-03-2019	Restated Balance at 31-12-2018
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		48,999	49,337
Total equity		145,904	146,242
Non-current liabilities			
Long-term lease liabilities	2.4.2.	18,014	14,781
Retentions on construction contracts	2.2.2.	14,237	10,721
Liabilities under employee benefits		1,036	1,036
Long-term provisions	2.2.3.	8,739	7,872
Other liabilities		0	70
Total non-current liabilities		42,026	34,480
Current liabilities			
Trade and other payables	2.3.2.	238,271	335,883
Measurement of long-term construction contracts	2.2.1.	4,271	6,980
Retentions on construction contracts	2.2.2.	7,397	8,099
Short-term loans and bank credits	2.4.1.	13,888	0
Short-term lease liabilities	2.4.2.	14,593	12,963
Other financial liabilities		36	36
Liabilities under employee benefits		24,716	22,103
Current tax liabilities	2.1.7.	0	0
Short-term provisions	2.2.3.	24,841	29,832
Total current liabilities		328,013	415,896
Total current liabilities		370,039	450,376
Total equity and liabilities		515,943	596,618

Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at	1 January 2019	5,758	93,837	-2,690	49,337	146,242
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	-338	-338
Other net comprehensive income		0	0	0	0	0
Balance at	31 March 2019	5,758	93,837	-2,690	48,999	145,904
Balance at	1 January 2018	5,758	93,837	-2,690	113,461	210,366
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	-1,692	-1,692
Other net comprehensive income		0	0	0	0	0
Balance at	31 March 2018	5,758	93,837	-2,690	111,769	208,674
Balance at	1 January 2018	5,758	93,837	-2,690	113,461	210,366
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	-64,049	-64,049
Other net comprehensive income		0	0	0	-75	-75
Balance at	31 December 2018	5,758	93,837	-2,690	49,337	146,242

Separate statement of cash flows

	3 months ended 31-03-2019	3 months ended 31-03-2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	-235	-2,021
Adjustments for:		
Depreciation and amortisation	3,014	2,506
Foreign exchange gains / (losses)	-3	-54
Interest and share in profit (dividends)	290	-49
(Gain) / loss on disposal of investments	-71	-6
Operating profit before changes in working capital	2,995	376
Change in receivables, measurement of contracts and retentions on construction contracts	27,079	-5,829
Change in inventories	-5,346	-15,705
Change in provisions and liabilities under employee benefits	-1,511	-188
Change in payables, measurement of contracts and retentions on construction contracts, excluding loans and bank credits and lease liabilities	-97,647	-54,004
Change in accrued expenses	-22	81
NET CASH FROM OPERATING ACTIVITIES	-74,452	-75,269
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	86	309
Purchase of property, plant and equipment and intangible assets	-725	-9,009
Loans advanced	-317	-3,200
Interest received	24	213
NET CASH FROM INVESTING ACTIVITIES	-932	-11,687
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	15,005	3,326
Repayment of loans and bank credits	-1,117	0
Decrease in lease liabilities	-3,839	-2,535
Lease interest paid	-233	-151
Other cash provided by / (used in) financing activities – dividends	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES	9,816	640
TOTAL NET CASH FLOWS	-65,568	-86,316
Net foreign exchange gains / (losses)	3	54
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	79,404	116,144
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	13,839	29,882
- of limited availability	0	0

Notes to the condensed separate financial statements of ZUE

1. General information

1.1. Information about the Company

ZUE Spółka Akcyjna has been established under the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). 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.

The composition of the Company's Management Board has not changed during the reporting period or until the date of preparation of these financial statements.

Composition of the Company's Management and Supervisory Boards at the date of approval of these 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
Bogusław Lipiński	Supervisory Board Member
Piotr Korzeniowski	Supervisory Board Member
Michał Lis	Supervisory Board Member

Audit Committee:

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

Mr. Mariusz Szubra and Mr. Piotr Korzeniowski meet the independence criteria referred to in the Act on Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089, as amended).

1.2. Activities of the Company

ZUE is one of major players in the urban and railway transport infrastructure sector.

ZUE focuses on the execution, as a general contractor or consortium leader or subcontractor, of multi-discipline projects including:

- **Urban infrastructure, including:**
 - Construction and upgrade of tram tracks, tram and trolleybus traction networks, traction substations, street lighting, cable lines, street traffic signalling, road systems, buildings and telecommunications technology;
 - Maintenance of tram and street lighting infrastructure.
- **Rail infrastructure, including:**
 - Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, stations and civil structures.
- **Distribution and transmission lines power infrastructure, including:**
 - Construction and upgrade of high and very high voltage cable and overhead lines, transformer stations, including telecommunications technology equipment and MV and LV cable lines.

In 2019, the Company continues to provide rail and urban infrastructure construction services. The power infrastructure market is being observed and analysed.

Construction activities have been diversified to include civil structures so that the Company can deliver reinforced concrete projects, such as viaducts, bridges, passages, resistance walls or noise barriers, based on its skills and resources.

1.3. 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 zlotys, unless specific circumstances require greater detail.

2. Financial information

2.1. Notes to the statement of comprehensive income

2.1.1. Revenue

	Period ended 31-03-2019	Period ended 31-03-2018
Revenue from construction contracts	185,688	110,740
Revenue from the rendering of services	1,672	1,664
Revenue from the sale of goods, raw and other materials	621	209
Total	187,981	112,613

ZUE's sales revenue in the period 1 January - 31 March 2019 amounted to PLN 187,891 thousand – up by 67% compared to the revenue reported in the analogous period of 2018.

The Company operated in Poland in the first quarter of 2019.

The largest portion of the Company's revenue was derived from long-term construction contracts.

The Company presents the entire revenue in one reporting segment, namely construction activities.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	31-03-2019	31-03-2018
Counterparty A	113,160	52,697

2.1.2. Operating expenses

	Period ended 31-03-2019	Period ended 31-03-2018
Change in products	-1,078	-837
Depreciation and amortization	3,014	2,506
Consumption of materials and energy, including:	72,956	66,741
- consumption of materials	71,325	65,396
- consumption of energy	1,631	1,345
Contracted services	84,875	25,355
Costs of employee benefits	24,962	18,128
Taxes and charges	339	369
Other expenses	2,873	2,108
Value of goods and materials sold	339	57
Total	188,280	114,427

	Period ended 31-03-2019	Period ended 31-03-2018
Cost of sales	184,464	110,171
General and administrative expenses	3,816	4,256
Total	188,280	114,427

The Company's general and administrative expenses in the period 1 January - 31 March 2019 amounted to PLN 3,816 thousand and decreased by 10% when compared with the Company's general and administrative expenses reported in the first quarter of 2018.

Depreciation and amortisation

	Period ended 31-03-2019	Period ended 31-03-2018
Depreciation of property, plant and equipment	1,816	2,268
Depreciation of right-of-use assets	1,042	0
Amortisation of intangible assets	30	122
Depreciation of investments in real property	126	116
Total	3,014	2,506

2.1.3. Other operating income

	Period ended 31-03-2019	Period ended 31-03-2018
Gain on disposal of assets	71	6
Gain on disposal of non-current assets	71	6
Other operating income	97	108
Damages and penalties	56	0
Release of allowances for receivables	0	20
Refund of the costs of court proceedings	0	77
Release of write-downs of inventories	10	5
Other	31	6
Total	168	114

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by ZUE (income and expenses according to their netted balance). The comparative information has been restated. The restated information is recognised in the note 2.6.2.

2.1.4. Other operating expenses

	Period ended 31-03-2019	Period ended 31-03-2018
Loss on disposal of assets	0	0
Loss on disposal of non-current assets	0	0
Other operating expenses	220	569
Donations	0	8
Damages and penalties	0	409
Allowances for receivables	206	102
Costs of litigations	14	23
Other	0	27
Total	220	569

In order to make the financial statements clearer, reinvoices and damages have been jointly presented by ZUE (income and expenses according to their netted balance). The comparative information has been restated. The restated information is recognised in the note 2.6.2.

2.1.5. Financial income

	Period ended 31-03-2019	Period ended 31-03-2018
Interest income	33	200
Interest on bank deposits	9	181
Interest on loan	22	19
Interest on receivables	2	0
Other financial income	484	203
Foreign exchange gains	0	19
Discount of long-term items	417	127
Financial guarantees	67	57
Other	0	0
Total	517	403

In order to make the financial statements clearer, reinvoices have been jointly presented by ZUE (income and expenses according to their netted balance). The comparative information has been restated. The restated information is recognised in the note 2.6.2.

2.1.6. Financial expenses

	Period ended 31-03-2019	Period ended 31-03-2018
Interest expenses	354	155
Interest on leases	319	151
Interest on trade and other payables	35	4
Other financial expenses	47	0
Foreign exchange losses	30	0
Other	17	0
Total	401	155

In order to make the financial statements clearer, reinvoices have been jointly presented by ZUE (income and expenses according to their netted balance). The comparative information has been restated. The restated information is recognised in the note 2.6.2.

In 2019, Interest on leases includes the interest of PLN 105 thousand on recognised leases in accordance with the implementation of IFRS 16.

2.1.7. Corporate income tax

Corporate income tax recognised in statement of comprehensive income

	Period ended 31-03-2019	Period ended 31-03-2018
Current income tax	0	0
Deferred tax	103	-329

Total tax expense/income	103	-329
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The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes the items of income or expense that are not taxable or deductible and the items of income or expense that are never taxable. The Company's tax liability is calculated using tax rates applicable during the fiscal year in question.

The Company is subject to general regulations governing corporate income tax. The Company neither forms a tax capital group nor operates in a Special Economic Zone. Tax year and financial year coincide with a calendar year.

Income tax according to effective tax rate

	Period ended 31-03-2019	Period ended 31-03-2018
Gross profit (loss)	-235	-2,021
Income tax at the applicable rate of 19%	-45	-384
Effect of tax recognition:	-3,592	-1,585
Use of tax losses of prior years	0	0
- Costs that are not tax-deductible under tax regulations and tax-deductible expenses that are not balance sheet expenses	1,997	6,993
- Revenue not classified as revenue under tax regulations and taxable revenue that is not balance sheet revenue	5,589	8,578
Revaluation of deferred tax assets (current year loss)	3,637	1,969
Deferred tax	103	-329
Income tax adjustments	0	0
Income tax paid /(tax refund) on income earned abroad	0	0
Income tax according to effective tax rate	103	-329
Effective tax rate	-44%	16%

Current tax assets and liabilities

	Balance at 31-03-2019	Balance at 31-12-2018
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	4

Deferred tax

	Balance at 31-03-2019	Balance at 31-03-2018
Deferred tax balance at the beginning of the period	22,485	7,803
Temporary differences relating to deferred tax assets:	41,314	28,990
Provisions for expenses and accruals	22,439	10,065
Discount of receivables	239	359
Operating lease liabilities	2,934	190
Write-downs	1,184	1,171
Bonds and insurances settled over time	1,077	1,582
Tax work in progress	12,127	15,202
Measurement of long-term contracts	812	24
Other	502	397
Temporary differences relating to deferred tax liabilities:	37,903	30,481
Measurement of long-term contracts	24,664	20,951
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,671	9,140
Discount of payables	558	382
Other	10	8
Unused tax losses and other tax credits carried forward:	18,971	9,623
Tax losses	18,971	9,623
Total temporary differences relating to deferred tax assets:	60,285	38,613
Total temporary differences relating to deferred tax liabilities:	37,903	30,481
Deferred tax balance at the end of the period	22,382	8,132
Change in deferred tax, including:	-103	329
- recognised in income	-103	329
- recognised in equity	0	0

The recognition of deferred tax in equity is a result of calculating 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 for all operating areas within the segment of engineering construction and assembly services.

2.2. Contracts, retentions and provisions

2.2.1. Construction contracts

The following details relate to long-term construction contracts performed by the Company.

	Period ended 31-03-2019	Period ended 31-03-2018
Revenue from long-term construction contracts	179,975	105,839
Costs of long-term construction contracts *)	185,005	101,656
Gross profit (loss) on long-term contracts	-5,030	4,183

	Balance at 31-03-2019	Balance at 31-12-2018
Assets (selected items)	158,947	132,382
- Measurement of long-term construction contracts	129,810	103,400
- Advance payments transferred in connection with performed contracts	17,489	16,581
- Retentions on construction contracts retained by customers	11,648	12,401
Liabilities (selected items)	189,550	193,320
- Measurement of long-term construction contracts	4,271	6,980
- Provisions for contract costs	67,269	54,809
- Advance payments received in connection with performed contracts	62,796	75,007
- Retentions on construction contracts retained for suppliers	21,634	18,820
- Provisions for warranty claims	10,471	9,816
- Provisions for expected losses on contracts	23,109	27,888

*) the item does not include the provision for losses on contracts or the provision for warranty claims.

The increase in the measurement of long-term construction contracts was influenced by a greater progress of works.

Provisions for contract costs are included in accruals.

Provision for a loss on contracts is created if the budgeted costs exceed the total revenue under a contract.

Provision for contract costs increased mainly after more subcontractors had been involved in the performance of contracts.

2.2.2. Retentions on construction contracts

	Balance at 31-03-2019	Balance at 31-12-2018
Retained by customers – to be repaid after 12 months	9,350	9,463
Retained by customers – to be repaid within 12 months	2,298	2,938
Total retentions on construction contracts retained by customers	11,648	12,401
Retained for suppliers – to be repaid after 12 months	14,237	10,721
Retained for suppliers – to be repaid within 12 months	7,397	8,099
Total retentions on construction contracts retained for suppliers	21,634	18,820

The construction contracts and work-for-hire contracts entered into by the Company provide for an obligation to

provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or insurance companies. If the term of a bond provided by a bank is longer than 37 months, the bank establishes additional security in the form of cash deposit.

2.2.3. Provisions

Change in provisions

Provisions	01-01-2019	Created	Used	Released	Reclassified	31-03-2019	Item
Long-term provisions:	8,908	1,029	38	0	-124	9,775	
Provisions for employee benefits	1,036	0	0	0	0	1,036	Liabilities under employee benefits (long-term)
Provisions for warranty claims	7,872	1,029	38	0	-124	8,739	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	43,504	4,183	2,353	5,943	124	39,515	
Provisions for employee benefits	13,672	4,183	2,292	889	0	14,674	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,944	0	61	275	124	1,732	Short-term provisions
Provision for loss on contracts	27,888	0	0	4,779	0	23,109	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	52,412	5,212	2,391	5,943	0	49,290	

A provision for warranty claims is created 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.

Provisions for employee benefits include the provisions for leaves, bonuses and retirement and pension gratuities.

(Long-term) liabilities under employee benefits include long-term liabilities under the company social benefits fund.

A provision for a loss on contracts is created if the budgeted costs exceed the total revenue under a contract.

Provisions for expected losses on contracts decreased following the settlement of contracts.

Comparative information:

Provisions	01-01-2018	Created	Used	Released	Reclassified	31-12-2018	Item
Long-term provisions:	6,527	3,580	308	217	-674	8,908	
Provisions for employee benefits	856	181	1	0	0	1,036	Liabilities under employee benefits (long-term)

Provisions for warranty claims	5,671	3,399	307	217	-674	7,872	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	13,117	44,097	12,245	2,139	674	43,504	
Provisions for employee benefits	10,119	15,379	11,546	280	0	13,672	Liabilities under employee benefits (short-term)
Provisions for warranty claims	2,581	10	699	622	674	1,944	Short-term provisions
Provision for loss on contracts	417	28,708	0	1,237	0	27,888	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	19,644	47,677	12,553	2,356	0	52,412	

2.3. Trade and other receivables and payables

2.3.1. Trade and other receivables

	Balance at 31-03-2019	Balance at 31-12-2018
Trade receivables	130,053	183,411
Loss allowances for trade receivables in connection with the increase of credit risk	-16,292	-16,101
Loss allowances for trade receivables – initial for expected credit losses	-60	-60
Advance payments	17,489	16,581
Other receivables	4,157	4,253
Total trade and other receivables	135,347	188,084

The Company receives advance payments from Investors (see Liabilities) and transfers them also to subcontractors to ensure the timely performance of construction contracts.

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

Change in an allowance for trade receivables

Change in allowances for trade receivables influencing the profit or loss includes the release of allowances of PLN 206 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from debit notes issued by the Company for the penalties and damages that were not the Company's revenue at the moment of issue.

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

	Balance at 31-03-2019	Balance at 31-03-2018
Counterparty A	74,727	147,395

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 company meets additional requirements concerning the settlement of EU funds. The Company has carried out the construction contracts for the Counterparty A for many years. The Counterparty A is co-owned by the State Treasury as a result of which their creditability is even higher. Accordingly, the Management Board of the Company believe there is no need to create additional allowances.

2.3.2. Trade and other payables

	Balance at 31-03-2019	Balance at 31-12-2018
Trade payables	100,186	174,985
Liabilities to the state budget other than corporate income tax	7,691	30,798
Accruals	67,518	55,020
Other payables	80	73
Advance payments	62,796	75,007
Total trade and other payables	238,271	335,883

The items include:

- Accruals – provisions for the costs of subcontractors and provisions for the risks relating to the settlement of contracts;
- Advance payments – prepayments received by ZUE on the basis of contracts with PKP PLK. Under the said contracts, ZUE received advance payments to perform construction contracts.

2.4. Debt and management of capital and liquidity

ZUE cooperates with banks to ensure proper financing of its day-to-day operations and to obtain the bonds enabling the Company to carry out scheduled projects.

In the reporting period, ZUE used own resources and credit limits to finance its day-to-day operations. As at 31 March 2019, the Company could use overdraft and working credit facility limits in the total amount of PLN 54,995 thousand. The available bond lines provided by bank and insurance companies amounted to PLN 353,106 thousand.

2.4.1. Loans and bank credits

	Balance at 31-03-2019	Balance at 31-12-2018
Long-term	0	0
Bank credits	0	0
Loans received	0	0
Short-term	13,888	0
Bank credits	13,888	0
Loans received	0	0
Total	13,888	0

Summary of credit agreements

Bank	Description	Principal/limit according to the agreement as at 31-03-2019	Amount of available credits as at 31-03-2019	Use as at 31-03-2019	Interest	Repayment date
mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	11-06-2019
mBank S.A. (i)	Master agreement	50,000		13,888	3M WIBOR + margin	17-07-2020
	including:					
	sublimit for bonds	10,000		0		

	non-revolving working credit facility	40,000	24,995	13,888		
BNP Paribas Bank Polska S.A. (ii)	Multipurpose credit line agreement	170,000		90,668	1M WIBOR + margin	24-10-2019
	including:					
	sublimit for bonds	170,000		90,668		
	sublimit for working credit facilities	20,000	20,000	0		
Total amount of available credits			54,995			
Total debt under credits				13,888		
Total use of bonds				90,668		

(i) Annex of 21 February 2019 whereby the sublimit for working credit facilities was raised to PLN 40,000 thousand. On 22 February 2019, the working credit facility agreement was signed as part of the available sublimit under the Master Agreement.

(ii) ZUE's ability to use the limit for both bank bonds and working credit facility.

Security and liabilities under credit agreements:

1. **Overdraft** – bill of exchange.
2. **Master agreement:**
 - a) Mortgage;
 - b) Borrower's statement on submission to enforcement.
3. **Multipurpose credit limit agreement:**
 - a) Bill of exchange;
 - b) Cash deposit for the bonds expiring after 37 months;
 - c) Security deposit of PLN 4,000 thousand;
 - d) Registered pledge on non-current assets owned by the borrower;
 - e) Assignment of rights under policy;
 - f) Borrower's statement on submission to enforcement.

The following changes occurred in the reporting period with regard to the credit agreements entered into by the Company:

- mBank – Master Agreement – Annex of 21 February 2019 whereby the agreement (Cooperation Agreement) was renamed to Master Agreement and the sublimit for working credit facilities was raised to PLN 40,000 thousand. On 22 February 2019, the working credit facility agreement was signed as part of the available sublimit under the Master Agreement.

The following changes occurred after the end of the reporting period with regard to the credit agreement entered into by the Company:

- mBank – Overdraft – Annex of 9 May 2019 whereby the repayment date was extended until 11 June 2019.

Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2018	Use as at 31-12-2018	Interest	Repaymen t date
1	mBank S.A. (i)	Overdraft	10,000	0	O/N WIBOR + margin	10-05-2019

2	mBank S.A.	Cooperation agreement	50,000	0	3M WIBOR + margin	17-07-2020
		including:				
		sublimit for bonds	50,000	0		
		sublimit for working credit facilities	30,000	0		
3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement	170,000	104,508	1M WIBOR + margin	24-10-2019
		including:				
		sublimit for bonds	170,000	104,508		
		sublimit for working credit facilities	20,000	0		
Total use of credits				0		
Total use of bonds				104,508		

(i) Annex of 9 May 2018 whereby the limit was raised to PLN 10,000 thousand.

2.4.2. Lease liabilities

	Balance at 31-03-2019	Balance at 31-12-2018
Long-term lease liabilities	18,014	14,781
Short-term lease liabilities	14,593	12,963
Total	32,607	27,744

The increase in lease liabilities in connection with the implementation of IFRS 16 as at 1 January 2019 was PLN 7,904 thousand. Detailed information is contained in the note 2.6.2.

The Company did not use any leasebacks in the reporting period.

2.4.3. Management of capital

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

	Balance at 31-03-2019	Balance at 31-12-2018
Long- and short-term loans and bank credits	13,888	0
Long- and short-term lease liabilities	32,607	27,744
Long- and short-term other financial liabilities	36	36
Total financial liabilities	46,531	27,780
Cash and cash equivalents	13,839	79,404
Net debt	32,692	-51,624
Equity	145,904	146,242
Net debt to equity ratio	22.41%	-35.30%

A positive net debt is due to the fact that total financial liabilities at the end of the first quarter of 2019 exceeded the amount of cash at the Company.

2.4.4. Cash and cash equivalents

	Balance at 31-03-2019	Balance at 31-12-2018
Cash on hand and at banks	13,839	79,404
Bank deposits up to three months	0	0
Total	13,839	79,404

Cash decreased at the end of the first quarter of 2019 after it had been used for operating activities.

Cash as at 31 March 2019 does not include the amount of PLN 4 thousand kept on escrow accounts. The funds are payable to the Company and consortium members. ZUE does not have a full control of the funds and cannot use them freely without the consortium's consent. Accordingly, the Company believes that the cash cannot be defined as assets and is not presented in the balance sheet at 31 March 2019. The cash kept on ZUE's escrow accounts as at 31 December 2018 was PLN 2,962 thousand.

Discussion of items of the statement of cash flows

The Company's cash flows from operating activities were mainly influenced by changes in retentions, payables and receivables and inventories in connection with the performance of construction contracts.

Cash flows from investing activities were mainly influenced by the purchase of non-current assets financed with own resources and loans.

Cash flows from financing activities were influenced by the use of credits and a decrease in lease liabilities.

At the end of the first quarter of 2019, the Company held the cash of PLN 13,839 thousand.

	Balance at 31-03-2019	Balance at 31-03-2018
Cash flows from operating activities	-74,452	-75,269
Cash flows from investing activities	-932	-11,687
Cash flows from financing activities	9,816	640
Total net cash flows	-65,568	-86,316
Cash at the beginning of the period	79,404	116,144
Cash at the end of the period	13,839	29,882

2.5. Other notes to the financial statements

2.5.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	24,634	51,268	85,378	2,147	163,427	302	0	163,729
Opening balance adjustment		0	-19,437	-35,890	0	-55,327	0	0	-55,327
Balance at 1 January 2019 after opening balance adjustment	0	24,634	31,831	49,488	2,147	108,100	302	0	108,402
Additions	0	24	226	428	7	685	266	0	951
Presentation adjustment	0	0	0	0	0	0	0	0	0
Transfer to non-current assets	0	0	0	0	0	0	175	0	175
Sale/liquidation	0	0	534	51	40	625	0	0	625
Balance at 31 March 2019	0	24,658	31,523	49,865	2,114	108,160	393	0	108,553

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	8,498	22,207	29,445	1,764	61,914	0	0	61,914
Opening balance adjustment	0	0	-1,964	-1,919	0	-3,883			-3,883
Balance at 1 January 2019 after opening balance adjustment	0	8,498	20,243	27,526	1,764	58,031	0	0	58,031
Elimination on disposal of assets	0	0	533	39	40	612	0	0	612
Depreciation expense	0	179	568	1,046	23	1,816	0	0	1,816
Balance at 31 March 2019	0	8,677	20,278	28,533	1,747	59,235	0	0	59,235

Carrying amount

Balance at 1 January 2019	0	16,136	29,061	55,933	383	101,513	302	0	101,815
Balance at 1 January 2019 after opening balance adjustment		16,136	11,588	21,962	383	50,069	302	0	50,371
Balance at 31 March 2019	0	15,981	11,245	21,332	367	48,925	393	0	49,318

The Company did not recognise any impairment losses in the reporting period.

As at 31 March 2019, the amount of liabilities incurred to purchase property, plant and equipment was PLN 639 thousand. As at 31 March 2019, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 13,122 thousand.

Opening balance adjustment results from the implementation of IFRS 16.

Assets pledged as security

Note 2.5.13 deals with property, plant and equipment pledged as security for bank agreements. The Company's liabilities under lease (note 2.4.2.) are secured with the lessor's title to the leased assets (vehicles, machines and equipment).

Comparative information:

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2018	0	24,576	45,960	67,095	2,069	139,700	3,202	3,705	146,607
Additions	0	47	7,331	19,474	114	26,966	10,747	945	38,658
Presentation adjustment	0	11	0	-11	0	0	0	0	0
Transfer to non-current assets	0	0	0	0	0	0	13,647	4,650	18,297
Sale/liquidation	0	0	2,023	1,180	36	3,239	0	0	3,239
Balance at 31 December 2018	0	24,634	51,268	85,378	2,147	163,427	302	0	163,729

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2018	0	7,710	20,567	24,643	1,683	54,603	0	0	54,603
Elimination on disposal of assets	0	0	1,524	938	35	2,497	0	0	2,497
Depreciation expense	0	788	3,164	5,740	116	9,808	0	0	9,808
Balance at 31 December 2018	0	8,498	22,207	29,445	1,764	61,914	0	0	61,914
Carrying amount									
Balance at 1 January 2018	0	16,866	25,393	42,452	386	85,097	3,202	3,705	92,004
Balance at 31 December 2018	0	16,136	29,061	55,933	383	101,513	302	0	101,815

2.5.2. Investment property

Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2019	126	5,228	7,409	0	0	0	12,763
Opening balance adjustment	0	1,359	0	0	0	0	1,359
Balance at 1 January 2019 after opening balance adjustment	126	6,587	7,409	0	0	0	14,122
Additions	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0
Balance at 31 March 2019	126	6,587	7,409	0	0	0	14,122

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2019	0	1,677	2,444	0	0	0	4,121
Opening balance adjustment	0	0	0	0	0	0	0
Balance at 1 January 2019 after opening balance adjustment	0	1,677	2,444	0	0	0	4,121
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	53	73	0	0	0	126
Balance at 31 March 2019	0	1,730	2,517	0	0	0	4,247

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2019	126	3,551	4,965	0	0	0	8,642
Balance at 1 January 2019 after	126	4,910	4,965	0	0	0	10,001

opening balance adjustment

Balance at 31 March 2019	126	4,857	4,892	0	0	0	9,875
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The investment property as at 31 March 2019 included the real estate in Kościelisko (plots no. 2001 and 2491) and the real estate in Poznań (plot no. 2/1).

The Company's investment property is held either as freehold or leasehold interests.

No impairment losses were released by the Company in the reporting period. The total amount of investment property impairment losses of prior years is PLN 1,770 thousand.

Opening balance adjustment results from the implementation of IFRS 16.

Comparative information:

Gross value	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2018	126	5,228	7,397	0	0	0	12,751
Additions	0	0	12	0	0	0	12
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0
Balance at 31 December 2018	126	5,228	7,409	0	0	0	12,763

Depreciation	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2018	0	1,505	2,151	0	0	0	3,656
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	172	293	0	0	0	465
Balance at 31 December 2018	0	1,677	2,444	0	0	0	4,121

Carrying amount							
Balance at 1 January 2018	126	3,723	5,246	0	0	0	9,095
Balance at 31 December 2018	126	3,551	4,965	0	0	0	8,642

2.5.3. Intangible assets

Structure of intangible assets:

	Balance at 31-03-2019	Balance at 31-12-2018
Acquired concessions, patents, licenses and similar assets, including:	177	190
- Software	177	190
Other intangible assets, including:	0	7,925
- Leasehold	0	7,925
Total	177	8,115

Movements in intangible assets:

	Leasehold	Other intangible assets – software	Total
Gross value			
Balance at 1 January 2019	9,038	3,920	12,958
Opening balance adjustment	-9,038	0	-9,038
Balance at 1 January 2019 after opening balance adjustment	0	3,920	3,920
Additions	0	17	17
Sale/liquidation	0	56	56
Balance at 31 March 2019	0	3,881	3,881
Amortisation and impairment			
Balance at 1 January 2019	1,113	3,730	4,843
Opening balance adjustments	-1,113	0	-1,113
Balance at 1 January 2019 after opening balance adjustment	0	3,730	3,730
Amortisation expense	0	30	30
Sale/liquidation	0	56	56
Balance at 31 March 2019	0	3,704	3,704
Carrying amount			
Balance at 1 January 2019	7,925	190	8,115
Balance at 1 January 2019 after opening balance adjustment	0	190	190
Balance at 31 March 2019	0	177	177

No impairment losses were recognised by the Company in 2019 or 2018.

Opening balance adjustment results from the implementation of IFRS 16.

Comparative information:

	Leasehold	Other intangible assets – software	Total
Gross value			
Balance at 1 January 2018	9,038	3,912	12,950
Additions	0	8	8
Sale/liquidation	0	0	0
Balance at 31 December 2018	9,038	3,920	12,958
Amortisation and impairment			
Balance at 1 January 2018	1,001	3,355	4,356
Amortisation expense	112	375	487
Sale/liquidation	0	0	0
Balance at 31 December 2018	1,113	3,730	4,843
Carrying amount			
Balance at 1 January 2018	8,037	557	8,594
Balance at 31 December 2018	7,925	190	8,115

2.5.4. Right-of-use assets

Gross value	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
Balance at 1 January 2019	0	0	0	0	0	0	0	0	0	0
Opening balance adjustment	812	13,164	932	19,438	36,564	0	70,910	0	0	70,910
Balance at 1 January 2019 after opening balance adjustment	812	13,164	932	19,438	36,564	0	70,910	0	0	70,910
Conclusion of new contracts	85	0	63	0	252	0	400	311	0	711
Changes resulting from the amendments to contracts	0	0	0	0	0	0	0	0	0	0
Changes resulting from the shortening of contracts	0	0	0	0	0	0	0	0	0	0
Reclassification to discontinued operations	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2019	897	13,164	995	19,438	36,816	0	71,310	311	0	71,621

Depreciation	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	0	0	0	0	0	0	0	0	0
Opening balance adjustment	0	1,112	0	1,964	1,920	0	4,996	0	0	4,996
Balance at 1 January 2019 after opening balance adjustment	0	1,112	0	1,964	1,920	0	4,996	0	0	4,996
Depreciation expense	90	37	105	273	537	0	1,042	0	0	1,042
Decrease in depreciation resulting from reclassification to discontinued operations	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2019	90	1,149	105	2,237	2,457	0	6,038	0	0	6,038

Carrying amount

Balance at 1 January 2019	0	0	0	0	0	0	0	0	0	0
Balance at 1 January 2019 after opening balance adjustment	812	12,052	932	17,474	34,644	0	65,914	0	0	65,914
Balance at 31 March 2019	807	12,015	890	17,201	34,359	0	65,272	311	0	65,583

Opening balance adjustment results from the implementation of IFRS 16.

2.5.5. Goodwill

At cost	Balance at 31-03-2019	Balance at 31-12-2018
Goodwill of PRK	31,172	31,172
Balance at the end of the reporting period	31,172	31,172

ZUE merged with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A (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 land value (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 the control of PRK was gained 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 entire goodwill is assigned to the construction segment.

Annual 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 goodwill impairment tests. The impairment tests carried out at 31 December 2018 according to *IAS 36 Impairment of Assets* revealed no risks to the loss of the carrying amount of the Company's assets. At 31 March 2019, the Company reviewed the assumptions required to carry out a test and decided that they were still up to date. Accordingly, goodwill is not impaired at the end of the reporting period

The Company intends to carry out the test at the end of the year.

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

The total capital expenditure disclosed in the cash flow statement for the reporting period amounted to PLN 725 thousand.

At 31 March 2019, net liabilities incurred to purchase property, plant and equipment amounted to PLN 572 thousand.

At 31 December 2018, net liabilities incurred to purchase property, plant and equipment amounted to PLN 504 thousand.

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

- Complete overhauls of machines and vehicles – PLN 275 thousand;
- Purchase of cars – PLN 154 thousand; and

In the first quarter of 2019, the Company sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 13 thousand. In the first quarter of 2018, the Company sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 155 thousand.

2.5.7. Advanced loans

	Balance at 31-03-2019	Balance at 31-12-2018
Loans advanced to related parties	3,202	2,863
Loans advanced to other parties	288	288

Impairment losses	-364	-347
Total	3,126	2,804

Advanced loans include principal and interest charged at the end of the reporting period. In the reporting period, the Company granted a special-purpose loans of PLN 317 thousand to related parties.

2.5.8. Inventories

	Balance at 31-03-2019	Balance at 31-12-2018
Goods, raw and other materials	40,846	36,578
Work-in-progress	1,612	534
Finished goods	199	199
Total	42,657	37,311

2.5.9. 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 2019

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	12,613	0	0	0	23,277
Trade receivables	130,053	0	0	0	0
Other financial liabilities	0	0	0	0	36
Loans advanced	2,957	0	0	0	0
Cash and cash equivalents	13,839	0	0	0	0
Loans and bank credits	0	0	0	0	13,888
Lease liabilities	0	0	0	0	32,607
Trade payables	0	0	0	0	100,186
Total	159,462	0	0	0	169,994

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

Balance at 31 December 2018

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	13,418	0	0	0	20,215
Trade receivables	183,411	0	0	0	0
Other financial liabilities	0	0	0	0	36
Loans advanced	2,804	0	0	0	0

Cash and cash equivalents	79,404	0	0	0	0
Loans and bank credits	0	0	0	0	0
Lease liabilities	0	0	0	0	27,744
Trade payables	0	0	0	0	174,985
Total	279,037	0	0	0	222,980

In the reporting period, the Company classified financial instruments according to IFRS 9 effective since 1 January 2018.

2.5.10. Transactions with related parties

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

	Receivables		Payables	
	Balance at		Balance at	
	31-03-2019	31-12-2018	31-03-2019	31-12-2018
Railway gft	63	60	1,934	3,745
BPK Poznań	746	1,315	2,820	3,038
RTI	1	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	810	1,375	4,754	6,783

	Revenue		Purchases	
	Period ended		Period ended	
	31-03-2019	31-03-2018	31-03-2019	31-03-2018
Railway gft	106	87	5,306	2,619
BPK Poznań	133	163	3,229	2,021
RTI	1	1	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	240	251	8,535	4,640

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	31-03-2019	31-12-2018	31-03-2019	31-03-2018
Railway gft	2,806	2,783	22	19
BPK Poznań	300	0	0	0
RTI	21	21	0	0
RTI Germany	76	59	0	0
Wiesław Nowak	0	0	0	0
Total	3,203	2,863	22	19

	Received loans		Financial expenses (interest)	
	Balance at		Balance at	
	31-03-2019	31-12-2018	31-03-2019	31-03-2018
Railway gft	0	0	0	0
BPK Poznań	0	0	0	0
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 subsidiaries, and the related parties on arm's length terms.

In the reporting period, ZUE entered into the following sales transactions with the related parties:

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

In the reporting period, ZUE entered into the following purchase transactions with the related parties:

- o Purchase of materials used in connection with the construction and repair of tracks;
- o Design services; and
- o Printing services.

In the reporting period, ZUE executed the following transactions:

- o Lease of business establishments to RTI on the basis of the lease of 31 December 2015;
- o Lease of rooms to BPK Poznań on the basis of the lease of 1 October 2015 and the lease of 7 April 2010, as amended; and
- o Lease of business establishments to Railway gft on the basis of the lease of 10 August 2017 (effective since 1 October 2017).

On 7 January 2019, ZUE and RTI Germany signed a loan agreement whereby RTI Germany was granted a special-purpose loan of EUR 4 thousand to be repaid by 20 December 2019. The loan was disbursed on 11 January 2019.

On 26 February 2019, ZUE and BPK Poznań signed a loan agreement whereby BPK Poznań was granted a special-purpose loan of PLN 300 thousand to be repaid within 36 months of the disbursement date. Principal and interest are repaid monthly. The loan was disbursed on 21 March 2019.

On 29 March 2019, ZUE and Railway gft signed an annex no. 1 to the loan agreement of 24 January 2018 whereby the loan repayment date was extended until 30 June 2019. Under the agreement, the loan may be repaid in instalments.

After the end of the reporting period, subsequent instalments were paid by RGFT.

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 2019 is PLN 25,037 thousand.

On 12 April 2019, the Extraordinary Shareholders Meeting decided to increase of the share capital of RTI as a result of which ZUE acquired the newly created RTI shares for PLN 35 thousand.

On 29 April 2019, RTI repaid the loans granted by ZUE plus interest. The repayment concerned the loan agreements of 26 May 2017, 7 December 2017 and 13 April 2018.

Compensation of key management personnel

	Period ended 31-03-2019	Period ended 31-03-2018
Management Board	708	1,642
Supervisory Board	70	128
Total	778	1,770

2.5.11. Proceedings before court, arbitration or public administration authority at the date of preparation of this report

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

The court cases are presented in detail in the note III 4.7.11 of the consolidated financial statements.

2.5.12. 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 in 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 2019 or 31 December 2018.

2.5.13. Contingent assets and contingent liabilities

Contingent assets

	Balance at 31-03-2019	Balance at 31-12-2018
Bonds	69,872	70,125
Bills of exchange	8,073	7,470
Total	77,945	77,595

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 received advances.

Contingent liabilities

	Balance at 31-03-2019	Balance at 31-12-2018
Bonds	552,479	587,879
Guarantees	25,037	24,951
Bills of exchange	342,857	342,424
Mortgages	54,259	54,259
Pledges	19,291	19,927
Total	993,923	1,029,440

Contingent liabilities in the form of bonds for the benefit of third parties include, in particular, bid bonds, performance bonds, defects liability bonds, payment 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 and strategic clients are secured by bills of exchange.

Mortgages are additional security for the credit agreement with mBank SA and the insurance agreement with PZU SA.

Registered pledges were established to secure the agreements with BNP PARIBAS, PEKAO and BGK. The pledged assets include wagons, pile driver and maintenance train.

2.5.14. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditure on property, plant and equipment at 31 March 2019 or 31 December 2018.

2.5.15. Discontinued operations

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

2.5.16. Cyclical and seasonal nature of the Company's operations

Construction and assembly operations are marked by the seasonality of production and sales. The topic is discussed in detail in the note III 2.12 of the consolidated financial statements.

2.5.17. Issue and redemption of debt and equity securities

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

2.5.18. Dividend

No dividend was paid the Company in the reporting period.

On 8 May 2019, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for covering the net loss for the financial year 2018 of PLN 64,050 thousand in the following way:

- 1) the net loss for the financial year 2018 of PLN 39,435 thousand would be covered from capital reserve; and
- 2) the net loss for the financial year 2018 of PLN 24,615 thousand would be covered from reserve funds.

2.6. Other notes to the financial statements

2.6.1. Use of 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 2019 as endorsed by the European Union (EU).

The separate financial statements for the three months ended 31 March 2019 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 2019:

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments following from the review of IFRS 2015-2017** (effective for annual periods beginning on or after 1 January 2019);
- **IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

The Company believes that except for IFRS 16, the remaining amendments to the standards or interpretations do not have any considerable influence on the separate financial statements of ZUE. The implementation of IFRS 16 has been discussed in detail in the note 2.6.2.

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

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) excluding the following new standards and amendments to the standards not yet approved for use in the EU at the date of preparation of this report:

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 3 “Business Combinations”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date has been deferred by the IASB indefinitely);
- **Amendments to IAS 1 and IAS 8: “Definition of Material”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

2.6.2. Important accounting principles

2.6.2.1. Going concern

The quarterly condensed financial statements of ZUE have been prepared assuming that the Company will continue in operational existence for at least 12 months of the end of the reporting period; i.e. 31 March 2019. The financial standing of ZUE is the most important factor influencing the Company's ability to continue in operational existence. The key factors influencing the Company's ability to continue as a going concern include liquidity, proper backlog and market situation.

The following facts should be taken into account when analysing the Company's financial situation: in the three months ended 31 March 2019, the Company recognised sales revenue of PLN 188m (a year-on-year increase by 67%) and gross profit of PLN 3.5m. As at 31 March 2019, the Company presented net current assets of PLN 327.7m including cash of more than PLN 13.8m. At the date of preparation of this report, the Company had the backlog worth approx. PLN 1,742m. The Company is in the process of winning new contracts.

Accordingly, the Management Board of ZUE state that there are no significant going concern risks at the date of preparation of these quarterly condensed financial statements and these financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future.

2.6.2.2. Preparation basis

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

2.6.2.3. Comparability of financial information

No changes in the presentation of financial information have been made in the comparative periods, except for the following changes.

In order to make the financial statements clearer, reinvoices and damages have been presented by the Company jointly (other operating income and expenses and financial income and expenses according to their netted balance).

The table below presents the influence of changes on the separate statement of comprehensive income:

	Restated	Approved	
	3 months ended	3 months ended	
	31-03-2018	31-03-2018	Effect of changes
Continuing operations			

Sales revenue	112,613	112,613	0
Cost of sales	110,171	110,171	0
Gross profit (loss) on sales	2,442	2,442	0
General and administrative expenses	4,256	4,256	0
Other operating income	114	619	-505
Other operating expenses	569	1,074	-505
Operating profit (loss)	-2,269	-2,269	0
Financial income	403	414	-11
Financial expenses	155	166	-11
Pre-tax profit (loss)	-2,021	-2,021	0
Corporate income tax	-329	-329	0
Net profit (loss) from continuing operations	-1,692	-1,692	0
Net profit (loss)	-1,692	-1,692	0
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:	0	0	0
Actuarial gains (losses) relating to specific benefit schemes	0	0	0
Other total net comprehensive income	0	0	0
Total comprehensive income	-1,692	-1,692	0

Following the implementation of IFRS 16, the Company presented in these financial statements and the comparative information the item named: "Lease liabilities." The following were presented under equity and liabilities:

- "Long-term lease liabilities;" and
- "Short-term lease liabilities."

Previously the Company recognised liabilities relating to the financing of property, plant and equipment and obligations under finance lease under "Loans and bank credits and other financing sources." Since 2019, the Company has also recognised liabilities under right-of-use assets in the new separate item.

The table below presents the influence of changes on the separate statement of financial position:

	Restated	Approved	
	Balance at	Balance at	Effect of
	31-12-2018	31-12-2018	changes
ASSETS			
Non-current assets			
Total non-current assets	181,913	181,913	0
Current assets			
Total current assets	414,705	414,705	0
Total assets	596,618	596,618	0
EQUITY AND LIABILITIES			
Equity			
Total equity	146,242	146,242	0
Non-current liabilities			
Long-term loans and bank credits and other financing sources	0	14,781	-14,781
Long-term loans and bank credits	0	0	0
Long-term lease liabilities	14,781	0	14,781
Total non-current liabilities	34,480	34,480	0

Current liabilities

Short-term loans and bank credits and other financing sources	0	12,963	-12,963
Short-term loans and bank credits	0	0	0
Short-term lease liabilities	12,963	0	12,963
Total current liabilities	415,896	415,896	0
Total liabilities	450,376	450,376	0
Total equity and liabilities	596,618	596,618	0

2.6.2.4. Applied accounting principles

Except for the following changes, these quarterly separate financial statements for the three months ended 31 March 2019 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of the Company as at 31 December 2018. The financial statements for the financial year ended 31 December 2018 contain a detailed description of the accounting principles applied by the Company.

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

2.6.2.5. Changes to accounting principles and financial statements preparation

Implementation of IFRS 16

Application of IFRS 16 for the first time

The International Financial Reporting Standard 16 Leases (IFRS 16) was issued by the International Accounting Standards Board (IASB) in January 2016 and superseded IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Forms of a Lease. IFRS 16 establishes principles for the measurement, presentation and disclosure of leases.

IFRS 16 introduces a single lessee accounting model eliminating the distinction between operating and finance leases and requires a lessee to recognise the right-of-use asset and a lease liability, except for short-term leases and low value asset leases.

Impact of IFRS 16 on the Company's financial statements

Implementing IFRS 16 with a modified retrospective approach.

The Company applied IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application (modified approach). The date of the initial application of IFRS 16 for the Company is 1 January 2019. The Company has applied a modified approach so there is no requirement to restate comparative financial information. Instead, the Company recognised the cumulative effect of initially applying this Standard as an adjustment to the opening balance at the date of initial application.

The change of the definition of a lease mainly related to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. The Company applied the definition of a lease and the related guidelines specified in IFRS 16 to all lease contracts signed or amended on or after 1 January 2019 regardless of whether the Company is a lessee or lessor under the contract.

Practical solutions used by the Company

When applying IFRS 16 for the first time, the Company applied the following practical solutions approved of by the standard:

1. Not to recognise operating leases with a lease term less than 12 months of 1 January 2019, which were treated as short-term leases;
2. Not to recognise leases where the underlying asset has a low value; i.e. PLN 20 thousand;
3. To use a single discount rate to a portfolio of leases with similar characteristics;
4. To exclude initial direct costs from the measurement of the right of use asset at the date of initial application;

5. To use knowledge, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Exemptions offered by practical solutions:

Short-term lease	1,049
Lease of low value assets	76
Total exemptions	1,125

As at 1 January 2019, the discount rates applied by the Company to determine the amount of discounted lease payments range from 3.04% to 6.3% for PLN- and EUR-denominated contracts (depending on the term of the lease).

Impact on the Company's accounting

Summary of impact of IFRS 16 on the lessee's accounting:

1. Application of IFRS 16 to lease contracts previously classified as operating leases under IAS 17 caused the recognition of right-of-use assets and lease liabilities.
2. Non-current assets held under finance lease contracts previously presented under property, plant and equipment were presented under right-of-use assets.
3. Lease liabilities previously classified as finance lease contracts under IAS 17 and disclosed under loans and bank credits and other financing sources were presented in (short- and long-term) lease liabilities.
4. The disclosure requirements contained in IAS 40 were applied to right-of-use assets that met the definition of investment property.

Right-of-use assets recognised as at 1 January 2019 (contracts which contain a lease)

The Company is a lessee of cars, apartments, land and leasehold land.

Lease of cars	673
Lease of apartments, land and office equipment	1,745
Leasehold land	4,127
Total	6,545

Right-of-use assets recognised as at 1 January 2019 which meet the requirements of the definition of investment property

A right-of-use asset is presented separately by the Company according to IAS 40.

Leasehold land in investment property	1,359
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Right-of-use liabilities recognised as at 1 January 2019 (contracts which contain a lease)

Lease of cars	673
Lease of apartments, land and office equipment	1,745
Leasehold land	4,127
Leasehold land in investment property	1,359
Total	7,904

Contracts previously recognised as finance lease

For the leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of lease asset and lease liability immediately before that date measured applying IAS 17.

Presentation at 1 January 2019:

Right-of-use liabilities	27,744
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Right-of-use assets	51,444
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PLN 27,744 thousand includes vehicles, machines and technical equipment leased under IAS 17.

Right-of-use assets – reclassified from intangible assets

Leasehold land	7,925
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Impact of the implementation of IFRS16 on the financial statements

At the date of application of IFRS 16, the Company recognised the right-of-use assets of PLN 7,904 thousand and the lease liabilities of PLN 7,904 thousand.

The table below presents the influence of changes on the statement of financial position:

	According to IFRS 16	Approved	Effect of changes
	Balance at 2019-01-01	Balance at 2018-12-31	
ASSETS			
Non-current assets			
Property, plant and equipment	50,371	101,815	-51,444
Investment property	10,001	8,642	1,359
W Intangible assets	190	8,115	-7,925
Right-of-use assets	65,914	0	65,914
Total non-current assets	189,817	181,913	7,904
Total current assets	414,705	414,705	0
Total assets	604,522	596,618	7,904
EQUITY AND LIABILITIES			
Total equity			
Long-term loans and bank credits and other financing sources	0	14,781	-14,781
Long-term loans and bank credits	0	0	0
Long-term lease liabilities	21,225	0	21,225
Total non-current liabilities	40,924	34,480	6,444
Short-term loans and bank credits and other financing sources	0	12,963	-12,963
Short-term loans and bank credits	0	0	0
Short-term lease liabilities	14,423	0	14,423
Total current liabilities	417,356	415,896	1,460
Total liabilities	458,280	450,376	7,904
Total equity and liabilities	604,522	596,618	7,904

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 values 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. 2.5.5.)

Useful economic lives of non-current assets

Loss allowances for receivables (note no. 2.3.1.)

Provisions (note no. 2.2.3.)

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. 2.5.13.)

Uncertainty over tax settlements (note no. 2.5.12.)

No changes to estimates occurred in the reporting period.

3. Approval of the condensed separate financial statements

These condensed separate financial statements for the three months ended 31 March 2019 were approved for publication by the Management Board of ZUE on 22 May 2019.

4. Signatures

The financial statements have been prepared by:

Ewa Bosak – 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, 22 May 2019