



**ZUE Capital Group**

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**CONSOLIDATED QUARTERLY REPORT  
FOR 3 MONTHS ENDED 31 MARCH 2020**

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**Cracow, 20 May 2020**

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**Contents of the consolidated quarterly report:**

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- 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 260,000 paid up in full. Subsidiary of ZUE.
RTI Germany	Railway Technology International Germany GmbH in liquidation 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 2019, item 505, as amended).

Share capital details as at 31 March 2020.

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## I. Selected financial data of the Capital Group

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

	Balance at 31-03-2020		Balance at 31-12-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	180,010	39,543	182,336	42,817
Current assets	293,293	64,427	372,301	87,425
<b>Total assets</b>	<b>473,303</b>	<b>103,970</b>	<b>554,637</b>	<b>130,242</b>
Equity	149,639	32,871	150,441	35,327
Non-current liabilities	49,618	10,900	53,318	12,520
Current liabilities	274,046	60,199	350,878	82,395
<b>Total equity and liabilities</b>	<b>473,303</b>	<b>103,970</b>	<b>554,637</b>	<b>130,242</b>

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

	Period ended 31-03-2020		Period ended 31-03-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	152,324	34,648	194,827	45,332
Cost of sales	146,653	33,358	190,687	44,369
<b>Gross profit (loss) on sales</b>	<b>5,671</b>	<b>1,290</b>	<b>4,140</b>	<b>963</b>
Operating profit (loss)	-163	-37	-738	-172
Gross profit (loss)	-628	-143	-774	-180
<b>Net profit (loss) from continuing operations</b>	<b>-802</b>	<b>-182</b>	<b>-908</b>	<b>-211</b>
Total comprehensive income	-802	-182	-908	-211

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

	Period ended 31-03-2020		Period ended 31-03-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-21,421	-4,873	-79,054	-18,394
Cash flows from investing activities	-1,076	-245	-686	-160
Cash flows from financing activities	-5,538	-1,260	12,430	2,892
<b>Total net cash flows</b>	<b>-28,035</b>	<b>-6,378</b>	<b>-67,310</b>	<b>-15,662</b>
Cash at the beginning of the period	30,378	7,133	81,723	19,005
Cash at the end of the period	2,357	518	14,415	3,351

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on 31-03-2020	Exchange rate on 31-12-2019	Exchange rate on 31-03-2019
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.5523	4.2585	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.3963	n/a	4.2978
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.5523	4.2585	4.3013

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

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

	Balance at 31-03-2020		Balance at 31-12-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	179,243	39,374	181,634	42,652
Current assets	268,165	58,908	341,697	80,239
<b>Total assets</b>	<b>447,408</b>	<b>98,282</b>	<b>523,331</b>	<b>122,891</b>
Equity	149,280	32,792	149,291	35,057
Non-current liabilities	47,701	10,478	51,499	12,093
Current liabilities	250,427	55,012	322,541	75,741
<b>Total equity and liabilities</b>	<b>447,408</b>	<b>98,282</b>	<b>523,331</b>	<b>122,891</b>

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

	Period ended 31-03-2020		Period ended 31-03-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	143,712	32,689	187,981	43,739
Cost of sales	138,624	31,532	184,464	42,921
<b>Gross profit (loss) on sales</b>	<b>5,088</b>	<b>1,157</b>	<b>3,517</b>	<b>818</b>
Operating profit (loss)	347	79	-351	-82
Gross profit (loss)	194	44	-235	-55
<b>Net profit (loss) from continuing operations</b>	<b>-11</b>	<b>-3</b>	<b>-338</b>	<b>-79</b>
Total comprehensive income	-11	-3	-338	-79

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

	Period ended 31-03-2020		Period ended 31-03-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-20,537	-4,671	-74,452	-17,323
Cash flows from investing activities	-1,746	-397	-932	-217
Cash flows from financing activities	-3,824	-870	9,816	2,284
<b>Total net cash flows</b>	<b>-26,107</b>	<b>-5,938</b>	<b>-65,568</b>	<b>-15,256</b>
Cash at the beginning of the period	27,979	6,570	79,404	18,466
Cash at the end of the period	1,886	414	13,839	3,217

Rules adopted to translate selected financial data into EUR:

Item	Exchange rate	Exchange rate on	Exchange rate on	Exchange rate on
		31-03-2020	31-12-2019	31-03-2019
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.5523	4.2585	n/a
Items of statement of profit or loss and statement of cash flows	Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period	4.3963	n/a	4.2978
"Cash at the beginning of the period" and "Cash at the end of the period" items in the statement of cash flows	Mid exchange rate prevailing at the end of the reporting period	4.5523	4.2585	4.3013





**ZUE Capital Group**

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**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR 3 MONTHS ENDED 31 MARCH 2020**

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Cracow, 20 May 2020

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

#### Consolidated statement of comprehensive income

Continuing operations	Note no.	3 months ended	3 months ended
		31-03-2020	31-03-2019
Sales revenue	4.3.1.	152,324	194,827
Cost of sales	4.3.2.	146,653	190,687
<b>Gross profit (loss) on sales</b>		<b>5,671</b>	<b>4,140</b>
General and administrative expenses	4.3.2.	6,148	4,875
Other operating income	4.3.3.	907	238
Other operating expenses	4.3.4.	593	241
<b>Operating profit (loss)</b>		<b>-163</b>	<b>-738</b>
Financial income	4.3.5.	227	477
Financial expenses	4.3.6.	692	513
<b>Pre-tax profit (loss)</b>		<b>-628</b>	<b>-774</b>
Corporate income tax	4.3.7.	174	134
<b>Net profit (loss) from continuing operations</b>		<b>-802</b>	<b>-908</b>
<b>Net profit (loss)</b>		<b>-802</b>	<b>-908</b>
<b>Other net comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>0</b>	<b>0</b>
Actuarial gains (losses) relating to specific benefit schemes		0	0
<b>Other total net comprehensive income</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>-802</b>	<b>-908</b>
Number of shares		23,030,083	23,030,083
<b>Consolidated net profit attributable to:</b>			
Shareholders of the parent		-730	-876
Non-controlling interests		-72	-32
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		-0.03	-0.04
<b>Total comprehensive income attributable to:</b>			
Shareholders of the parent		-730	-876
Non-controlling interests		-72	-32
Total comprehensive income per share (PLN)		-0.03	-0.04

## Consolidated statement of financial position

	Note no.	Balance at 31-03-2020	Balance at 31-12-2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4.7.1.	55,622	56,525
Investment property	4.7.2.	5,782	5,877
Intangible assets	4.7.3.	1,586	1,521
Right-of-use assets	4.7.4.	55,847	57,092
Goodwill	4.7.5.	31,172	31,172
Retentions on construction contracts	4.4.2.	9,822	9,758
Deferred tax assets	4.3.7.	20,009	20,202
Other assets		170	189
<b>Total non-current assets</b>		<b>180,010</b>	<b>182,336</b>
<b>Current assets</b>			
Inventories	4.7.8.	32,262	30,353
Trade and other receivables	4.5.1.	106,536	185,772
Measurement of long-term construction contracts	4.4.1.	141,022	111,893
Retentions on construction contracts	4.4.2.	3,039	3,057
Advance payments	4.4.4.	6,893	9,722
Current tax assets	4.3.7.	0	0
Advanced loans	4.7.7.	0	0
Other assets		1,184	1,126
Cash and cash equivalents	4.6.4.	2,357	30,378
<b>Total current assets</b>		<b>293,293</b>	<b>372,301</b>
<b>Total assets</b>		<b>473,303</b>	<b>554,637</b>

	Note no.	Balance at 31-03-2020	Restated Balance at 31-12-2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		52,656	53,386
<b>Total equity attributable to shareholders of the parent company</b>		<b>149,561</b>	<b>150,291</b>
Equity attributable to non-controlling interests		78	150
<b>Total equity</b>		<b>149,639</b>	<b>150,441</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	4.6.1.	11,110	13,333
Non-current lease liabilities	4.6.2.	10,673	12,450
Retentions on construction contracts	4.4.2.	12,260	12,946
Liabilities under employee benefits		2,101	2,092
Deferred tax liability	4.3.7.	29	48
Long-term provisions	4.4.3.	13,445	12,449
<b>Total non-current liabilities</b>		<b>49,618</b>	<b>53,318</b>
<b>Current liabilities</b>			
Trade and other payables	4.5.2.	90,107	165,631
Accruals	4.4.5.	66,927	61,422
Measurement of long-term construction contracts	4.4.1.	486	4,584
Retentions on construction contracts	4.4.2.	20,158	19,807
Advance payments	4.4.4.	25,945	27,890
Short-term loans and bank credits	4.6.1.	16,664	15,983
Current lease liabilities	4.6.2.	8,428	10,016
Other financial liabilities		36	106
Liabilities under employee benefits		32,801	29,497
Current tax liabilities	4.3.7.	0	0
Short-term provisions	4.4.3.	12,494	15,942
<b>Total current liabilities</b>		<b>274,046</b>	<b>350,878</b>
<b>Total liabilities</b>		<b>323,664</b>	<b>404,196</b>
<b>Total equity and liabilities</b>		<b>473,303</b>	<b>554,637</b>

## 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
<b>Balance at 1 January 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,386</b>	<b>150,291</b>	<b>150</b>	<b>150,441</b>
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	-730	-730	-72	-802
Other net comprehensive income	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>Balance at 31 March 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>52,656</b>	<b>149,561</b>	<b>78</b>	<b>149,639</b>
<b>Balance at 1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,717</b>	<b>146,622</b>	<b>126</b>	<b>146,748</b>
Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	-876	-876	-32	-908
Other net comprehensive income	0	0	0	0	0	0	0
Other	0	0	0	2	2	0	2
<b>Balance at 31 March 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>48,843</b>	<b>145,748</b>	<b>94</b>	<b>145,842</b>
<b>Balance at 1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,717</b>	<b>146,622</b>	<b>126</b>	<b>146,748</b>

Change of interest in subsidiaries	0	0	0	0	0	0	0
Payment of dividend	0	0	0	0	0	0	0
Issue of shares	0	0	0	0	0	0	0
Issue costs	0	0	0	0	0	0	0
Buy-back of shares	0	0	0	0	0	0	0
Profit (loss)	0	0	0	3,753	3,753	24	3,777
Other net comprehensive income	0	0	0	-86	-86	0	-86
Other	0	0	0	2	2	0	2
<b>Balance at</b>	<b>31 December 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,386</b>	<b>150,291</b>	<b>150,441</b>

## Consolidated statement of cash flows

	<b>Restated</b>	
	<b>3 months ended</b>	<b>3 months ended</b>
	<b>31-03-2020</b>	<b>31-03-2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit / (loss) before tax</b>	<b>-628</b>	<b>-774</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	3,345	3,046
Foreign exchange gains / (losses)	-14	-3
Interest and share in profit (dividends)	529	363
Gain / (loss) on disposal of investments	-34	-86
<b>Operating profit (loss) before changes in working capital</b>	<b>3,198</b>	<b>2,546</b>
Change in receivables and retentions on construction contracts	78,497	58,194
Change in inventories	-1,909	-1,722
Change in provisions and liabilities under employee benefits	879	-990
Change in payables and retentions on construction contracts	-75,192	-107,266
Change in measurement of construction contracts	-33,227	-29,063
Change in accruals	5,505	12,404
Change in advance payments	884	-13,075
Change in other assets	-56	-82
Income tax paid / tax refund	0	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-21,421</b>	<b>-79,054</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	58	131
Purchase of property, plant and equipment and intangible assets	-1,126	-824
Sale / (purchase) of financial assets in related parties	0	0
Sale / (purchase) of financial assets from non-controlling shareholders	0	0
Advanced loans	-17	-17
Repayment of advanced loans	0	0
Interest received	9	24
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-1,076</b>	<b>-686</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	40	17,954
Repayment of loans and bank credits	-1,583	-1,289
Decrease in lease liabilities	-3,563	-3,928
Lease interest paid	-128	-241
Other interest paid	-304	-66
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-5,538</b>	<b>12,430</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-28,035</b>	<b>-67,310</b>
Net foreign exchange gains / (losses)	14	3
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>30,378</b>	<b>81,723</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>2,357</b>	<b>14,415</b>
- of limited availability	523	0

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

### 1. General information

#### 1.1. Composition of the Capital Group

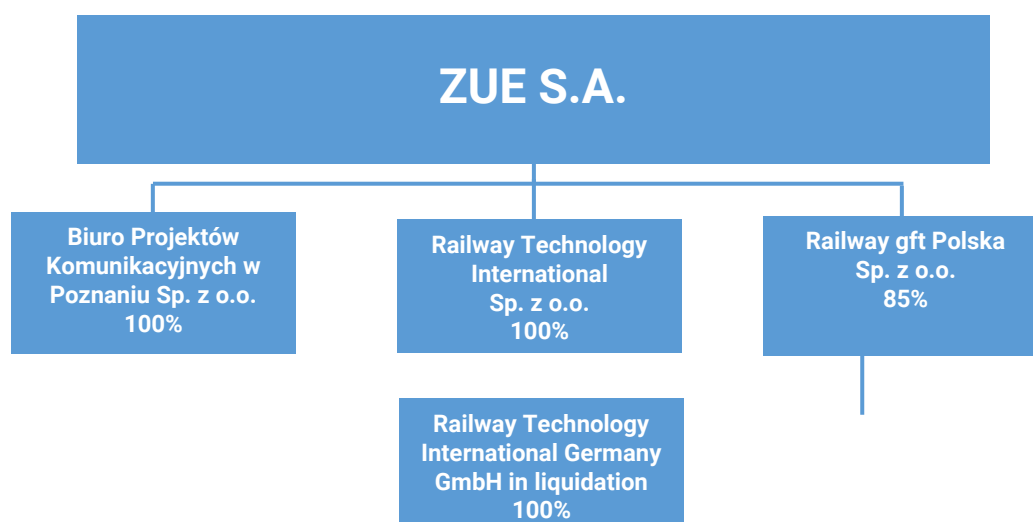
At the end of the reporting period, the Capital Group is composed of ZUE S.A. (the Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Railway Technology International Germany GmbH (indirect subsidiary).

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 approval of these financial statements:**



**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 in liquidation** 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. RTI Germany is in liquidation. The financial statements of all the subsidiaries have been prepared for the same reporting period as for the Parent Company using consistent accounting policies. The Parent Company and the companies comprising the Group use a calendar year as their financial year.

## 1.2. Consolidated companies

Consolidated companies at 31 March 2020:

Company name	Registered office	Shares as at		Consolidation method
		31 March 2020	31 December 2019	
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 has the power to govern financial and operating policies of BPK Poznań and Railway gft because at 31 March 2020, it held a 100% and 85% interest, respectively, in the companies.

At 31 March 2020, 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. is not consolidated.

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

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

No changes in the Group's structure occurred between the beginning of 2020 and the date of approval of this report.

On 13 February 2020, an entry about the opening of liquidation proceedings relating to RTI Germany was made in the district court of Dresden.

## 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.

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

**Design activities** concerning urban and rail transport systems complement the abovementioned construction activities.

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

- Rails for railways, tramways and cranes; special profiles, light rails and narrow-gauge railway;
- Steel, wooden and pre-stressed concrete sleepers;
- Crossovers and crossover components;
- Accessories required to build tram and railway tracks;
- Aggregate.

Special technologies: RHEDA 2000® slab tracks, RHEDA CITY C, RHEDA CITY GREEN tram systems, "Ypsilon" steel sleepers.

The financial 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 zlotys, unless specific circumstances require greater details.

## 2. Operational information

### 2.1. Sales markets

The Group's sales markets reflect the type of the activity conducted by the Group.

Construction activities are conducted by ZUE mainly on the rail and urban infrastructure market. The table below presents the major construction contracts in progress.

Contract*	Contracting authority	Completed / in progress	Contract net value (PLN '000)
Preparation of design documentation and completion of construction works in connection with the project named: LOT D – Works on the railway lines no. 131, 542 and 739 of the Rusiec Łódzki (km 137.500) – Zduńska Wola Karsznice (km 170.212) section as part of the Infrastructure and Environment Operational Programme (IEOP) 5.1-14 "Works on the railway line C-E 65 of the Chorzów Batory – Tarnowskie Góry – Karsznice – Inowrocław – Bydgoszcz – Maksymilianowo section."	PKP Polskie Linie Kolejowe S.A.	In progress	582,722
Design services and construction works in connection with the following project: "Works on the railway line no. 25 of the Skarżysko Kamienna – Sandomierz section" executed as part of Eastern Poland Operational Programme.	PKP Polskie Linie Kolejowe S.A.	In progress	378,806
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 Polskie Linie Kolejowe S.A.	In progress	371,580

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 Polskie Linie Kolejowe S.A.	In progress	345,365
Works on the railway line no. 93 of the Trzebinia – Oświęcim – Czechowice Dziedzice section, Infrastructure and Environment Operational Programme (IEOP) 5.1-12.	PKP Polskie Linie Kolejowe S.A.	In progress	303,050
Provision of design services and completion of works in connection with 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."	PKP Polskie Linie Kolejowe S.A.	In progress	292,679
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 Polskie Linie Kolejowe S.A.	In progress	278,773
Design and construction services in connection with the Infrastructure and Environment Operational Programme (IEOP) 5.2 – 4 "Works on the railway line no. 146 of the Wyczerpy – Chorzew Siemkowice section."	PKP Polskie Linie Kolejowe S.A.	In progress	208,049
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 Polskie Linie Kolejowe S.A.	In progress	91,824
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 Polskie Linie Kolejowe S.A.	In progress	71,900
Extension of the Igołomska Street, the national road no. 79 – Stage 2 together with the infrastructure in Cracow and additional contract.	Zarząd Infrastruktury Komunalnej i Transportu w Krakowie	In progress	67,781
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 Polskie Linie Kolejowe S.A.	In progress	64,200
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 Polskie Linie Kolejowe S.A.	In progress	58,424

Maintenance and repair of tram tracks in Cracow in 2019-2022.	City of Cracow	In progress	56,046
Modernisation of E30 railway line Kraków Medyka, the Biadoliny – Tarnów section.	OHL ZS, a.s. S.A. Polish Branch	In progress	45,184
Works on the E59 railway line, the Dobiegiew – Słonice section – traction network.	Strabag Sp. z o.o.	In progress	44,850
Design services and construction works in connection with the following project: "Construction of the Czarnca - Włoszczowa Płn. railway line no. 582."	PKP Polskie Linie Kolejowe S.A.	In progress	40,881
Maintenance and repair of tram infrastructure (traction electrical power engineering services) in Cracow in 2019-2022.	City of Cracow	In progress	40,790
Reconstruction of track and overhead contact system in the Wyszyńskiego hub and the Szarych Szeregów Square.	City of Szczecin	In progress	36,500
Construction of a transport hub – the Zawodzie hub as part of the following project: "Katowice System of Integrated Transport Hubs – the Zawodzie hub."	Tramwaje Śląskie S.A.	In progress	34,630
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 Polskie Linie Kolejowe S.A.	In progress	34,414
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.	In progress	33,851
Maintenance of street lighting equipment and building illuminations in Cracow with a breakdown into four regions.	Zarząd Dróg Miasta Krakowa	In progress	16,336

\* Contracts whose net value exceeds PLN 10m.

Design services relating to urban and rail transport systems are provided to both 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, COLAS POLSKA SP. z o. o., Thales Polska Sp. z o.o. and ZDW of Olsztyn.

Sales activities conducted by Railway gft included the sale of rails, track accessories, sleepers, rail fastening systems and aggregate. The major customers of Railway gft in 2020 included Zakłady Nawierzchniowe "Bieżanów" Sp. z o. o., Przedsiębiorstwo Inżynieryjnych Robót Kolejowych "TOR-KRAK" Sp. z o.o. NDI S.A. and Kolejowe Torhamer Sp. z o.o.

## 2.2. Backlog

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

As at 31 March 2020, the net value of the contracted construction and assembly services is PLN 1,796m. This provides the Group with an ability to carry out the works in the period 2020-2023. As for design services, the net value of the signed contracts scheduled for performance in 2020-2023 is PLN 9.8m. The backlog relating to the supply of materials and equipment in 2020 is worth PLN 14.9m (net).

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 result of which tender procedures are repeatedly cancelled according to the law.

## 2.3. Issuer's major achievements or failures

In the first quarter of 2020, both the Group and the Company reported a year-on-year decrease in sales revenue by 22% and 24%, respectively. Gross margin increased over the year for both ZUE (from 1.9% to 3.5%) and the Group (from 2.1% to 3.7%).

By the date of publication of this report, the Company won the new contracts in 2020 with the total net value of approx. PLN 114m, including urban contracts worth approx. PLN 58m.

Financial results are discussed in detail in the note no. 4.1.

No major events other than operating events discussed in detail in the note 2.5 and 2.6 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 that would have any significant influence on the Group's results occurred in the reporting period.

## 2.5. Major events in the reporting period

### Construction works:

On 31 January 2020, the Company and Strabag sp. z o.o. (Strabag) signed the contract whereby the Company would perform construction works and subcontracting services consisting in the comprehensive completion of the works relating to the reconstruction of OCL network in connection with the following project carried out by Strabag for PKP PLK S.A.: "Modernisation of track systems and the associated infrastructure on the railway line E59 of the Dobiegniew – Słonice section, between 105.820 km and 128.680 km" as part of the project named: "Works on the railway line E59 of the Wronki – Słonice section." The contract net value: PLN 44.9m. Completion of the tasks under the contract: April 2022. **(Current report 3/2020)**

On 12 February 2020, an annex was signed to the contract with Kolejowe Zakłady Automatyki S.A. The Company informed about the conclusion of the contract in the current report 61/2017 and the current report 33/2019. The contract net value increased by the net amount of approx. PLN 6.2m and the contract would be completed until the end of July 2020. **(Current report 5/2020)**

Following the receipt by the Company on 13 February 2020 of the signed contract between the Company and PKP Polskie Linie Kolejowe S.A. (PKP PLK) for the following task: "Provision of design services and completion of additional railway traffic control works in connection with the project no. 1: "Works on the Chabówka - Zakopane railway line no. 99" carried out as part of the following project: "Works on the railway lines no. 97, 98 and 99 of the Skawina – Sucha Beskidzka – Chabówka – Zakopane section" (the "Contract"), the total net value of the contracts between PKP PLK and the companies within the ZUE Group concluded since 18 September 2019 amounted to approx. PLN 17.8m. The cooperation between the Company and PKP PLK included, in particular, the abovementioned Contract of the net value of approx. PLN 12m (gross value of PLN 14.8m). The Contract completion date was set as the end of August 2021. **(Current report 6/2020)**

On 17 March 2020, the Company submitted the termination notice relating to the contract for the provision of design services and the completion of construction works in connection with 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" performed by the Company for PKP Polskie Linie Kolejowe S.A. (the "Contract") for PKP Polskie Linie Kolejowe S.A. (the "Contracting Authority"). The Company declared its intention to terminate the services provided by the Company (the remaining part of the construction works which had not been performed) under the Contract between the Company and the Contracting Authority due to the circumstances blamed on the Contracting Authority. On 5 May 2020, the Issuer and the Contracting Authority defined the rules on which ZUE would continue the works relating to the completion of the Contract. **(Current reports 9/2020 and 14/2020)**

#### Financial agreements:

On 28 January 2020, the Company and BNP Paribas Bank Polska S.A. (the "Bank") signed a number of annexes to the financing agreement. The Company informed about the said financing agreement in the current report 72/2017 and subsequent current reports. Under the annexes, the limit granted to the Company was set as PLN 100m. At the Company's request, the Bank would provide the bank guarantees of any type (including, in particular, bid bonds, performance bonds and advance payment bonds). In addition, the term of the limit was extended by 12 months of the annexes conclusion date. **(Current report 1/2020)**

On 5 February 2020, the Company published preliminary financial results for 2019. **(Current report 4/2020)**

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

On 15 April 2020, the Company received the signed annex (the "Annex") to the subcontract entered into in June 2019 between the Company and Pilar-Rail sp. z o.o. with registered office in Raszyn (the "Subcontractor"). Accordingly, the total net value of orders and contracts entered into between ZUE and the Subcontractor since June 2019 was approx. PLN 30.4m. **(Current report 10/2020)**

On 16 April 2020, the consortium of ZUE (Leader) and FDO sp. z o.o., and the City of Gorzów Wlkp., Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o., Polska Spółka Gazownictwa Sp. z o.o., Oddział Zakład Gazowniczy w Gorzowie Wielkopolskim (hereinafter jointly referred to as the "Contracting Authority") signed the contract for the following project: "Reconstruction of the road and the track in the Chrobrego Street and the Mieszka I Street as part of the task named: "The system of sustainable urban transport in Gorzów Wlkp." The Company informed about the selection of the tender as the most economically advantageous offer in the current report 7/2020. Net value of the contract: PLN 56.1m out of which 95% is attributable to the Company. Gross value of the contract: PLN 69.0m. Project completion date: 18 months of the contract conclusion date. **(Current report 11/2020)**

On 22 April 2020, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds. **(Current report 12/2020)**

On 4 May 2020, the Company signed the annex to the master agreement for project-related bonding products with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. Under the annex, the limit provided to the Company was raised from PLN 30m to PLN 40m. **(Current report 13/2020)**

On 14 May 2020, the Company learnt about the Company's submission of the most economically advantageous tender in the tender procedure for the project named: "Reconstruction of the track together with OCL network from the Żołnierza Square to the Niebuszewo terminus and along the Żołnierza Polskiego Square – the Matejki Street – the Piłsudskiego Street (to the Rodła Square)." Contracting Authority: The City of Szczecin. Net value of the tender submitted by the Company: PLN 141.8m. Gross value of the tender submitted by the Company: PLN 174.4m. Project completion date: 720 days of the contract conclusion date. **(Current report 15/2020)**

#### **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 Group.

As at 31 March 2020:

- The amount of the bonds issued by the Group to third parties: PLN 500,439 thousand;
- The amount of the bonds issued by the Company to third parties: PLN 489,233 thousand;
- The amount of unused bond lines at the Group: PLN 211,695 thousand (including PLN 40,000 thousand which may be allocated to working capital facility);
- The amount of unused bond lines at the Company: PLN 210,610 thousand (including PLN 40,000 thousand which may be allocated to working capital facility);
- The amount of unused credits at the Group: PLN 50,386 thousand (including PLN 40,000 thousand which may be allocated to bonds);
- The amount of unused credit lines at the Company: PLN 50,000 thousand (including PLN 40,000 thousand which may be allocated to bonds).

The following agreements and annexes were signed in the reporting period:

- ZUE and Towarzystwo Ubezpieczeniowe InterRisk signed the bond limit agreement of PLN 10m.
- On 28 January 2020, the Company and BNP Paribas signed an annex to the Multipurpose Credit Line Agreement whereby the line was extended for another year and the available limit was reduced from PLN 170m to PLN 100m to be used exclusively for bonds. As the credit cannot be taken under the Agreement, the Agreement is not disclosed by the Company in the table of credit agreements and the limit is disclosed exclusively in bond limits.

At the end of the reporting period, the amount of the loans granted by ZUE (net of write-downs) is PLN 769 thousand. At the end of the reporting period, the amount of the loans granted by the Group (net of write-downs) is PLN 0.

ZUE is the parent company of the Group and, if needed, it guarantees the subsidiaries' liabilities. Guarantees are additional security for credit agreements and bonds provided to subsidiaries. The total amount of the guarantees as at 31 March 2020 is PLN 24,932 thousand, including PLN 19,500 thousand to guarantee the liabilities of Railway gft.

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 2020 by the Parent Company or the subsidiaries to any single entity outside the Capital Group (or any subsidiary thereof).

After the end of the reporting period:

- On 4 May 2020, the Company and Korporacja Ubezpieczeń Kredytów Eksportowych S.A. signed an annex to the master agreement for project-related bonding products. Under the annex, the amount of the limit provided to the Company was raised to PLN 40m. The Company informed thereof in the current report 13/2020.
- The amount of guarantees was reduced by PLN 900 thousand after a credit had been repaid by a related party and approval had been given by BNP Paribas to remove the security.

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

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

The coronavirus epidemic declared in Poland on 20 March 2020 did not have any material influence on the Group's financial results achieved in the first quarter of 2020. The Group continues to operate on all operating segments despite the related restrictions.

The influence of threats related to the spread of COVID-19 on the Group is discussed in item 2.12.

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

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

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

The Management Board Report on the activities of the Parent Company and the Capital Group for 2019 contains a detailed description of the factors. In addition, the influence of the pandemic is discussed in item 2.12.

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

The Group previously declared its intention to make contractual claims in order to increase the amount of remuneration payable to the contractor involved in the performance of the railway contracts in case of any risks unrelated to the contractor. At the date of preparation of this report, the Issuer submitted to the court the contractual claims worth PLN 34.8m. The claims relate to the contract named: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The Issuer states it may lodge further contractual claims, including claims under railway contracts.

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

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

The Management Board Report on the activities of the Parent Company and the Capital Group for 2019 contains a detailed description of the abovementioned risks.

Except for the information on the effects of COVID-19 contained in item 2.12, no significant changes have been identified when comparing these risks with the information contained in the annual report.

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

- Risk related to greater employment costs;
- Risk related to the outflow of qualified staff;



- Risk related to the influence on natural environment;
- Risk related to social issues and human rights; and
- Risk related to corruption.

The Management Board Report on the activities of the Parent Company and the Capital Group for 2019 contains a detailed description of the abovementioned risks.

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

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

### a) Measures taken by the Group

The Issuer has taken preventive measures to reduce the risk of infection among the Group's employees and associates by letting the staff work remotely, giving instructions on hygiene and precautions to its employees and subcontractors' employees, providing employees with protective equipment such as face masks, shield visors or disinfectant agents, limiting the number of business meetings, giving comprehensive information on the activities aimed at reducing the risk of infection and measures to be taken in case of infection and limiting contacts with the employees who stayed in higher risk areas.

### b) Impact of the coronavirus pandemic on the activity and financial standing in the first quarter of 2020

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

At the end of the reporting period or at the date of preparation of this report, there are no major disruptions to construction processes or the chain of supplies caused by the COVID-19 restrictions which could influence the Group's financial results. The situation is monitored on an ongoing basis.

### c) Possible impact of the coronavirus pandemic on the activity and financial standing

The impact of the coronavirus pandemic on the Group's future situation or results cannot be estimated at the date of preparation of this report. Below please find the factors which may influence the Group's activity and the markets in which the Issuer operates in the next quarters.

#### Factors which may have a negative influence:

- Limited supply of certain building materials caused by disruptions in the chains of supply;
- Increased prices of certain imported building materials caused by the weakening of PLN to EUR and USD rates;
- Temporary suspension of competitive tenders for new urban infrastructure contracts as a result of poorer financial condition of the cities caused by the imposed restrictions;
- Reduction in the funds to be spent on infrastructure projects under the next EU perspective for the years 2021-2027 as a result of the EU's aid programmes and other activities relating to the expenditure of large sums;
- Possible problems associated with the liquidity of certain enterprises (e.g. subcontractors);
- Possible extensions of deadlines for certain construction contracts caused by delays in the issue of certain administrative consents or approvals;
- Impediments relating to the absence or temporary exclusion of employees; and
- Possible suspension of works under construction contracts.

#### Factors which may have a positive influence:

- Change in the prices of fuels and petroleum products (drop in the price of crude oil);
- Lower costs of external financing, especially credits and leases (two interest rate decreases);
- Government decisions to continue the domestic transport infrastructure modernisation projects;
- Simplified procedures concerning, for instance, the acceptance of works and the circulation of documents in connection with railway contracts and quick payments for the works performed;
- Better supply of employees and lower financial expectations (growing unemployment in Poland).

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

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

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

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

## 2.14. Strategic objectives

The main strategic objective in 2020-2022 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.

In 2020, the Issuer's focus was on winning new construction contracts and proper performance of the contracts concluded in prior years.

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:

According to the information provided, *inter alia*, by the Ministry of Infrastructure, investments in railway infrastructure projects will continue in accordance with the long-term planning despite the economic downturn caused by the coronavirus pandemic<sup>1</sup>.

### Rail infrastructure construction market

The Polish rail infrastructure construction market is witnessing the execution of the biggest ever railway modernisation project – the National Railway Programme (the "NRP"). In September 2019, the amount of the NRP was raised by PLN 5.7bn to the total amount of more than PLN 75bn<sup>2</sup>. The pending projects are worth approx. PLN 40bn<sup>3</sup>. The entire programme is scheduled for completion by 2023. Project documents are also prepared for contracts funded under the next financial perspective. PKP PLK has revealed that in 2021 it will be ready to

<sup>1</sup> <https://www.rynekinfrastruktury.pl/wiadomosci/drogi/adamczyk-inwestycje-drogowe-i-kolejowe-nadal-beda-realizowane-71197.html>

<sup>2</sup> <https://www.rynek-kolejowy.pl/wiadomosci/krajowy-program-kolejowy-zwiekszony-o-kolejne-57-mld-zl-93578.html>

<sup>3</sup> <https://forsal.pl/artykuly/1426335,pkp-plk-zapowiada-90-proc-realizacji-programu-kolejowego-do-konca-2020-r.html>

announce tenders for contracts worth PLN 30-40bn. This is to ensure the continuity of operations and prevent the occurrence of so-called peaks and decays between EU perspectives, which exerted a negative impact on the industry in the past. Apart from modernization projects, the next perspective (from 2021) will also cover the construction of new railway lines, including under the Central Communication Port project with a railway component (construction of the new lines of approx. 1,600 km).

#### Urban infrastructure construction market

The intensity of the start and execution of new urban infrastructure projects will depend on the financial condition of individual cities impacted by the coronavirus-related restrictions.

In the current EU perspective for the years 2014-2020, tram infrastructure is the preferred direction in the field of the transport system development in the cities with tram lines. The plans of the Polish cities provide for the construction of more than 100 km of new and upgrading of 200 km of the existing tram lines. Investments in environmentally friendly urban rail transport will have excellent potential in terms of financing under the 2021-2027 EU perspective.

Following on from tenders organised in previous years, local governments are now considering further steps in the modernisation and construction of their tram systems. Cracow, Warsaw, Olsztyn, Gdańsk, Bydgoszcz, Szczecin, Poznań or the Upper Silesia cities are planning the construction of the new lines. Warsaw intends to build the most modern tram depot in Poland.

The urban market is the Company's major path of backlog diversification. ZUE aims to increase the share of the urban backlog by winning "build" and "maintain" contracts.

### **3. Corporate information**

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

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

Composition of ZUE'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 2019, item 1421, as amended).

### 3.2. Share capital structure

The Company's share capital amounts to PLN 5,757,520.75 and is divided into 23,030,083 shares with 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 was 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 this report preparation date:

Shareholder	Number of shares/votes at 20 May 2020	% of the share capital/total number of votes	Number of shares/votes at the date of publication of the last interim report <sup>(1)</sup>	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53	14,400,320	62.53
MetLife OFE	1,400,000 <sup>(2)</sup>	6.08	1,400,000 <sup>(2)</sup>	6.08
PKO Bankowy OFE	1,500,000 <sup>(3)</sup>	6.51	1,500,000 <sup>(3)</sup>	6.51
NN Investment Partners TFI	1,671,345 <sup>(4)</sup>	7.26	1,671,345 <sup>(4)</sup>	7.26
Other	4,058,418 <sup>(5)</sup>	17.62	4,058,418 <sup>(5)</sup>	17.62
<b>Total</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>

(1) Publication of the last interim report (Consolidated Report of the Group for 2019): 16 March 2020.

(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 list of shareholders holding at least 5% of votes at the Ordinary General Meeting of ZUE held on 6 June 2019 provided in the current report 20/2019 of 12 June 2019.

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

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

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

Shareholder	Position	Number of shares/votes at 20 May 2020	% of share capital/total number of votes	Changes in shareholding since the publication of the last interim report; i.e. since 16 March 2020
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 preparation of the last interim report or this report.

### 3.6. 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.

### 3.7. 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.

### 3.8. Dividend

No dividend was paid the Company in the reporting period.

On 22 April 2020, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds.

## 4. Financial information

### 4.1. Factors and events with significant influence on the Group's financial results for the first quarter of 2020

Construction contracts performed by ZUE are the Group's main source of revenue. In the first quarter of 2020, 93% of the Group's revenue was derived from construction services. At present, the Company mainly performs the railway contracts won since 2016. ZUE also obtains and performs urban contract, especially tram infrastructure contracts. The Company expands its backlog to include both railway and urban contracts. Since the beginning of 2020, the Company has obtained the new contracts with the total net value of approx. PLN 114m, including urban contracts worth approx. PLN 58m. The contracts performed by the Company also include the railway contracts won on the difficult market of 2016-2017. They are the low-margin contracts and the reasons for this include unpredictable factors beyond the Company's control such as growing costs of project execution and no real price indexation. The Company makes contractual claims relating to railway projects to have the contractor's fee changed should there be any risks beyond the contractor's control. However, the contribution of the railway and

urban contracts won in 2019 and afterwards to the Group's revenue is increasing and the expected margins are satisfactory to the Company.

#### Discussion of major items of the statement of profit or loss

In the first quarter of 2020, sales revenue reported by the Group amounted to PLN 152,324 thousand (a year-on-year decrease by 22%). ZUE generated sales revenue of PLN 143,712 thousand (a year-on-year decrease by 24%).

Comparison of the results reported by ZUE and the Group:

Item	ZUE		Group	
	31-03-2020	31-03-2019	31-03-2020	31-03-2019
Sales revenue	143,712	187,981	152,324	194,827
Gross profit (loss) on sales	5,088	3,517	5,671	4,140
Operating profit (loss) (EBIT) **	347	-351	-163	-738
EBITDA***	3,650	2,663	3,182	2,308
Pre-tax profit (loss)	194	-235	-628	-774
Net profit (loss)	-11	-338	-802	-908

\* Operating profit + depreciation / amortisation.

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

Compared with the analogous period of 2019, the Group's gross profit on sales in the first quarter of 2020 grew by 1,531 thousand; i.e. by 37% (ZUE – up by PLN 1,571 thousand; i.e. by 45%). Gross margin on sales generated by the Company was 3.5% and gross margin on sales generated by the Group was 3.7%.

The Group's general and administrative expenses in the reporting period increased over the year by 26% to PLN 6,148 thousand. The Company's general and administrative expenses in the reporting period increased over the year by 33% to PLN 5,060 thousand.

The Group's other operating income in the period under analysis stood at PLN 907 thousand and increased year on year by 281%. Other operating income reported in the same period by the Company amounted to PLN 846 thousand – a year-on-year increase by 404%). The results have been presented in detail in the note no. 4.3.3. of the consolidated financial statements and the note no. 2.1.3. of the separate financial statements.

The Group's other operating expenses amounted to PLN 593 thousand – up by 146% when compared with the figure reported in the analogous period of 2019 (ZUE: PLN 527 thousand – a year-on-year increase by 140%). The results have been presented in detail in the note no. 4.3.4. of the consolidated financial statements and the note no. 2.1.4. of the separate financial statements.

The Group's operating profit/loss improved over the year from PLN -738 thousand to PLN -163 thousand. The analogous item reported by ZUE grew from PLN -351 thousand in the first quarter of 2019 to PLN 347 thousand.

The Group's financial income of PLN 227 thousand decreased over the year by 52%. The Company's financial income was PLN 320 thousand – a year-on-year decrease by 38%. The results have been presented in detail in the note no. 4.3.5. of the consolidated financial statements and the note no. 2.1.5. of the separate financial statements.

The Group's financial expenses amounted to PLN 692 thousand – up by 35% compared to the analogous period of 2019. (ZUE: PLN 473 thousand – a year-on-year increase by 18%). The results have been presented in detail in the note no. 4.3.6. of the consolidated financial statements and the note no. 2.1.6. of the separate financial statements.

The Group's net profit/loss in the period under analysis increased over the year from PLN -908 thousand in the first quarter of 2019 to PLN -802 thousand. ZUE's net profit/loss increased over the year from PLN -338 thousand to PLN -11 thousand.

#### Discussion of major balance sheet items

As at 31 March 2020, the Group's total assets and liabilities amounted to PLN 473,303 thousand and the Company's total assets and liabilities amounted to PLN 447,408 thousand.

Factors with the biggest influence on the Group's total assets and liabilities:

Item	Change compared to 31-12-2019	Balance at 31-03-2020	Description
<b>Assets</b>			
Trade and other receivables	-79,236	106,536	Settlement of a portion of completed construction works.
Measurement of long-term construction contracts	29,129	141,022	Bigger progress in construction works in connection with performed contracts.
Cash and cash equivalents	-28,021	2,357	Use of own resources to conduct operating activities.
<b>Liabilities</b>			
Trade and other payables	-75,524	90,107	Settlement of a portion of completed construction works.
Accruals	5,505	66,927	Increase in provisions for subcontractors.
Measurement of long-term construction contracts	-4,098	486	Settlement of a portion of completed construction works.

#### Discussion of items of the statement of cash flows

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

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

Cash flows from financing activities were mainly influenced by the repayment of loans and credits as well as a decrease in lease liabilities.

	ZUE		ZUE Group	
	Period ended 31-03-2020	Period ended 31-03-2019	Period ended 31-03-2020	Period ended 31-03-2019
Cash flows from operating activities	-20,537	-74,452	-21,421	-79,054
Cash flows from investing activities	-1,746	-932	-1,076	-686
Cash flows from financing activities	-3,824	9,816	-5,538	12,430
<b>Total net cash flows</b>	<b>-26,107</b>	<b>-65,568</b>	<b>-28,035</b>	<b>-67,310</b>
Cash and cash equivalents at the beginning of the period	27,979	79,404	30,378	81,723
Cash and cash equivalents at the end of the period	1,886	13,839	2,357	14,415

### Discussion of the results reported by segments

The total revenue generated by the Group in the first quarter of 2020 amounted to PLN 152,324 thousand. The largest portion of the Group's revenue was derived from construction activity.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	143,712	7,630	2,709	-1,727	152,324
Gross profit on sales	5,088	271	462	-150	5,671
Net profit/loss	-11	-505	-161	-125	-802

The largest portion of the Group's revenue is derived from construction activity conducted by ZUE (93%). Sales activity conducted by Railway gft produced 5% of the Group's revenue. 2% of the consolidated revenue was generated by BPK Poznań, the company dealing with design services.

The note 4.3.8. contains more information about individual segments.

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

The Company did not publish any financial projections for the financial year 2020.

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

#### 4.3.1. Revenue

	Period ended 31-03-2020	Period ended 31-03-2019
Revenue from construction contracts	143,513	186,114
Revenue from the rendering of services	1,952	1,538
Revenue from the sale of goods, raw and other materials	6,859	7,175
<b>Total</b>	<b>152,324</b>	<b>194,827</b>

Revenue from construction and design activities is recognised by the Group in revenue from construction contracts.

The Group's sales revenue in the period from 1 January to 31 March 2020 amounted to PLN 152,324 thousand and decreased by 22% compared to the revenue reported in the analogous period of the previous year.

The Group operated in the territory of Poland in the first quarter of 2020. In addition, the Group generated sales revenue of PLN 1,168 thousand from the sale of materials to Russia and Germany.

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

	Period ended	
	31-03-2020	31-03-2019
Counterparty A	106,627	113,171

#### 4.3.2. Operating expenses

	Period ended 31-03-2020	Period ended 31-03-2019
Change in products	-962	-1,202
Depreciation and amortization	3,345	3,046



Consumption of materials and energy, including:	31,737	67,694
- consumption of materials	30,170	66,063
- consumption of energy	1,567	1,631
Contracted services	77,659	84,472
Costs of employee benefits	29,136	26,865
Taxes and charges	396	390
Other expenses	4,112	2,969
Value of goods and materials sold	7,378	11,328
<b>Total</b>	<b>152,801</b>	<b>195,562</b>

	Period ended 31-03-2020	Period ended 31-03-2019
Cost of sales	146,653	190,687
General and administrative expenses	6,148	4,875
<b>Total</b>	<b>152,801</b>	<b>195,562</b>

The Group's general and administrative expenses in the period 1 January 31 March 2020 amounted to PLN 6,148 thousand and increased over the year by 26% when compared with the Group's general and administrative expenses in the first quarter of 2019.

#### Depreciation and amortisation

	Period ended 31-03-2020	Period ended 31-03-2019
Depreciation of property, plant and equipment	1,960	1,863
Depreciation of right-of-use assets	1,262	1,051
Amortisation of intangible assets	28	40
Depreciation of investments in real property	95	92
<b>Total</b>	<b>3,345</b>	<b>3,046</b>

#### 4.3.3. Other operating income

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Gain on disposal of assets</b>	<b>36</b>	<b>86</b>
Gain on disposal of non-current assets	36	86
<b>Other operating income</b>	<b>871</b>	<b>152</b>
Damages and penalties	837	56
Release of allowances for receivables	0	2
Refund of the costs of court proceedings	1	15
Release of write-downs of inventories	5	38
Other	28	41
<b>Total</b>	<b>907</b>	<b>238</b>

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).

Damages and penalties in 2020 mainly include the damages received from a counterparty for their termination of a contract.

#### 4.3.4. Other operating expenses

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Loss on disposal of assets</b>	<b>2</b>	<b>0</b>
Loss on disposal of non-current assets	2	0

<b>Other operating expenses</b>	<b>591</b>	<b>241</b>
Damages and penalties	0	2
Allowances for receivables	499	206
Costs of litigations	33	20
Other	59	13
<b>Total</b>	<b>593</b>	<b>241</b>

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).

#### 4.3.5. Financial income

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Interest income</b>	<b>108</b>	<b>49</b>
Interest on bank deposits	29	9
Interest on loans	0	17
Interest on receivables	79	23
<b>Other financial income</b>	<b>119</b>	<b>428</b>
Discount of long-term items	105	417
Other	14	11
<b>Total</b>	<b>227</b>	<b>477</b>

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

#### 4.3.6. Financial expenses

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Interest expenses</b>	<b>526</b>	<b>435</b>
Interest on credits	106	72
Interest on loans	198	2
Interest on leases	214	321
Interest on factoring liabilities	0	0
Interest on trade and other payables	8	40
<b>Other financial expenses</b>	<b>166</b>	<b>78</b>
Foreign exchange losses	138	33
Discount of long-term items	5	13
Other	23	32
<b>Total</b>	<b>692</b>	<b>513</b>

#### 4.3.7. Corporate income tax

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

	Period ended 31-03-2020	Period ended 31-03-2019
Current income tax	0	0
Deferred tax	174	134
<b>Total tax expense/income</b>	<b>174</b>	<b>134</b>

The tax currently payable is calculated pursuant to applicable tax laws. According to the 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 financial year in question.

The Group is subject to general corporate income tax regulations. 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 interest rate

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Gross profit (loss)</b>	<b>-628</b>	<b>-774</b>
Income tax at the applicable rate of 19%	-119	-147
<b>Effect of tax recognition of:</b>	<b>-3,889</b>	<b>-3,546</b>
- Use of tax losses brought forward	25	135
- Costs that are not tax-deductible under tax regulations	2,132	2,712
- Revenue not classified as revenue under tax regulations	6,338	5,575
- Tax-deductible expenses not classified as balance sheet expenses	-237	559
- Taxable revenue not classified as balance sheet revenue	105	11
Revaluation of deferred tax assets (current year loss)	4,008	3,693
Deferred tax	174	134
<b>Income tax according to effective tax rate</b>	<b>174</b>	<b>134</b>
Effective tax rate	-28%	-17%

#### Current tax assets and liabilities

	Balance at 31-03-2020	Balance at 31-12-2019
<b>Current tax assets</b>		
Tax refundable	0	0
<b>Current tax liabilities</b>		
Tax payable	0	0

## Deferred tax

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Deferred tax balance at the beginning of the period</b>	<b>20,154</b>	<b>22,876</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>40,954</b>	<b>43,802</b>
Provisions for expenses and accruals	22,015	24,222
Discount of receivables	159	250
Operating lease liabilities	2,259	2,977
Write-downs	1,381	1,533
Bonds and insurances accounted for over time	1,605	1,077
Tax work in progress	13,137	12,618
Measurement of long-term contracts	93	823
Other	305	302
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>39,818</b>	<b>40,274</b>
Measurement of long-term contracts	26,794	26,945
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,407	12,664
Discount of payables	612	632
Other	5	33
<b>Unused tax losses and other tax credits carried forward:</b>	<b>18,844</b>	<b>19,214</b>
Tax losses	18,844	19,214
<b>Total temporary differences relating to deferred tax assets:</b>	<b>59,798</b>	<b>63,016</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>39,818</b>	<b>40,274</b>
<b>Deferred tax balance at the end of the period</b>	<b>19,980</b>	<b>22,742</b>
<b>Change in deferred tax, including:</b>	<b>-174</b>	<b>-134</b>
- recognised in income	-174	-134
- recognised in equity	0	0

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

### 4.3.8. Operating segments

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

- Construction;
- Design; and
- Sales.

The segments jointly meet the following rules:

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

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

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

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

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

#### Operating segments' results for the first quarter of 2020:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>143,712</b>	<b>7,630</b>	<b>2,709</b>	<b>-1,727</b>	<b>152,324</b>
including:					
Revenue from external customers	143,575	6,341	2,441	-33	152,324
Inter-segment revenues	137	1,289	268	-1,694	0
including:					
Revenue from construction contracts	141,105	0	2,709	-301	143,513
Revenue from the provision of services	2,089	0	0	-137	1,952
Revenue from the sale of goods, raw and other materials	518	7,630	0	-1,289	6,859
<b>Gross profit</b>	<b>5,088</b>	<b>271</b>	<b>462</b>	<b>-150</b>	<b>5,671</b>
Financial income / expenses	-153	-282	-33	3	-465
Interest received	11	0	0	-2	9
Interest paid	-345	-81	-9	3	-432
<b>Pre-tax profit</b>	<b>194</b>	<b>-488</b>	<b>-180</b>	<b>-154</b>	<b>-628</b>
Corporate income tax	205	17	-19	-29	174
<b>Net profit</b>	<b>-11</b>	<b>-505</b>	<b>-161</b>	<b>-125</b>	<b>-802</b>
Depreciation and amortisation	3,303	1	46	-5	3,345
Property, plant and equipment	52,825	4	221	2,572	55,622
Non-current assets	179,243	395	952	-580	180,010
<b>Total assets</b>	<b>447,408</b>	<b>12,880</b>	<b>16,645</b>	<b>-3,630</b>	<b>473,303</b>
<b>Total liabilities</b>	<b>298,128</b>	<b>12,425</b>	<b>16,434</b>	<b>-3,323</b>	<b>323,664</b>

The Group operated in Poland in the first quarter of 2020. In addition, the Group earned the revenue of PLN 1,168 thousand from the sale of materials to Russia and Germany.

#### Operating segments' results for the first quarter of 2019:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>187,981</b>	<b>11,861</b>	<b>2,016</b>	<b>-7,031</b>	<b>194,827</b>
including:					
Inter-segment revenues	187,846	6,555	-1,206	1,632	194,827
Revenue from external customers	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
<b>Gross profit</b>	<b>3,517</b>	<b>430</b>	<b>209</b>	<b>-16</b>	<b>4,140</b>
Financial income / expenses	116	-146	-13	7	-36
Interest received	24	0	0	0	24
Interest paid	-233	0	-8	0	-241
<b>Pre-tax profit</b>	<b>-235</b>	<b>-182</b>	<b>-369</b>	<b>12</b>	<b>-774</b>
Corporate income tax	103	29	0	2	134
<b>Net profit</b>	<b>-338</b>	<b>-211</b>	<b>-369</b>	<b>10</b>	<b>-908</b>
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
<b>Total assets</b>	<b>515,943</b>	<b>17,780</b>	<b>16,572</b>	<b>-9,828</b>	<b>540,467</b>
<b>Total liabilities</b>	<b>370,039</b>	<b>17,111</b>	<b>16,708</b>	<b>-9,233</b>	<b>394,625</b>

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

#### 4.4. Contracts, retentions, provisions, advance payments and accruals

##### 4.4.1. Construction contracts

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

	Period ended 31-03-2020	Period ended 31-03-2019
Revenue from long-term construction contracts	135,634	180,385
Costs of long-term construction contracts*)	135,897	185,031
<b>Gross profit (loss) on long-term contracts</b>	<b>-263</b>	<b>-4,646</b>
	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
<b>Assets (selected items)</b>	<b>160,776</b>	<b>134,472</b>
- Measurement of long-term construction contracts	141,022	111,893
- Advance payments made in connection with performed contracts	6,893	9,764
- Retentions on construction contracts retained by customers	12,861	12,815
<b>Liabilities (selected items)</b>	<b>151,235</b>	<b>154,363</b>
- Measurement of long-term construction contracts	486	4,584
- Provisions for contract costs	66,455	60,755
- Advance payments received in connection with performed contracts	25,945	27,887
- Retentions on construction contracts retained for suppliers	32,418	32,753
- Provisions for warranty claims	14,752	14,191
- Provisions for expected losses on contracts	11,179	14,193

\*)The item does not contain a provision for contract losses or provision for warranty claims.

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

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

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

The provisions for contract costs increased mainly after subcontractors had become more involved in the performance of contracts.

##### 4.4.2. Retentions on construction contracts

	Balance at 31-03-2020	Balance at 31-12-2019
Retained by customers – to be repaid after 12 months	9,822	9,758
Retained by customers – to be repaid within 12 months	3,039	3,057
<b>Total retentions on construction contracts retained by customers</b>	<b>12,861</b>	<b>12,815</b>
Retained for suppliers – to be repaid after 12 months	12,260	12,946
Retained for suppliers – to be repaid within 12 months	20,158	19,807
<b>Total retentions on construction contracts retained for suppliers</b>	<b>32,418</b>	<b>32,753</b>

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

##### Change in provisions

Provisions	01-01-2020	Created	Used	Released	Reclassified	31-03-2020	Item
<b>Long-term provisions:</b>	<b>14,541</b>	<b>913</b>	<b>89</b>	<b>150</b>	<b>331</b>	<b>15,546</b>	
Provisions for employee benefits	2,092	9	0	0	0	2,101	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,449	904	89	150	331	13,445	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>35,539</b>	<b>5,383</b>	<b>2,614</b>	<b>3,131</b>	<b>-331</b>	<b>34,846</b>	
Provisions for employee benefits	19,597	5,342	2,587	0	0	22,352	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,742	37	26	115	-331	1,307	Short-term provisions
Provision for loss on contracts	14,193	2	0	3,016	0	11,179	Short-term provisions
Other provisions	7	2	1	0	0	8	Short-term provisions
<b>Total provisions:</b>	<b>50,080</b>	<b>6,296</b>	<b>2,703</b>	<b>3,281</b>	<b>0</b>	<b>50,392</b>	

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

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 made if the budgeted costs exceed the total revenue under a contract.

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

##### Comparative information:

Provisions	01-01-2019	Created	Used	Released	Reclassified	31-03-2019	Item
<b>Long-term provisions:</b>	<b>10,146</b>	<b>5,816</b>	<b>357</b>	<b>2</b>	<b>-1,062</b>	<b>14,541</b>	
Provisions for employee benefits	1,994	217	0	2	-117	2,092	Liabilities under employee benefits (long-term)
Provisions for warranty claims	8,152	5,599	357	0	-945	12,449	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions



<b>Short-term provisions:</b>	<b>44,187</b>	<b>24,201</b>	<b>14,918</b>	<b>18,993</b>	<b>1,062</b>	<b>35,539</b>	
Provisions for employee benefits	14,448	21,353	14,112	2,209	117	19,597	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,970	0	281	892	945	1,742	Short-term provisions
Provision for loss on contracts	27,387	2,622	0	15,816	0	14,193	Short-term provisions
Other provisions	382	226	525	76	0	7	Short-term provisions
<b>Total provisions:</b>	<b>54,333</b>	<b>30,017</b>	<b>15,275</b>	<b>18,995</b>	<b>0</b>	<b>50,080</b>	

#### 4.4.4. Advance payments

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments transferred in connection with performed contracts	6,893	9,764
Other advance payments	4	4
Allowances for advance payments	-4	-46
<b>Total advance payments due</b>	<b>6,893</b>	<b>9,722</b>

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

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments received in connection with performed contracts	25,945	27,887
Other advance payments	0	2
<b>Total advance payments received</b>	<b>25,945</b>	<b>27,889</b>

Received advance payments are the prepayments received by the Group on the basis of contracts with PKP PLK and the City of Szczecin so that construction contracts can be performed.

Certain advance payments made by the Contracting Authority were accounted for in the reporting period following the progress in construction works.

#### 4.4.5. Accruals

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Provisions for contract costs	66,455	60,755
Other accruals	472	667
<b>Total</b>	<b>66,927</b>	<b>61,422</b>

Provisions for the costs of contracts comprise the provisions for the costs of subcontractors and the provisions for the risks associated with the settlement of contracts.

### 4.5. Trade and other receivables and payables

#### 4.5.1. Trade and other receivables

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Trade receivables	123,638	200,544
Loss allowances for trade receivables in connection with the increase of credit risk	-21,099	-18,889
Loss allowances for trade receivables – initial for expected credit losses	-189	-189
Receivables from the state budget other than corporate income tax	0	0
Other receivables	4,186	4,306
<b>Total trade and other receivables</b>	<b>106,536</b>	<b>185,772</b>

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

Loss allowances in connection with the increase of credit risk of PLN 21,099 thousand include, in particular:

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

#### Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the creation of allowances of PLN 499 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Group for the penalties and damages that are not the Group's revenue at the date of issue.

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

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Counterparty A	88,375	149,831

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

#### 4.5.2. Trade and other payables

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Trade payables	83,598	148,615
Liabilities to the state budget other than corporate income tax	6,430	16,794
Other payables	191	222
<b>Total trade and other payables</b>	<b>90,219</b>	<b>165,631</b>

#### 4.6. Debt and management of capital and liquidity

##### 4.6.1. Loans and bank credits

	Balance at 31-03-2020	Balance at 31-12-2019
<b>Long-term</b>	<b>11,110</b>	<b>13,333</b>
Bank credits	0	0
Loans received	11,110	13,333
<b>Short-term</b>	<b>16,664</b>	<b>15,983</b>
Bank credits	7,510	9,053
Loans received	9,154	6,930
<b>Total</b>	<b>27,774</b>	<b>29,316</b>

#### Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 31-03- 2020	Amount of available loans/credits as at 31-03-2020	Use as at 31-03- 2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2020
2	mBank S.A. (i)	Master Agreement including: sublimit for bonds non-revolving working credit facility	50,000		0	1M WIBOR + margin	July 2020
			50,000		0		
			40,000	40,000	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	20,000	1M WIBOR + margin	June 2022
4	mBank S.A.	Overdraft	500	386	114	ON WIBOR + margin	May 2020
5	mBank S.A.	Working credit facility for contract prefinancing	1,800	0	896	1M WIBOR + margin	July 2020
6	mBank S.A.	Working credit facility	5,000	0	5,000	1M WIBOR + margin	August 2020
7	BNP Paribas Bank Polska S.A.	Revolving credit agreement	1,500	0	1 500	3M WIBOR + margin	May 2020
8	Magdalena Lis	Loan agreement	264	0	264	3M WIBOR + margin	Unspecified
<b>Total amount of available loans and credits</b>				<b>50,386</b>			
<b>Total debt under loans and credits</b>					<b>27,774</b>		

**Total use for bonds**

**0**

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

Types of security and liabilities under loan and credit agreements:

1. **Overdraft** – promissory note.
2. **Master agreement:**
  - a) Mortgage;
  - b) Statement on submission to enforcement.
3. **Loan agreement:**
  - a) Mortgage;
  - b) Registered pledge;
  - c) Assignment of rights under insurance policy;
  - d) Assignment of claims under contracts.
4. **Overdraft:**
  - a) Blank promissory note;
  - b) ZUE's guarantees.
5. **Working capital credit for contract prefinancing:**
  - a) Blank promissory note;
  - b) ZUE's guarantees;
  - c) Assignment of claims.
6. **Working capital credit:**
  - a) ZUE's guarantees;
  - b) Registered pledge on inventories;
  - c) Blank promissory note;
  - d) Statement on submission to enforcement;
  - e) Assignment of rights under insurance policy.
7. **Revolving credit agreement:**
  - a) Promissory note;
  - b) Statement on submission to enforcement.

The following amendments were made in the reporting period to certain credit agreements signed by the Group:

- On 28 January 2020, the Company and BNP Paribas signed an annex to the Multipurpose Credit Line Agreement whereby the line was extended for another year and the available limit was reduced from PLN 170m to PLN 100m to be used exclusively for bonds. As the credit cannot be taken under the Agreement, the Agreement is not disclosed by the Company in the table of credit agreements and the limit is disclosed exclusively in bond limits (item 3 of the comparative information).
- On 5 February 2020, the debt under the multipurpose credit line with BNP Paribas Bank (item 5) was repaid in full and the limit expired (item 5 of the comparative information).
- BNP Paribas – Revolving credit agreement (item 7) – the amount of outstanding instalments was changed under the annex of 6 March 2020. The final repayment date remained unchanged.

Events after the end of the reporting period:

- mBank – Working capital credit for contract prefinancing (item 5) – the amount of instalments was changed and the repayment date was extended until 31 July 2020 under the annex of 19 May 2020.
- On 15 May 2020, the debt under the revolving credit agreement with BNP Paribas was repaid in full and the limit expired (item 7).

**Comparative information:**

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2019	Amount of available loans/credits as at 31-12-2019	Use as at 31-12-2019	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2020
2	mBank S.A.	Master Agreement including:	50,000		0	1M WIBOR + margin	July 2020
	(i)	sublimit for bonds	50,000		0		
		non-revolving working credit facility	40,000	40,000	0		

3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement	170,000		52,621	1M WIBOR + margin	January 2020
		including:					
		sublimit for bonds	170,000		52,621		
		sublimit for working credit facilities	20,000	20,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	20,000	1M WIBOR + margin	June 2022
5	BNP Paribas Bank Polska S.A.	Multipurpose credit line	600	17	583	1M WIBOR + margin	January 2020
6	mBank S.A.	Overdraft	500	426	74	0	May 2020
7	mBank S.A.	Working credit facility for contract prefinancing	1,800	0	896	0	March 2020
8	mBank S.A.	Working credit facility	5,000	0	5,000	0	August 2020
9	BNP Paribas Bank Polska S.A.	Revolving credit agreement	2,500	0	2,500	0	May 2020
10	Magdalena Lis	Loan agreement	263	0	263	3M WIBOR + margin	Unspecified
<b>Total amount of available loans and credits</b>				<b>70,443</b>			
<b>Total debt under loans and credits</b>					<b>29,316</b>		
<b>Total use for bonds</b>					<b>52,621</b>		

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

#### 4.6.2. Leases

##### Lease liabilities

	Balance at 31-03-2020	Balance at 31-12-2019
Long-term lease liabilities	10,673	12,450
Short-term lease liabilities	8,428	10,016
<b>Total</b>	<b>19,101</b>	<b>22,466</b>

No leasebacks were signed by the Group in the reporting period.

##### General terms of lease

The leases signed by the Company mainly concern vehicles, land and buildings. The term of the leases concerning manufacturing equipment and vehicles is from three to six years. The Company has an option to purchase the equipment at the end of the lease for a price equal to their residual value. The Company's liabilities under finance leases are secured by the lessor's title to the leased assets and a blank promissory note. The leases concerning land and buildings are usually concluded for the term of the contract. The leasehold land is

used on the basis of administrative decisions and except for the investment property in Kościelisko where the term of lease is 39 years, leases have been concluded for 89 years.

### Short-term and low value leases

The Group applied IFRS 16 and used the following practical solutions offered by the standard:

1. Not to recognise operating leases with a lease term less than 12 months – they are treated as short-term leases; and
2. Not to recognise leases where the underlying asset has a low value; i.e. PLN 20 thousand.

The expenses associated with short-term and low value leases amounted to PLN 824 thousand in the first quarter of 2020 and PLN 792 thousand in the first quarter of 2019.

Lease details are presented by the Group in the following notes:

No.	Note	31-03-2020	31-03-2019
4.3.2	Depreciation and amortisation	1,262	1,051
4.3.6	Financial expenses – interest on leases	214	321

No.	Note	31-03-2020	31-12-2019
4.6.2	Leases – lease liabilities	19,101	22,466
4.7.2	Right-of-use assets	55,847	57,092

#### 4.6.3. Management of capital

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

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

	Balance at 31-03-2020	Balance at 31-12-2019
Long- and short-term loans and bank credits	27,774	29,316
Long- and short-term lease liabilities	19,101	22,466
Long- and short-term other financial liabilities	36	106
<b>Total financial liabilities</b>	<b>46,911</b>	<b>51,888</b>
Cash and cash equivalents	2,357	30,378
<b>Net debt</b>	<b>44,554</b>	<b>21,510</b>
Equity	149,639	150,441
<b>Net debt to equity ratio</b>	<b>29.77%</b>	<b>14.30%</b>

Positive net debt is due to the fact that total financial liabilities at the end of the first quarter of 2020 exceeded the amount of cash at the Group.

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

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

#### 4.6.4. Cash and cash equivalents

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Cash on hand and at banks	2,357	30,378
Bank deposits up to three months	0	0
<b>TOTAL</b>	<b>2,357</b>	<b>30,378</b>

The cash decreased at the end of the first quarter of 2020 after it had been used in operating activities.

### Discussion of items of the statement of cash flows

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

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

Cash flows from financing activities were mainly influenced by the repayment of loans and credits as well as a decrease in lease liabilities.

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-03-2019</b>
Cash flows from operating activities	-21,421	-79,054
Cash flows from investing activities	-1,076	-686
Cash flows from financing activities	-5,538	12,430
<b>Total net cash flows</b>	<b>-28,035</b>	<b>-67,310</b>
Cash and cash equivalents at the beginning of the period	30,378	81,723
Cash and cash equivalents at the end of the period	2,357	14,415



#### 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
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>26,311</b>	<b>37,336</b>	<b>55,709</b>	<b>2,331</b>	<b>121,687</b>	<b>377</b>	<b>27</b>	<b>122,090</b>
Additions	0	0	483	713	10	1,206	77	20	1,303
Transfer to non-current assets	0	0	0	0	0	0	246	0	246
Sale/liquidation	0	0	44	85	51	180	0	0	180
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>26,311</b>	<b>37,775</b>	<b>56,337</b>	<b>2,290</b>	<b>122,713</b>	<b>208</b>	<b>47</b>	<b>122,967</b>

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
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>9,594</b>	<b>23,563</b>	<b>30,492</b>	<b>1,916</b>	<b>65,565</b>	<b>0</b>	<b>0</b>	<b>65,565</b>
Elimination on disposal of assets	0	0	44	85	51	180	0	0	180
Depreciation expense	0	207	649	1,084	20	1,960	0	0	1,960
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>9,801</b>	<b>24,168</b>	<b>31,491</b>	<b>1,885</b>	<b>67,345</b>	<b>0</b>	<b>0</b>	<b>67,345</b>

Carrying amount

<b>Balance at 1 January 2020</b>	<b>0</b>	<b>16,717</b>	<b>13,772</b>	<b>25,217</b>	<b>415</b>	<b>56,121</b>	<b>377</b>	<b>27</b>	<b>56,525</b>
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>16,510</b>	<b>13,607</b>	<b>24,846</b>	<b>405</b>	<b>55,368</b>	<b>208</b>	<b>47</b>	<b>55,622</b>

No impairment losses were recognised by the Group in the reporting period.

As at 31 March 2020, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 884 thousand. As at 31 March 2019, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 18,390 thousand.

### Assets pledged as security

Property, plant and equipment used as security for bank agreements are discussed in the note 4.7.13.

### 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
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>26,220</b>	<b>52,061</b>	<b>85,735</b>	<b>2,291</b>	<b>166,307</b>	<b>302</b>	<b>0</b>	<b>166,609</b>
Opening balance adjustment	0	0	-19,437	-36,016	0	-55,453	0	0	-55,453
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>26,220</b>	<b>32,624</b>	<b>49,719</b>	<b>2,291</b>	<b>110,854</b>	<b>302</b>	<b>0</b>	<b>111,156</b>
Additions	0	91	1,545	2,791	103	<b>4,530</b>	738	27	5,295
Reclassification – right-of-use*	0	0	3,887	3,813	0	<b>7,700</b>	0	0	7,700
Transfer to non-current assets	0	0	0	0	0	<b>0</b>	663	0	663
Sale/liquidation	0	0	721	614	63	<b>1,398</b>	0	0	1,398
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>26,311</b>	<b>37,335</b>	<b>55,709</b>	<b>2,331</b>	<b>121,686</b>	<b>377</b>	<b>27</b>	<b>122,090</b>

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
<b>Balance at 1 January 2019</b>	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
<b>Balance at 1 January 2019 after OB adjustment</b>	0	8,716	21,120	26,281	1,882	57,999	0	0	57,999
Elimination on disposal of assets	0	0	708	503	62	1,273	0	0	1,273
Reclassification – right-of-use* - depreciation expense	0	0	599	343	0	942	0	0	942
Depreciation expense	0	878	2,552	4,371	96	7,897	0	0	7,897
<b>Balance at 31 December 2019</b>	0	9,594	23,563	30,492	1,916	65,565	0	0	65,565
<b>Carrying amount</b>									
<b>Balance at 1 January 2019</b>	0	17,504	28,977	57,508	409	104,398	302	0	104,700
<b>Balance at 1 January 2019 after OB adjustment</b>	0	17,504	11,504	23,438	409	52,855	302	0	53,157
<b>Balance at 31 December 2019</b>	0	16,717	13,772	25,217	415	56,121	377	27	56,525

\*Purchase at the end of the lease.

#### 4.7.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>
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
<b>Balance at 31 March 2020</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>1,743</b>	<b>2,343</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,086</b>
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	23	72	0	0	0	95
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>1,766</b>	<b>2,415</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,181</b>

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>3,500</b>	<b>2,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,877</b>
<b>Balance at 31 March 2020</b>	<b>126</b>	<b>3,477</b>	<b>2,179</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,782</b>

The investment property as at 31 March 2020 comprised the real estate in Kościelisko (the plots no. 2001 and 2491). The investment property includes buildings with land and leasehold land.

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.

**Comparative information:**

<b>Gross value</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>
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
<b>Balance at 31 December 2019</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>

<b>Depreciation</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>1,656</b>	<b>2,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,706</b>
Opening balance adjustment	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>1,656</b>	<b>2,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,706</b>
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	87	293	0	0	0	380
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>1,743</b>	<b>2,343</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,086</b>

<b>Carrying amount</b>							
<b>Balance at 1 January 2019</b>	<b>126</b>	<b>2,595</b>	<b>2,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,265</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>126</b>	<b>3,587</b>	<b>2,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,257</b>
<b>Balance at 31 December 2019</b>	<b>126</b>	<b>3,500</b>	<b>2,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,877</b>



#### 4.7.3. Intangible assets

##### Structure of intangible assets

	Balance at 31-03-2020	Balance at 31-12-2019
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>1,586</b>	<b>1,521</b>
- Software	1,586	1,521

##### Movements in intangible assets

	Other intangible assets – software
<b>Gross value</b>	
<b>Balance at 1 January 2020</b>	<b>5,778</b>
Additions	93
Sale/liquidation	0
Adjustment	0
<b>Balance at 31 March 2020</b>	<b>5,871</b>
<b>Amortisation and impairment</b>	
<b>Balance at 1 January 2020</b>	<b>4,257</b>
Amortisation expense	28
Sale/liquidation	0
Adjustment	0
<b>Balance at 31 March 2020</b>	<b>4,285</b>
<b>Carrying amount</b>	
<b>Balance at 1 January 2020</b>	<b>1,521</b>
<b>Balance at 31 March 2020</b>	<b>1,586</b>

No impairment losses were recognised by the Company in 2020 or 2019.

##### Comparative information:

	Leasehold	Other intangible assets – software	Total
<b>Gross value</b>			
<b>Balance at 1 January 2019</b>	<b>9,341</b>	<b>4,566</b>	<b>13,907</b>
<b>OB adjustment</b>	<b>-9,341</b>	<b>0</b>	<b>-9,341</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>4,566</b>	<b>4,566</b>
Additions	0	1,427	1,427
Sale/liquidation	0	57	57
Adjustment	0	-131	-131
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>5,805</b>	<b>5,805</b>

**Amortisation and impairment**

<b>Balance at 1 January 2019</b>	<b>949</b>	<b>4,342</b>	<b>5,291</b>
<b>OB adjustment</b>	<b>-949</b>	<b>0</b>	<b>-949</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>4,342</b>	<b>4,342</b>
Amortisation expense	0	122	122
Sale/liquidation	0	57	57
Adjustment	0	-123	-123
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>4,284</b>	<b>4,284</b>
<b>Carrying amount</b>			
<b>Balance at 1 January 2019</b>	<b>8,392</b>	<b>224</b>	<b>8,616</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>224</b>	<b>224</b>
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>1,521</b>	<b>1,521</b>



#### 4.7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2020</b>	<b>1,239</b>	<b>13,844</b>	<b>1,157</b>	<b>15,592</b>	<b>33,857</b>	<b>0</b>	<b>65,689</b>
Conclusion of new contracts	67	0	0	0	127	0	194
Changes resulting from amendments to contracts	0	0	0	-3	0	0	-3
Changes resulting from the shortening of contracts	-224	0	-50	0	-61	0	-335
<b>Balance at 31 March 2020</b>	<b>1,082</b>	<b>13,844</b>	<b>1,107</b>	<b>15,589</b>	<b>33,923</b>	<b>0</b>	<b>65,545</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2020</b>	<b>535</b>	<b>1,128</b>	<b>618</b>	<b>2,282</b>	<b>4,034</b>	<b>0</b>	<b>8,597</b>
Depreciation expense	163	45	178	230	646	0	1,262
Elimination on the shortening of contract	74	0	50	0	37	0	161
<b>Balance at 31 March 2020</b>	<b>624</b>	<b>1,173</b>	<b>746</b>	<b>2,512</b>	<b>4,643</b>	<b>0</b>	<b>9,698</b>

Carrying amount							
<b>Balance at 1 January 2020</b>	704	12,716	539	13,310	29,823	0	57,092
<b>Balance at 31 March 2020</b>	<b>458</b>	<b>12,671</b>	<b>361</b>	<b>13,077</b>	<b>29,280</b>	<b>0</b>	<b>55,847</b>

#### Assets pledged as security

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:**

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening balance adjustment	812	13,835	932	19,475	36,699	0	71,753
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>13,835</b>	<b>932</b>	<b>19,475</b>	<b>36,699</b>	<b>0</b>	<b>71,753</b>
Conclusion of new contracts	510	0	406	4	995	0	1,915
Reclassification – right of use*	0	0	0	-3,887	-3,813	0	-7,700
Changes resulting from the shortening of contracts	-66	0	-181	0	0	0	-247
Adjustment	0	9	0	0	0	0	9
<b>Balance at 31 December 2019</b>	<b>1,239</b>	<b>13,844</b>	<b>1,157</b>	<b>15,592</b>	<b>33,857</b>	<b>0</b>	<b>65,689</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening balance adjustment	0	948	0	1,964	1,947	0	4,859
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>948</b>	<b>0</b>	<b>1,964</b>	<b>1,947</b>	<b>0</b>	<b>4,859</b>
Depreciation expense	570	180	674	917	2,430	0	4,771
Reclassification – right of use* - depreciation expense	0	0	0	-599	-343	0	-942
Elimination on the shortening of contract	35	0	56	0	0	0	91

<b>Balance at 31 December 2019</b>	<b>535</b>	<b>1,128</b>	<b>618</b>	<b>2,282</b>	<b>4,034</b>	<b>0</b>	<b>8,597</b>
<b>Carrying amount</b>							
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>12,887</b>	<b>932</b>	<b>17,511</b>	<b>34,752</b>	<b>0</b>	<b>66,894</b>
<b>Balance at 31 December 2019</b>	<b>704</b>	<b>12,716</b>	<b>539</b>	<b>13,310</b>	<b>29,823</b>	<b>0</b>	<b>57,092</b>

#### 4.7.5. Goodwill

The goodwill of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (PRK) is the result of the acquisition of 85% of PRK shares and the control gained in 2010. The acquisition of PRK was 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 the 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 the design activity segment.

<b>At cost</b>	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

#### Annual 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 2019 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 2020, 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 expenditures disclosed in the cash flow statement in the reporting period amounted to PLN 1,126 thousand.

At 31 March 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 884 thousand.

At 31 December 2019, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,043 thousand.

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

- Complete overhauls of vehicles (mainly wagons) – PLN 807 thousand;
- Purchase of rail lifting device – PLN 146 thousand;
- Purchase of cherry picker – PLN 99 thousand.

In the first quarter of 2020, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 23 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 81 thousand.

#### 4.7.7. Advanced loans

<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
----------------------------------	----------------------------------

Loans advanced to related parties	93	76
Loans advanced to third parties	285	285
Impairment losses	-378	-361
<b>Total</b>	<b>0</b>	<b>0</b>

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 the related party.

#### 4.7.8. Inventories

	Balance at 31-03-2020	Balance at 31-12-2019
Goods, raw and other materials	30,548	29,542
Work-in-progress	1,509	612
Finished goods	205	199
<b>Total</b>	<b>32,262</b>	<b>30,353</b>

The security for liabilities created on inventories amounted at 31 March 2020 and 31 December 2019 to PLN 4,000 thousand.

#### 4.7.9. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments classified as assets and liabilities as at 31 March 2020.

##### Balance at 31 March 2020

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)	13,686	0	0	0	33,950
Trade receivables	123,638	0	0	0	0
Other financial liabilities	0	0	0	0	106
Advanced loans	378	0	0	0	0
Cash and cash equivalents	2,357	0	0	0	0
Loans and bank credits	0	0	0	0	27,774
Lease liabilities	0	0	0	0	19,101
Trade payables	0	0	0	0	83,598
<b>Total</b>	<b>140,059</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164,529</b>

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

##### Balance at 31 December 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)	13,687	0	0	0	34,254

Trade receivables	200,544	0	0	0	0
Other financial liabilities	0	0	0	0	106
Advanced loans	361	0	0	0	0
Write-downs of advanced loans	-361	0	0	0	0
Cash and cash equivalents	30,378	0	0	0	0
Loans and bank credits	0	0	0	0	29,316
Lease liabilities	0	0	0	0	22,466
Trade payables	0	0	0	0	148,615
<b>Total</b>	<b>244,609</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>234,757</b>

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

#### 4.7.10. Transactions with related parties

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

	<b>Receivables</b>		<b>Payables</b>	
	<b>Balance at</b>		<b>Balance at</b>	
	<b>31-03-2020</b>	<b>31-12-2019</b>	<b>31-03-2020</b>	<b>31-12-2019</b>
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	<b>Revenue</b>		<b>Purchases</b>	
	<b>Period ended</b>		<b>Period ended</b>	
	<b>31-03-2020</b>	<b>31-03-2019</b>	<b>31-03-2020</b>	<b>31-03-2019</b>
RTI	1	1	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

	<b>Advanced loans</b>		<b>Financial income (interest)</b>	
	<b>Balance at</b>		<b>Period ended</b>	
	<b>31-03-2020</b>	<b>31-12-2019</b>	<b>31-03-2020</b>	<b>31-03-2019</b>
RTI	0	0	0	0
RTI Germany	93	76	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>93</b>	<b>76</b>	<b>0</b>	<b>0</b>

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

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

On 21 February 2020, ZUE and RTI Germany signed the special-purpose loan agreement. The loan of EUR 7000 would be repaid by 20 December 2020. EUR 4000 was paid on the date of the agreement and the remaining amount of EUR 3000 would be paid at request.

## Remuneration of key management personnel

	Period ended 31-03-2020	Period ended 31-03-2019
Management Board	709	708
Supervisory Board	105	70
<b>Total</b>	<b>814</b>	<b>778</b>

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

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

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

#### Major pending court proceedings concerning liabilities:

There are no pending court proceedings concerning liabilities.

#### Major pending court proceedings concerning claims:

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

On 29 September 2016, the Petitioner (PORR Polska Infrastructure; i.e. former BILFINGER INFRASTRUCTURE S.A., ZUE S.A., Przedsiębiorstwo Budowy Kopalń PEBEKA S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. and Kolejowe Zakłady Automatyki Katowice S.A.) sued the Defendant (PKP Polskie Linie Kolejowe S.A.) for PLN 11,506,921.00 (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. POLiŚ 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.

The Parties appealed against this judgment. The Petitioner appealed against the dismissal of the claim of PLN 283,213.65 plus statutory interest and the Defendant appealed against the order to pay PLN 347,126.79 plus statutory interest. The appeal hearing referring to the partial judgment was held on 13 February 2020. On 27 February 2020, the appeals were dismissed by the Court of Appeals and the partial judgment became final and binding.

#### Court case relating to contractual claims

The Group previously declared its intention to make contractual claims in order to increase the amount of remuneration payable to the contractor for the performance of the railway contracts in case of any risks beyond the contractor's control. On 28 April 2020, the claim of approx. PLN 34.8m was lodged against PKP PLK S.A. with the District Court in Warsaw to increase/pay the remuneration for the performance of the following contract: "Works on the railway line no. 1 of the Częstochowa – Zawiercie section." The case is pending.

#### 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 of opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises give rise to uncertainty and conflicts. Accordingly, the tax risk in Poland is much higher than that in the countries with more mature tax systems.

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

No significant or countable tax risks were recognised by the Group at 31 March 2020 or 31 December 2019.

#### 4.7.13. Contingent assets and contingent liabilities

##### Contingent assets

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Bonds	93,925	77,381
Guarantees	59	55
Bills of exchange	1,997	1,772
<b>Total</b>	<b>95,981</b>	<b>79,208</b>

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

The Company also received bills of exchange from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

##### Contingent liabilities

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Bonds	500,439	518,569
Guarantees	24,834	24,530
Bills of exchange	383,967	407,825
Mortgages	91,159	30,000
Pledges	21,491	22,016
<b>Total</b>	<b>1,021,890</b>	<b>1,002,940</b>

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 S.A., the insurance agreement with PZU S.A., the loan agreement with ARP and the agreements between the related parties and BNP Paribas Bank Polska S.A.

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

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.

After the end of the reporting period, the amount of guarantees was reduced by PLN 900 thousand after a credit had been repaid by a related party and approval had been given by BNP Paribas to remove the security.

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

There were no major agreements concerning capital expenditures on property, plant and equipment at 31 March 2020 or 31 December 2019.

#### 4.7.15. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the three months ended 31 March 2020 or the three months ended 31 March 2019.

### 4.8. Other notes to the financial statements

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

##### Statement of compliance

The quarterly condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 31 March 2020 as endorsed by the European Union (EU).

The quarterly consolidated financial statements for the three months ended 31 March 2020 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 2020:

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 and IAS 8: "Definition of Material"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendment to IFRS 3 "Business Combinations"** (effective for annual periods beginning on or after 1 January 2020).

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

## Standards and interpretations 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 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date has been deferred by the IASB indefinitely);
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - “Interest Rate Benchmark Reform”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current”** (effective for annual periods beginning on or after 1 January 2022), the effective date has not been specified.

### 4.8.2. Important accounting principles

#### 4.8.2.1. Going concern

The quarterly condensed financial statements have been prepared assuming that the companies within the Group will continue in operational existence for at least 12 months after the end of the reporting period; i.e. after 31 March 2020.

The most important factor influencing the Group’s ability to continue in operational existence is the financial condition of the Parent Company. The key factors with an impact on the Group’s ability to continue its operations include liquidity, proper backlog and market situation.

The following facts should be considered when analysing the financial standing of the Group: In the three months ended 31 March 2020, the Group recognised sales revenue of PLN 152m and gross profit on sales of PLN 5.7m. As at 31 March 2020, the Group presents current assets of PLN 293m, including trade receivables of PLN 106.5m and cash of approx. PLN 2.4m. At the end of the reporting period, the Group has the backlog worth approx. PLN 1,821m and is in the process of obtaining new contracts.

Accordingly, the Management Board of ZUE state that there are no significant going concern risks at the date of preparation of this report and these quarterly condensed 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 data

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 statement of cash flows clearer, the Group presented the following separate items:

- Change in the measurement of construction contracts
- Change in accruals
- Change in advance payments

The table below presents the influence of changes on the consolidated statement of cash flows:

	Restated	Approved	
	3 months ended	3 months ended	Effect of changes
	31-03-2019	31-03-2019	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit / (loss) before tax</b>	<b>-774</b>	<b>-774</b>	<b>0</b>
<b>Operating profit (loss) before changes in working capital</b>	<b>2,546</b>	<b>2,546</b>	<b>0</b>
Change in receivables, measurement of contracts and retentions on construction contracts	0	30,145	-30,145
Change in receivables and retentions on construction contracts	58,194	0	58,194
Change in inventories	-1,722	-1,722	0
Change in provisions and liabilities under employee benefits	-990	-990	0
Change in payables, measurement of contracts and retentions on construction contracts, excluding loans and bank credits and other financing sources	0	-108,951	108,951
Change in payables and retentions on construction contracts	-107,266	0	-107,266
Change in measurement of construction contracts	-29,063	0	-29,063
Change in accruals	12,404	0	12,404
Change in advance payments	-13,075	0	-13,075
Change in other assets	-82	-82	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-79,054</b>	<b>-79,054</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-686</b>	<b>-686</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>12,430</b>	<b>12,430</b>	<b>0</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-67,310</b>	<b>-67,310</b>	<b>0</b>
Net foreign exchange gains / (losses)	3	3	0
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>81,723</b>	<b>81,723</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>14,415</b>	<b>14,415</b>	<b>0</b>
- of limited availability	0	0	0

#### 4.8.2.4. Applied accounting principles

These quarterly consolidated financial statements for the three months ended 31 March 2020 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 2019. The financial statements for the financial year ended 31 December 2019 contain a detailed description of the accounting principles applied by the Group.

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

#### 4.8.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying 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 revisions to estimates occurred in the reporting period.

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## 5. Approval of the condensed consolidated financial statements

These condensed consolidated financial statements for the three months ended 31 March 2020 were approved for publication by the Management Board of ZUE on 20 May 2020.

## 6. Signatures

**The financial statements have been prepared by:**

Ewa Bosak – Chief Accountant

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**Signatures of the management personnel:**

Wiesław Nowak – Management Board President

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Anna Mroczek – Management Board Vice-President

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Jerzy Czeremuga – Management Board Vice-President

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Maciej Nowak – Management Board Vice-President

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Marcin Wiśniewski – Management Board Vice-President

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Cracow, 20 May 2020



**ZUE S.A.**

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**CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR 3 MONTHS ENDED 31 MARCH 2020**

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**Cracow, 20 May 2020**

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

##### Separate statement of comprehensive income

Continuing operations	Note no.	3 months ended	3 months ended
		31-03-2020	31-03-2019
Sales revenue	2.1.1.	143,712	187,981
Cost of sales	2.1.2.	138,624	184,464
<b>Gross profit (loss) on sales</b>		<b>5,088</b>	<b>3,517</b>
General and administrative expenses	2.1.2.	5,060	3,816
Other operating income	2.1.3.	846	168
Other operating expenses	2.1.4.	527	220
<b>Operating profit (loss)</b>		<b>347</b>	<b>-351</b>
Financial income	2.1.5.	320	517
Financial expenses	2.1.6.	473	401
<b>Pre-tax profit (loss)</b>		<b>194</b>	<b>-235</b>
Corporate income tax	2.1.7.	205	103
<b>Net profit (loss) from continuing operations</b>		<b>-11</b>	<b>-338</b>
<b>Net profit (loss)</b>		<b>-11</b>	<b>-338</b>
<b>Other net comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>0</b>	<b>0</b>
Actuarial gains (losses) relating to specific benefit schemes		0	0
<b>Other total net comprehensive income</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>-11</b>	<b>-338</b>
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.00	-0.01
Total comprehensive income (loss) per share (PLN)		0.00	-0.01

## Separate statement of financial position

	Note no.	Balance at 31-03-2020	Balance at 31-12-2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2.5.1.	52,825	53,695
Investment property	2.5.2.	9,359	9,487
Intangible assets	2.5.3.	1,555	1,484
Right-of-use assets	2.5.4.	54,735	56,059
Goodwill	2.5.5.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts	2.2.2.	9,541	9,455
Deferred tax assets	2.1.7.	19,749	19,954
Advanced loans	2.5.7.	86	107
<b>Total non-current assets</b>		<b>179,243</b>	<b>181,634</b>
<b>Current assets</b>			
Inventories	2.5.8.	24,882	25,114
Trade and other receivables	2.3.1.	102,417	175,133
Measurement of long-term construction contracts	2.2.1.	127,052	99,287
Retentions on construction contracts	2.2.2.	2,951	2,984
Advance payments	2.2.4.	7,462	10,291
Current tax assets	2.1.7.	0	0
Advanced loans	2.5.7.	683	95
Other assets		832	814
Cash and cash equivalents	2.4.4.	1,886	27,979
<b>Total current assets</b>		<b>268,165</b>	<b>341,697</b>
<b>Total assets</b>		<b>447,408</b>	<b>523,331</b>



	Note no.	Balance at 31-03-2020	Balance at 31-12-2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		52,375	52,386
<b>Total equity</b>		<b>149,280</b>	<b>149,291</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	2.4.1.	11,110	13,333
Non-current lease liabilities	2.4.2.	10,520	12,385
Retentions on construction contracts	2.2.2.	11,812	12,505
Liabilities under employee benefits		1,200	1,200
Long-term provisions	2.2.3.	13,059	12,076
<b>Total non-current liabilities</b>		<b>47,701</b>	<b>51,499</b>
<b>Current liabilities</b>			
Trade and other payables	2.3.2.	84,773	156,784
Accruals	2.2.5.	59,585	54,041
Measurement of long-term construction contracts	2.2.1.	183	4,247
Retentions on construction contracts	2.2.2.	19,471	19,167
Advance payments	2.2.4.	25,845	27,788
Short-term loans and bank credits	2.4.1.	8,890	6,667
Current lease liabilities	2.4.2.	8,321	9,931
Other financial liabilities		36	36
Liabilities under employee benefits		30,688	27,671
Current tax liabilities	2.1.7.	0	0
Short-term provisions	2.2.3.	12,635	16,209
<b>Total current liabilities</b>		<b>250,427</b>	<b>322,541</b>
<b>Total liabilities</b>		<b>298,128</b>	<b>374,040</b>
<b>Total equity and liabilities</b>		<b>447,408</b>	<b>523,331</b>

## Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
<b>Balance at</b>	<b>1 January 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>52,386</b>	<b>149,291</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	-11	-11
Other net comprehensive income		0	0	0	0	0
<b>Balance at</b>	<b>31 March 2020</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>52,375</b>	<b>149,280</b>
<b>Balance at</b>	<b>1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,337</b>	<b>146,242</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	-338	-338
Other net comprehensive income		0	0	0	0	0
<b>Balance at</b>	<b>31 March 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>48,999</b>	<b>145,904</b>
<b>Balance at</b>	<b>1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,337</b>	<b>146,242</b>
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	3,135	3,135
Other net comprehensive income		0	0	0	-86	-86
<b>Balance at</b>	<b>31 December 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>52,386</b>	<b>149,291</b>

## Separate statement of cash flows

	Restated	
	3 months ended	3 months ended
	31-03-2020	31-03-2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit / (loss) before tax</b>	<b>194</b>	<b>-235</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	3,303	3,014
Foreign exchange gains / (losses)	-14	-3
Interest and share in profit (dividends)	437	290
Gain / (loss) on disposal of investments	2	-71
<b>Operating profit (loss) before changes in working capital</b>	<b>3,922</b>	<b>2,995</b>
Change in receivables and retentions on construction contracts	72,662	54,396
Change in inventories	232	-5,346
Change in provisions and liabilities under employee benefits	426	-1,511
Change in payables and retentions on construction contracts	-72,362	-95,226
Change in measurement of construction contracts	-31,829	-29,118
Change in accruals	5,544	12,498
Change in advance payments	885	-13,118
Change in other assets	-17	-22
Income tax paid / tax refund	0	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-20,537</b>	<b>-74,452</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	0	86
Purchase of property, plant and equipment and intangible assets	-1,173	-725
Sale / (purchase) of financial assets in other entities	0	0
Sale / (purchase) of financial assets in related parties	0	0
Advanced loans	-617	-317
Repayment of advanced loans	33	0
Interest received	11	24
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-1,746</b>	<b>-932</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	0	15,005
Repayment of loans and bank credits	0	-1,117
Decrease in lease liabilities	-3,479	-3,839
Lease interest paid	-126	-233
Other interest paid	-219	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-3,824</b>	<b>9,816</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-26,107</b>	<b>-65,568</b>
Net foreign exchange gains / (losses)	14	3
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>27,979</b>	<b>79,404</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>1,886</b>	<b>13,839</b>
- of limited availability	487	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:

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 2019, item 1421, as amended).

## 1.2. Activities of the Company

ZUE's core business is 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.

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

## 1.3. 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

	<b>Period ended</b> <b>31-03-2020</b>	<b>Period ended</b> <b>31-03-2019</b>
Revenue from construction contracts	141,105	185,688
Revenue from the rendering of services	2,089	1,672
Revenue from the sale of goods, raw and other materials	518	621
<b>Total</b>	<b>143,712</b>	<b>187,981</b>

The Company's sales revenue in the period from 1 January to 31 March 2020 amounted to PLN 143,712 thousand and decreased by 24% compared to the revenue reported in the analogous period of the previous year.

In the reporting period, the Company operated in the territory of Poland.

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

The entire revenue is presented by the Company in the single reporting segment, namely construction activities.

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

	<b>Period ended</b>	
	<b>31-03-2020</b>	<b>31-03-2019</b>
Counterparty A	106,424	113,160

### 2.1.2. Operating expenses

	Period ended 31-03-2020	Period ended 31-03-2019
Change in products	-897	-1,078
Depreciation and amortization	3,303	3,014
Consumption of materials and energy, including:	32,981	72,956
- consumption of materials	31,414	71,325
- consumption of energy	1,567	1,631
Contracted services	76,718	84,875
Costs of employee benefits	26,791	24,962
Taxes and charges	363	339
Other expenses	4,021	2,873
Value of goods and materials sold	404	339
<b>Total</b>	<b>143,684</b>	<b>188,280</b>

	Period ended 31-03-2020	Period ended 31-03-2019
Cost of sales	138,624	184,464
General and administrative expenses	5,060	3,816
<b>Total</b>	<b>143,684</b>	<b>188,280</b>

The Company's general and administrative expenses in the period 1 January - 31 March 2020 amounted to PLN 5,060 thousand and increased by 33% when compared with the Company's general and administrative expenses reported in the first quarter of 2019.

### Depreciation and amortisation

	Period ended 31-03-2020	Period ended 31-03-2019
Depreciation of property, plant and equipment	1,912	1,816
Depreciation of right-of-use assets	1,241	1,042
Amortisation of intangible assets	22	30
Depreciation of investments in real property	128	126
<b>Total</b>	<b>3,303</b>	<b>3,014</b>

### 2.1.3. Other operating income

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Gain on disposal of assets</b>	<b>0</b>	<b>71</b>
Gain on disposal of non-current assets	0	71
<b>Other operating income</b>	<b>846</b>	<b>97</b>
Damages and penalties	828	56
Refund of the costs of court proceedings	1	0
Release of write-downs of inventories	5	10
Other	12	31
<b>Total</b>	<b>846</b>	<b>168</b>

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

Damages and penalties in 2020 mainly include the damages received from a counterparty for the termination of a contract.

#### 2.1.4. Other operating expenses

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Loss on disposal of assets</b>	<b>2</b>	<b>0</b>
Loss on disposal of non-current assets	2	0
<b>Other operating expenses</b>	<b>525</b>	<b>220</b>
Donations	0	0
Allowances for receivables	499	206
Costs of litigations	25	14
Other	1	0
<b>Total</b>	<b>527</b>	<b>220</b>

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

#### 2.1.5. Financial income

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Interest income</b>	<b>110</b>	<b>33</b>
Interest on bank deposits	29	9
Interest on loans	2	22
Interest on receivables	79	2
<b>Other financial income</b>	<b>210</b>	<b>484</b>
Discount of long-term items	105	417
Financial guaranties	93	67
Other	12	0
<b>Total</b>	<b>320</b>	<b>517</b>

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

#### 2.1.6. Financial expenses

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Interest expenses</b>	<b>435</b>	<b>354</b>
Interest on credits	20	0
Interest on loans	198	0
Interest on leases	212	319
Interest on trade and other payables	5	35
<b>Other financial expenses</b>	<b>38</b>	<b>47</b>
Foreign exchange losses	21	30
Other	17	17
<b>Total</b>	<b>473</b>	<b>401</b>

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

## 2.1.7. Corporate income tax

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

	Period ended 31-03-2020	Period ended 31-03-2019
Current income tax	0	0
Deferred tax	205	103
<b>Total tax expense/income</b>	<b>205</b>	<b>103</b>

The tax currently payable is calculated pursuant to applicable tax laws. According to the 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 financial year in question.

The Company is subject to general corporate income tax regulations. 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 interest rate

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Gross profit (loss)</b>	<b>194</b>	<b>-235</b>
Income tax at the applicable rate of 19%	37	-45
<b>Effect of tax recognition of:</b>	<b>-3,882</b>	<b>-3,592</b>
- Use of tax losses brought forward	0	0
- Costs that are not tax-deductible under tax regulations	1,999	2,557
- Revenue not classified as revenue under tax regulations	6,066	5,600
- Tax-deductible expenses not classified as balance sheet expenses	-173	560
- Taxable revenue not classified as balance sheet revenue	12	11
Revaluation of deferred tax assets (current year loss)	3,845	3,637
Deferred tax	205	103
<b>Income tax according to effective tax rate</b>	<b>205</b>	<b>103</b>
Effective tax rate	106%	-44%

### Current tax assets and liabilities

	Balance at 31-03-2020	Balance at 31-12-2019
<b>Current tax assets</b>		
Tax refundable	0	0
<b>Current tax liabilities</b>		
Tax payable	0	0



## Deferred tax

	Period ended 31-03-2020	Period ended 31-03-2019
<b>Deferred tax balance at the beginning of the period</b>	<b>19,954</b>	<b>22,485</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>38,507</b>	<b>41,314</b>
Provisions for expenses and accruals	20,320	22,439
Discount of receivables	151	239
Operating lease liabilities	2,209	2,934
Write-downs	1,053	1,184
Bonds and insurances accounted for over time	1,601	1,077
Tax work in progress	12,637	12,127
Measurement of long-term contracts	35	812
Other	501	502
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>37,094</b>	<b>37,903</b>
Measurement of long-term contracts	24,140	24,664
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,393	12,671
Discount of payables	556	558
Other	5	10
<b>Unused tax losses and other tax credits carried forward:</b>	<b>18,336</b>	<b>18,971</b>
Tax losses	18,336	18,971
<b>Total temporary differences relating to deferred tax assets:</b>	<b>56,843</b>	<b>60,285</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>37,094</b>	<b>37,903</b>
<b>Deferred tax balance at the end of the period</b>	<b>19,749</b>	<b>22,382</b>
<b>Change in deferred tax, including:</b>	<b>-205</b>	<b>-103</b>
- recognised in income	-205	-103
- recognised in equity	0	0

Deferred tax recognised in equity results from the calculation of tax on actuarial gains/losses presented in 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, provisions, advance payments and accruals

### 2.2.1. Construction contracts

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

	Period ended 31-03-2020	Period ended 31-03-2019
--	----------------------------	----------------------------

Revenue from long-term construction contracts	133,270	179,975
Costs of long-term construction contracts*)	134,009	185,005
<b>Gross profit (loss) on long-term contracts</b>	<b>-739</b>	<b>-5,030</b>

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
<b>Assets (selected items)</b>	<b>147,006</b>	<b>122,059</b>
- Measurement of long-term construction contracts	127,052	99,287
- Advance payments made in connection with performed contracts	7,462	10,333
- Retentions on construction contracts retained by customers	12,492	12,439
<b>Liabilities (selected items)</b>	<b>142,362</b>	<b>145,670</b>
- Measurement of long-term construction contracts	183	4,247
- Provisions for contract costs	59,357	53,678
- Advance payments received in connection with performed contracts	25,845	27,788
- Retentions on construction contracts retained for suppliers	31,283	31,672
- Provisions for warranty claims	14,310	13,775
- Provisions for expected losses on contracts	11,384	14,510

\*)The item does not contain a provision for contract losses or provision for warranty claims.

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

Provision for a loss on contracts is made 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

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Retained by customers – to be repaid after 12 months	9,541	9,455
Retained by customers – to be repaid within 12 months	2,951	2,984
<b>Total retentions on construction contracts retained by customers</b>	<b>12,492</b>	<b>12,439</b>
Retained for suppliers – to be repaid after 12 months	11,812	12,505
Retained for suppliers – to be repaid within 12 months	19,471	19,167
<b>Total retentions on construction contracts retained for suppliers</b>	<b>31,283</b>	<b>31,672</b>

The construction contracts and work-for-hire contracts entered into by the Company provide for the obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or insurance companies. 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	01-01-2020	Created	Used	Released	Reclassified	31-03-2020	Item
<b>Long-term provisions:</b>	<b>13,276</b>	<b>878</b>	<b>89</b>	<b>150</b>	<b>344</b>	<b>14,259</b>	
Provisions for employee benefits	1,200	0	0	0	0	1,200	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,076	878	89	150	344	13,059	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>34,638</b>	<b>4,870</b>	<b>2,233</b>	<b>3,243</b>	<b>-344</b>	<b>33,688</b>	
Provisions for employee benefits	18,429	4,831	2,207	0	0	21,053	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,699	37	26	115	-344	1,251	Short-term provisions
Provision for loss on contracts	14,510	2	0	3,128	0	11,384	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>47,914</b>	<b>5,748</b>	<b>2,322</b>	<b>3,393</b>	<b>0</b>	<b>47,947</b>	

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

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

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

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

#### Comparative information:

Provisions	01-01-2019	Created	Used	Released	Reclassified	31-12-2019	Item
<b>Long-term provisions:</b>	<b>8,908</b>	<b>5,634</b>	<b>357</b>	<b>0</b>	<b>-909</b>	<b>13,276</b>	
Provisions for employee benefits	1,036	164	0	0	0	1,200	Liabilities under employee benefits (long-term)
Provisions for warranty claims	7,872	5,470	357	0	-909	12,076	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions

<b>Short-term provisions:</b>	<b>43,504</b>	<b>22,553</b>	<b>13,398</b>	<b>18,930</b>	<b>909</b>	<b>34,638</b>	
Provisions for employee benefits	13,672	19,937	13,117	2,063	0	18,429	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,944	0	281	873	909	1,699	Short-term provisions
Provision for loss on contracts	27,888	2,616	0	15,994	0	14,510	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
<b>Total provisions:</b>	<b>52,412</b>	<b>28,187</b>	<b>13,755</b>	<b>18,930</b>	<b>0</b>	<b>47,914</b>	

#### 2.2.4. Advance payments

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments transferred in connection with performed contracts	7,462	10,333
Other advance payments	0	0
Allowances for advance payments	0	-42
<b>Total advance payments due</b>	<b>7,462</b>	<b>10,291</b>

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

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Advance payments received in connection with performed contracts	25,845	27,788
Other advance payments	0	0
<b>Total advance payments received</b>	<b>25,845</b>	<b>27,788</b>

Received advance payments are the prepayments received by the Company on the basis of contracts with PKP PLK and the City of Szczecin so that construction contracts can be performed.

Certain advance payments made by the Contracting Authority were accounted for in the reporting period following the progress in construction works.

#### 2.2.5. Accruals

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Provisions for contract costs	59,357	53,678
Other accruals	228	363
<b>Total</b>	<b>59,585</b>	<b>54,041</b>

Provisions for the costs of contracts comprise the provisions for the costs of subcontractors and the provisions for the risks associated with the settlement of contracts.

### 2.3. Trade and other receivables and payables

#### 2.3.1. Trade and other receivables

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Trade receivables	118,388	188,796
Loss allowances for trade receivables in connection with the increase of credit risk	-19,997	-17,805
Loss allowances for trade receivables – initial for expected credit losses	-130	-120
Other receivables	4,156	4,272
<b>Total trade and other receivables</b>	<b>102,417</b>	<b>175,133</b>

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

Loss allowances in connection with the increase of credit risk of PLN 19,997 thousand include, in particular:

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

### Change in loss allowances on receivables

Change in allowances for trade receivables influencing the profit or loss includes the creation of allowances of PLN 499 thousand. The remaining balance is for presentation purposes only and results, *inter alia*, from the debit notes issued by the Company for the penalties and damages that are not the Company's revenue at the date of issue.

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

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Counterparty A	87,262	149,093

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

### 2.3.2. Trade and other payables

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Trade payables	78,701	140,722
Liabilities to the state budget other than corporate income tax	5,886	15,848
Other payables	186	214
<b>Total trade and other payables</b>	<b>84,773</b>	<b>156,784</b>

## 2.4. Debt and management of capital and liquidity

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

In the reporting period, ZUE used own resources and credit limits to finance its day-to-day operations. As at 31 March 2020, the Company could use overdraft and working capital credit limits in the total amount of PLN 50,000 thousand. The available bond limits provided by banks and insurance companies amounted to PLN 210,610 thousand.

## 2.4.1. Loans and bank credits

	Balance at 31-03-2020	Balance at 31-12-2019
<b>Long-term</b>	<b>11,110</b>	<b>13,333</b>
Bank credits	0	0
Loans received	11,110	13,333
<b>Short-term</b>	<b>8,890</b>	<b>6,667</b>
Bank credits	0	0
Loans received	8,890	6,667
<b>Total</b>	<b>20,000</b>	<b>20,000</b>

### Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 31-03-2020	Amount of available loans/credits as at 31-03-2020	Use as at 31-03-2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2020
2	mBank S.A. (i)	Master Agreement	50,000		0	1M WIBOR + margin	July 2020
		including:					
		submit for bonds	50,000		0		
		non-revolving working credit facility	40,000	40,000	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	20 000	1M WIBOR + margin	June 2022
<b>Total amount of available loans and credits</b>				<b>50,000</b>			
<b>Total debt under loans and credits</b>					<b>20,000</b>		
<b>Total use for bonds</b>					<b>0</b>		

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

Types of security and liabilities under loan and credit agreements:

1. **Overdraft** – promissory note.
2. **Master agreement:**
  - a) Mortgage;
  - b) Statement on submission to enforcement.
3. **Loan agreement:**
  - a) Mortgage;
  - b) Registered pledge;
  - c) Assignment of rights under insurance policy;
  - c) Assignment of claims under contracts.

The following amendments were made in the reporting period to certain credit agreements signed by ZUE:

- On 28 January 2020, the Company and BNP Paribas signed an annex to the Multipurpose Credit Line Agreement whereby the line was extended for another year and the available limit was reduced from PLN 170m to PLN 100m to be used exclusively for bonds. As the credit cannot be taken under the Agreement, the Agreement is not disclosed by the Company in the table of credit agreements and the limit is disclosed exclusively in bond limits (item 3 of the comparative information).

### Comparative information:

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2019	Amount of available loans/credits as at 31-12-2019	Use as at 31-12-2019	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2020
2	mBank S.A. (i)	Master Agreement	50,000		0	1M WIBOR + margin	July 2020
		including:					
		sublimit for bonds	50,000		0		
		non-revolving working credit facility	40,000	40,000	0		
3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement	170,000		52,621	1M WIBOR + margin	January 2020
		including:					
		sublimit for bonds	170,000		52,621		
		sublimit for working credit facilities	20,000	20,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	20,000	1M WIBOR + margin	June 2022
<b>Total amount of available loans and credits</b>				<b>70,000</b>			
<b>Total debt under loans and credits</b>					<b>20,000</b>		
<b>Total use for bonds</b>					<b>52,621</b>		

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

### 2.4.2. Leases

#### Lease liabilities

	Balance at 31-03-2020	Balance at 31-12-2019
Long-term lease liabilities	10,520	12,385
Short-term lease liabilities	8,321	9,931
<b>Total</b>	<b>18,841</b>	<b>22,316</b>

No leasebacks were signed by the Company in the reporting period.

#### General terms of lease

The leases signed by the Company mainly concern vehicles, land and buildings. The term of the leases concerning manufacturing equipment and vehicles is from three to six years. The Company has an option to purchase the equipment at the end of the lease for a price equal to their residual value. The Company's liabilities under finance leases are secured by the lessor's title to the leased assets and a blank promissory note. The leases concerning land and buildings are usually concluded for the term of the contract. The leasehold land is used on the basis of administrative decisions and except for the investment property in Kościelisko where the term of lease is 39 years, leases have been concluded for 89 years.

### Short-term and low value leases

The Group applied IFRS 16 and used the following practical solutions offered by the standard:

1. Not to recognise operating leases with a lease term less than 12 months – they are treated as short-term leases; and
2. Not to recognise leases where the underlying asset has a low value; i.e. PLN 20 thousand.

The expenses associated with short-term and low value leases amounted to PLN 737 thousand in the first quarter of 2020 and PLN 704 thousand in the first quarter of 2019.

Lease details are presented by the Company in the following notes:

No.	Note	31-03-2020	31-03-2019
2.1.2	Depreciation and amortisation	1,241	1,042
2.1.6	Financial expenses – interest on leases	212	319

No.	Note	31-03-2020	31-12-2019
2.4.2	Leases – lease liabilities	18,841	22,316
2.5.4	Right-of-use assets	54,735	56,059

#### 2.4.3. Management of capital

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

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

	Balance at 31-03-2020	Balance at 31-12-2019
Long- and short-term loans and bank credits	20,000	20,000
Long- and short-term lease liabilities	18,841	22,316
Long- and short-term other financial liabilities	36	36
<b>Total financial liabilities</b>	<b>38,877</b>	<b>42,352</b>
Cash and cash equivalents	1,886	27,979
<b>Net debt</b>	<b>36,991</b>	<b>14,373</b>
Equity	149,280	149,291
<b>Net debt to equity ratio</b>	<b>24.78%</b>	<b>9.63%</b>

Positive net debt is due to the fact that total financial liabilities at the end of the first quarter of 2020 exceeded the amount of cash at the Company.

The Company uses own resources, loans, credits and leases to finance day-to-day operations.

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



#### 2.4.4. Cash and cash equivalents

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Cash on hand and at banks	1,886	27,979
Bank deposits up to three months	0	0
<b>TOTAL</b>	<b>1,886</b>	<b>27,979</b>

The cash decreased at the end of the first quarter of 2020 after it had been used in operating activities.

#### Discussion of items of the statement of cash flows

The Company's cash flows from operating activities were mainly influenced by changes in receivables, payables, the measurement of long-term construction contracts and accruals in connection with the performance of construction contracts.

The Company's cash flows from investing activities were mainly influenced by the purchase of intangible assets and non-current assets financed by own resources and the advanced loans.

Cash flows from financing activities were mainly influenced by the decrease in lease liabilities.

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-03-2019</b>
Cash flows from operating activities	-20,537	-74,452
Cash flows from investing activities	-1,746	-932
Cash flows from financing activities	-3,824	9,816
<b>Total net cash flows</b>	<b>-26,107</b>	<b>-65,568</b>
Cash at the beginning of the period	27,979	79,404
Cash at the end of the period	1,886	13,839

## 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
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>24,725</b>	<b>36,342</b>	<b>55,586</b>	<b>2,187</b>	<b>118,840</b>	<b>377</b>	<b>27</b>	<b>119,244</b>
Additions	0	0	468	713	10	1,191	77	20	1,288
Transfer to non-current assets	0	0	0	0	0	0	246	0	246
Sale/liquidation	0	0	44	19	51	114	0	0	114
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>24,725</b>	<b>36,766</b>	<b>56,280</b>	<b>2,146</b>	<b>119,917</b>	<b>208</b>	<b>47</b>	<b>120,172</b>

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
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>9,215</b>	<b>22,676</b>	<b>31,864</b>	<b>1,794</b>	<b>65,549</b>	<b>0</b>	<b>0</b>	<b>65,549</b>
Elimination on disposal of assets	0	0	44	19	51	114	0	0	114
Depreciation expense	0	167	626	1,099	20	1,912	0	0	1,912
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>9,382</b>	<b>23,258</b>	<b>32,944</b>	<b>1,763</b>	<b>67,347</b>	<b>0</b>	<b>0</b>	<b>67,347</b>

Carrying amount	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>15,510</b>	<b>13,666</b>	<b>23,722</b>	<b>393</b>	<b>53,291</b>	<b>377</b>	<b>27</b>	<b>53,695</b>
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>15,343</b>	<b>13,508</b>	<b>23,336</b>	<b>383</b>	<b>52,570</b>	<b>208</b>	<b>47</b>	<b>52,825</b>

No impairment losses were recognised by the Company in the reporting period.

As at 31 March 2020, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 869 thousand. As at 31 March 2019, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 17,275 thousand.

### Assets pledged as security

Property, plant and equipment used as security for bank agreements are discussed in the note 2.5.13.

### 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
<b>Balance at 1 January 2019</b>	0	24,634	51,268	85,378	2,147	163,427	302	0	163,729
<b>Opening balance adjustment</b>		0	-19,437	-35,890	0	-55,327	0	0	-55,327
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	24,634	31,831	49,488	2,147	108,100	302	0	108,402
Additions	0	91	1,286	2,791	103	4,271	738	27	5,036
Reclassification – right-of-use*	0	0	3,887	3,813	0	7,700			7,700
Transfer to non-current assets	0	0	0	0	0	0	663	0	663
Sale/liquidation	0	0	662	506	63	1,231	0	0	1,231
<b>Balance at 31 December 2019</b>	0	24,725	36,342	55,586	2,187	118,840	377	27	119,244

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
<b>Balance at 1 January 2019</b>	0	8,498	22,207	29,445	1,764	61,914	0	0	61,914
<b>Opening balance adjustment</b>	0	0	-1,964	-1,919	0	-3,883			-3,883
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	8,498	20,243	27,526	1,764	58,031	0	0	58,031
Elimination on disposal of assets	0	0	649	425	62	1,136	0	0	1,136
Reclassification – right-of-use* - depreciation expense	0	0	599	343	0	942	0	0	942
Depreciation expense	0	717	2,483	4,420	92	7,712	0	0	7,712
<b>Balance at 31 December 2019</b>	0	9,215	22,676	31,864	1,794	65,549	0	0	65,549

### Carrying amount

<b>Balance at 1 January 2019</b>	<b>0</b>	<b>16,136</b>	<b>29,061</b>	<b>55,933</b>	<b>383</b>	<b>101,513</b>	<b>302</b>	<b>0</b>	<b>101,815</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>		<b>16,136</b>	<b>11,588</b>	<b>21,962</b>	<b>383</b>	<b>50,069</b>	<b>302</b>	<b>0</b>	<b>50,371</b>
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>15,510</b>	<b>13,666</b>	<b>23,722</b>	<b>393</b>	<b>53,291</b>	<b>377</b>	<b>27</b>	<b>53,695</b>

### 2.5.2. Investment property

<b>Gross value</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>6,587</b>	<b>7,409</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,122</b>
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
<b>Balance at 31 March 2020</b>	<b>126</b>	<b>6,587</b>	<b>7,409</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,122</b>

<b>Depreciation</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>1,898</b>	<b>2,737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,635</b>
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	56	72	0	0	0	128
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>1,954</b>	<b>2,809</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,763</b>

<b>Carrying amount</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2020</b>	<b>126</b>	<b>4,689</b>	<b>4,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,487</b>
<b>Balance at 31 March 2020</b>	<b>126</b>	<b>4,633</b>	<b>4,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,359</b>

The investment property as at 31 March 2020 comprised the following pieces of real estate:

- real estate in Kościelisko (plots no. 2001 and 2491); and
- 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.

#### Assets pledged as security

Investment property used as security for bank agreements is discussed in the note 2.5.13.

#### Comparative information:

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

Depreciation	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2019</b>	0	1,677	2,444	0	0	0	4,121
Opening balance adjustment	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	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	221	293	0	0	0	514
<b>Balance at 31 December 2019</b>	0	1,898	2,737	0	0	0	4,635

**Carrying amount**

<b>Balance at 1 January 2019</b>	<b>126</b>	<b>3,551</b>	<b>4,965</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,642</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>126</b>	<b>4,910</b>	<b>4,965</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,001</b>
<b>Balance at 31 December 2019</b>	<b>126</b>	<b>4,689</b>	<b>4,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,487</b>

### 2.5.3. Intangible assets

#### Structure of intangible assets:

	Balance at 31-03-2020	Balance at 31-12-2019
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>1,555</b>	<b>1,484</b>
- Software	1,555	1,484

#### Movements in intangible assets:

	Other intangible assets – software
<b>Gross value</b>	
<b>Balance at 1 January 2020</b>	<b>5,259</b>
Additions	93
Sale/liquidation	0
<b>Balance at 31 March 2020</b>	<b>5,352</b>
<b>Amortisation and impairment</b>	
<b>Balance at 1 January 2020</b>	<b>3,775</b>
Amortisation expense	22
Sale/liquidation	0
<b>Balance at 31 March 2020</b>	<b>3,797</b>
<b>Carrying amount</b>	
<b>Balance at 1 January 2020</b>	<b>1,484</b>
<b>Balance at 31 March 2020</b>	<b>1,555</b>

No impairment losses were recognised by the Company in 2020 or 2019.

**Comparative information:**

	Leasehold	Other intangible assets – software	Total
<b>Gross value</b>			
<b>Balance at 1 January 2019</b>	9,038	3,920	12,958
Opening balance adjustment	-9,038	0	-9,038
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	3,920	3,920
Additions	0	1,395	1,395
Sale/liquidation	0	56	56
<b>Balance at 31 December 2019</b>	0	5,259	5,259
<b>Amortisation and impairment</b>			
<b>Balance at 1 January 2019</b>	1,113	3,730	4,843
Opening balance adjustment	-1,113	0	-1,113
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	3,730	3,730
Amortisation expense	0	101	101
Sale/liquidation	0	56	56
<b>Balance at 31 December 2019</b>	0	3,775	3,775
<b>Carrying amount</b>			
<b>Balance at 1 January 2019</b>	7,925	190	8,115
<b>Balance at 1 January 2019 after opening balance adjustment</b>	0	190	190
<b>Balance at 31 December 2019</b>	0	1,484	1,484



#### 2.5.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2020</b>	<b>1,239</b>	<b>13,164</b>	<b>1,157</b>	<b>15,551</b>	<b>33,595</b>	<b>0</b>	<b>64,706</b>
Conclusion of new contracts	67	0	0	0	0	0	67
Changes resulting from the amendments to contracts	0	0	0	0	0	0	0
Changes resulting from the shortening of contracts	-224	0	-50	0	0	0	-274
<b>Balance at 31 March 2020</b>	<b>1,082</b>	<b>13,164</b>	<b>1,107</b>	<b>15,551</b>	<b>33,595</b>	<b>0</b>	<b>64,499</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2020</b>	<b>535</b>	<b>1,276</b>	<b>618</b>	<b>2,263</b>	<b>3,955</b>	<b>0</b>	<b>8,647</b>
Depreciation expense	163	42	178	225	633	0	1,241
Elimination on the shortening of contract	74	0	50	0	0	0	124
<b>Balance at 31 March 2020</b>	<b>624</b>	<b>1,318</b>	<b>746</b>	<b>2,488</b>	<b>4,588</b>	<b>0</b>	<b>9,764</b>

#### Carrying amount

<b>Balance at 1 January 2020</b>	704	11,888	539	13,288	29,640	0	56,059
<b>Balance at 31 March 2020</b>	<b>458</b>	<b>11,846</b>	<b>361</b>	<b>13,063</b>	<b>29,007</b>	<b>0</b>	<b>54,735</b>

#### Assets pledged as security

The Company's lease liabilities (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	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
Opening balance adjustment	812	13,164	932	19,438	36,564	0	70,910
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>13,164</b>	<b>932</b>	<b>19,438</b>	<b>36,564</b>	<b>0</b>	<b>70,910</b>
Conclusion of new contracts	510	0	406	0	868	0	1,784
Changes resulting from the amendments to contracts	-17	0	0	0	-24	0	-41
Reclassification – right of use*	0	0	0	-3,887	-3,813	0	-7,700
Changes resulting from the shortening of contracts	-66	0	-181	0	0	0	-247
<b>Balance at 31 December 2019</b>	<b>1,239</b>	<b>13,164</b>	<b>1,157</b>	<b>15,551</b>	<b>33,595</b>	<b>0</b>	<b>64,706</b>

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
Opening balance adjustment	0	1,112	0	1,964	1,920	0	4,996
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>1,112</b>	<b>0</b>	<b>1,964</b>	<b>1,920</b>	<b>0</b>	<b>4,996</b>
Depreciation expense	570	164	674	898	2,378	0	4,684
Reclassification – right of use* - depreciation expense	0	0	0	-599	-343	0	-942
Elimination on the shortening of contract	35	0	56	0	0	0	91
<b>Balance at 31 December 2019</b>	<b>535</b>	<b>1,276</b>	<b>618</b>	<b>2,263</b>	<b>3,955</b>	<b>0</b>	<b>8,647</b>

**Carrying amount**

(in PLN '000, unless otherwise provided)

<b>Balance at 1 January 2019</b>	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>12,052</b>	<b>932</b>	<b>17,474</b>	<b>34,644</b>	<b>0</b>	<b>65,914</b>
<b>Balance at 31 December 2019</b>	<b>704</b>	<b>11,888</b>	<b>539</b>	<b>13,288</b>	<b>29,640</b>	<b>0</b>	<b>56,059</b>

\*Purchase at the end of the lease.

### 2.5.5. Goodwill

<b>At cost</b>	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Goodwill of PRK	31,172	31,172
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

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

ZUE and PRK merged under joint control.

The goodwill is assigned in full to the construction segment.

### Impairment test

After it has considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carries out impairment tests. The impairment tests carried out at 31 December 2019 according to *IAS 36 Impairment of Assets* revealed no risk to the loss of the carrying amount of the Company's assets. At 31 March 2020, the Company reviewed the assumptions required to carry out the test and decided they were valid. Accordingly, there is no impairment of goodwill at the end of the reporting period.

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

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

The total capital expenditures disclosed in the cash flow statement in the reporting period amounted to PLN 1,173 thousand.

At 31 March 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 869 thousand.

At 31 December 2019, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,020 thousand.

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

- Complete overhauls of vehicles (mainly wagons) – PLN 807 thousand;
- Purchase of rail lifting device – PLN 146 thousand;
- Purchase of cherry picker – PLN 99 thousand.

In the first quarter of 2020, the Company did not sell any property, plant and equipment or intangible assets. In the first quarter of 2019, the Company sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 81 thousand.

### 2.5.7. Advanced loans

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Loans advanced to related parties	862	278
Loans advanced to third parties	285	285
Impairment losses	-378	-361
<b>Total</b>	<b>769</b>	<b>202</b>

Advanced loans include principal and interest charged at the end of the reporting period. In the reporting period, the Company granted special-purpose loans of PLN 617 thousand to the related parties.

### 2.5.8. Inventories

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Goods, raw and other materials	23,168	24,303
Work-in-progress	1,509	612
Finished goods	205	199
<b>Total</b>	<b>24,882</b>	<b>25,114</b>

The purchase of strategic materials such as aggregate, sleepers, rails or railway switches is secured by the conclusion of long-term master agreements. The abovementioned materials are purchased to reduce the risk of price increases in times of limited supply caused by the accumulation of railway works.

### 2.5.9. Financial instruments

The following table sets out the carrying amounts of the Company's financial instruments classified as assets and liabilities.

#### Balance at 31 March 2020

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)	13,276	0	0	0	32,751
Trade receivables	118,388	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	1,147	0	0	0	0
Cash and cash equivalents	1,886	0	0	0	0
Loans and bank credits	0	0	0	0	20,000
Lease liabilities	0	0	0	0	18,841
Trade payables	0	0	0	0	78,701
<b>Total</b>	<b>134,697</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150,329</b>

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

#### Balance at 31 December 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)	13,260	0	0	0	33,102
Trade receivables	188,796	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	563	0	0	0	0

Impairment losses on advanced loans	-361	0	0	0	0
Cash and cash equivalents	27,979	0	0	0	0
Loans and bank credits	0	0	0	0	20,000
Lease liabilities	0	0	0	0	22,316
Trade payables	0	0	0	0	140,722
<b>Total</b>	<b>230,237</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>216,176</b>

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

#### 2.5.10. Transactions with related parties

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

	<b>Receivables</b>		<b>Payables</b>	
	<b>Balance at</b>		<b>Balance at</b>	
	<b>31-03-2020</b>	<b>31-12-2019</b>	<b>31-03-2020</b>	<b>31-12-2019</b>
Railway gft	78	0	197	1,196
BPK Poznań	1,299	1,222	567	1,503
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>1,377</b>	<b>1,222</b>	<b>764</b>	<b>2,699</b>

	<b>Revenues</b>		<b>Purchases</b>	
	<b>Period ended</b>		<b>Period ended</b>	
	<b>31-03-2020</b>	<b>31-03-2019</b>	<b>31-03-2020</b>	<b>31-03-2019</b>
Railway gft	116	106	1,289	5,306
BPK Poznań	159	133	268	3,229
RTI	1	1	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>276</b>	<b>240</b>	<b>1,557</b>	<b>8,535</b>

	<b>Advanced loans</b>		<b>Financial income (interest)</b>	
	<b>Balance at</b>		<b>Period ended</b>	
	<b>31-03-2020</b>	<b>31-12-2019</b>	<b>31-03-2020</b>	<b>31-03-2019</b>
Railway gft	0	0	0	22
BPK Poznań	769	202	2	0
RTI	0	0	0	0
RTI Germany	93	76	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>862</b>	<b>278</b>	<b>2</b>	<b>22</b>

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;

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

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 entered into 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), as amended.

On 11 February 2020, ZUE and BPK Poznań signed the loan agreement whereby BPK Poznań was granted a special-purpose loan of PLN 600 thousand to be repaid 20 December 2020. The loan was disbursed on 21 February 2020.

On 21 February 2020, ZUE and RTI Germany signed the loan agreement whereby a special-purpose loan of EUR 7,000 was granted with the repayment date until 20 December 2020. EUR 4000 was paid on the date of the agreement and the remaining amount of EUR 3000 would be paid at request.

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 2020 is PLN 24,932 thousand.

#### Remuneration of key management personnel

	Period ended 31-03-2020	Period ended 31-03-2019
Management Board	709	708
Supervisory Board	105	70
<b>Total</b>	<b>814</b>	<b>778</b>

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

The pending court proceedings are related to the 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 of opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises give rise to uncertainty and conflicts. Accordingly, the tax risk in Poland is much higher than that in the countries with more mature tax systems.

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

No significant or countable tax risks were recognised by the Company at 31 March 2020 or 31 December 2019.

#### 2.5.13. Contingent assets and contingent liabilities

### Contingent assets

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Bonds	92,593	76,049
Bills of exchange	5,079	4,254
Pledges	300	300
<b>Total</b>	<b>97,972</b>	<b>80,603</b>

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

The Company also received bills of exchange from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

Apart from the bonds and bills of exchange, ZUE is the pledgee in connection with the pledge on movables established by a related party.

### Contingent liabilities

	<b>Balance at 31-03-2020</b>	<b>Balance at 31-12-2019</b>
Bonds	489,233	508,375
Guarantees	24,932	24,530
Bills of exchange	364,845	388,745
Mortgages	91,159	30,000
Pledges	17,491	18,016
<b>Total</b>	<b>987,660</b>	<b>969,666</b>

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 S.A., the insurance agreement with PZU S.A., the loan agreement with ARP and the agreements between the related parties and BNP Paribas Bank Polska S.A.

An application was submitted in the reporting period to the Court of Poznań to remove the mortgage established for the benefit of the State Treasury.

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

After the end of the reporting period, the amount of guarantees was reduced by PLN 900 thousand after a credit had been repaid by a related party and approval had been given by BNP Paribas to remove the security.

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

There were no major agreements concerning capital expenditures on property, plant and equipment at 31 March 2020 or 31 December 2019.

#### 2.5.15. Discontinued operations



No operations were discontinued within the meaning of IFRS 5 in the three months ended 31 March 2020 or the three months ended 31 March 2019.

#### 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 has been discussed in detail in the note III 2.13 of the consolidated financial statements: Seasonal and cyclical nature of the Group's operations.

#### 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 22 April 2020, the Management Board of ZUE passed the resolution on recommendations to the Company's Ordinary General Meeting for allocating the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds.

### 2.6. Other notes to the financial statements

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

##### Statement of compliance

The condensed separate financial statements have been drawn up in accordance with IAS 34 as at 31 March 2020 as endorsed by the European Union (EU).

The quarterly separate financial statements for the three months ended 31 March 2020 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 2020:

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 and IAS 8: "Definition of Material"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendment to IFRS 3 "Business Combinations"** (effective for annual periods beginning on or after 1 January 2020).

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

##### 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 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** (the effective date has been deferred by the IASB indefinitely);
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - “Interest Rate Benchmark Reform”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current”** (effective for annual periods beginning on or after 1 January 2022), the effective date has not been specified.

## 2.6.2. Important accounting principles

### 2.6.2.1. Going concern

The quarterly condensed financial statements have been prepared assuming that the Company will continue in operational existence for at least 12 months after the end of the reporting period; i.e. after 31 March 2020. The most important factor influencing the Company's ability to continue in operational existence is its financial condition. The key factors with an impact on the Company's ability to continue its operations include liquidity, proper backlog and market situation.

The following facts should be considered when analysing the financial standing of the Company: In the three months ended 31 March 2020, the Company recognised sales revenue of PLN 143.7m and gross profit on sales of PLN 5.1m. As at 31 March 2020, the Company presents current assets of PLN 268m, including trade receivables of PLN 102.4m and cash of approx. PLN 1.9m. At the end of the reporting period, ZUE has the backlog worth approx. PLN 1,796m and is in the process of obtaining new contracts.

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

### 2.6.2.2. Preparation basis

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

### 2.6.2.3. Comparability of financial data

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

In order to make the statement of cash flows clearer, the Company presented the following separate items:

- Change in the measurement of construction contracts
- Change in accruals
- Change in advance payments

The table below presents the influence of changes on the statement of cash flows:

	<b>Restated</b>	<b>Approved</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>Effect of changes</b>
	<b>31-03-2019</b>	<b>31-03-2019</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit / (loss) before tax</b>	-235	-235	0
<b>Adjustments for:</b>			0
<b>Operating profit (loss) before changes in working capital</b>	<b>2,995</b>	<b>2,995</b>	<b>0</b>
Change in receivables, measurement of contracts and retentions on construction contracts	0	27,079	-27,079
Change in receivables and retentions on construction contracts	54,396	0	54,396
Change in inventories	-5,346	-5,346	0
Change in provisions and liabilities under employee benefits	-1,511	-1,511	0

Change in payables, measurement of contracts and retentions on construction contracts, excluding loans and bank credits and other financing sources	0	-97,647	97,647
Change in payables and retentions on construction contracts	-95,226	0	-95,226
Change in measurement of construction contracts	-29,118	0	-29,118
Change in accruals	12,498	0	12,498
Change in advance payments	-13,118	0	-13,118
Change in other assets	-22	-22	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-74,452</b>	<b>-74,452</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-932</b>	<b>-932</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>9,816</b>	<b>9,816</b>	<b>0</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-65,568</b>	<b>-65,568</b>	<b>0</b>
Net foreign exchange gains / (losses)	3	3	0
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>79,404</b>	<b>79,404</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>13,839</b>	<b>13,839</b>	<b>0</b>
- of limited availability	0	0	0

#### 2.6.2.4. Applied accounting principles

These quarterly financial statements for the three months ended 31 March 2020 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 2019. The financial statements for the financial year ended 31 December 2019 contain a detailed description of the accounting principles applied by the Company.

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

#### 2.6.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying 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 revisions 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 2020 were approved for publication by the Management Board of ZUE on 20 May 2020.

#### 4. Signatures

**The financial statements have been prepared by:**

Ewa Bosak – Chief Accountant

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**Signatures of the management personnel:**

Wiesław Nowak – Management Board President

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Anna Mroczek – Management Board Vice-President

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Jerzy Czeremuga – Management Board Vice-President

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Maciej Nowak – Management Board Vice-President

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Marcin Wiśniewski – Management Board Vice-President

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Cracow, 20 May 2020