



ZUE Capital Group

**CONSOLIDATED HALF-YEARLY REPORT
FOR 6 MONTHS ENDED 30 JUNE 2020**

Cracow, 18 August 2020

Contents of the consolidated half-yearly report:

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

And the following separate documents:

- Management Board Report.
- Auditor's Report on the Review of the Condensed Consolidated Financial Statements of ZUE Capital Group.
- Auditor's Report on the Review of the Condensed Separate Financial Statements of ZUE S.A.

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 2017, item 1577, as amended).

Share capital details as at 30 June 2020.

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I. Selected financial information of the Capital Group

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

	Balance at 30-06-2020		Balance at 31-12-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	177,223	39,683	182,336	42,817
Current assets	317,990	71,202	372,301	87,425
Assets held for sale	3,989	893	0	0
Total assets	499,202	111,778	554,637	130,242
Equity	151,300	33,878	150,441	35,327
Non-current liabilities	48,967	10,964	53,318	12,520
Current liabilities	298,935	66,936	350,878	82,395
Total equity and liabilities	499,202	111,778	554,637	130,242

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

	Period ended 30-06-2020		Period ended 30-06-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	382,419	86,106	479,807	111,894
Cost of sales	367,660	82,783	466,462	108,782
Gross profit (loss) on sales	14,759	3,323	13,345	3,112
Operating profit (loss)	2,385	537	2,613	609
Gross profit (loss)	1,620	365	2,622	611
Net profit (loss) from continuing operations	919	207	1,143	267
Total comprehensive income	859	193	1,120	261

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

	Period ended 30-06-2020		Period ended 30-06-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	7,394	1,665	-91,053	-21,234
Cash flows from investing activities	-3,755	-845	1,603	374
Cash flows from financing activities	-13,247	-2,983	26,446	6,167
Total net cash flows	-9,608	-2,163	-63,004	-14,693
Cash at the beginning of the period	30,378	7,133	81,723	19,005
Cash at the end of the period	20,779	4,653	18,718	4,402

Rules adopted to translate selected financial information into EUR:

Item	Exchange rate	Exchange rate on 30-06-2020	Exchange rate on 31-12-2019	Exchange rate on 30-06-2019
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.4660	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	4.4413	n/a	4.2880
"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	4.4660	4.2585	4.2520

II. Selected financial information of ZUE S.A.

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

	Balance at 30-06-2020		Balance at 31-12-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	176,291	39,474	181,634	42,652
Current assets	293,422	65,701	341,697	80,239
Assets held for sale	4,193	939	0	0
Total assets	473,906	106,114	523,331	122,891
Equity	150,725	33,749	149,291	35,057
Non-current liabilities	46,862	10,493	51,499	12,093
Current liabilities	276,319	61,872	322,541	75,741
Total equity and liabilities	473,906	106,114	523,331	122,891

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

	Period ended 30-06-2020		Period ended 30-06-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	357,787	80,559	455,740	106,282
Cost of sales	344,741	77,622	444,386	103,634
Gross profit (loss) on sales	13,046	2,937	11,354	2,648
Operating profit (loss)	2,532	570	2,709	632
Gross profit (loss)	2,220	500	3,042	709
Net profit (loss) from continuing operations	1,494	336	1,669	389
Total comprehensive income	1,434	323	1,646	384

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

	Period ended 30-06-2020		Period ended 30-06-2019	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	4,790	1,079	-86,501	-20,173
Cash flows from investing activities	-4,383	-987	1,357	316
Cash flows from financing activities	-9,301	-2,094	23,089	5,385
Total net cash flows	-8,894	-2,002	-62,055	-14,472
Cash at the beginning of the period	27,979	6,570	79,404	18,466
Cash at the end of the period	19,094	4,275	17,348	4,080

Rules adopted to translate selected financial information into EUR:

Item	Exchange rate	Exchange rate on 30-06- 2020	Exchange rate on 31-12-2019	Exchange rate on 30-06- 2019
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.4660	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	4.4413	n/a	4.2880
"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	4.4660	4.2585	4.2520



ZUE Capital Group

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2020

Cracow, 18 August 2020

III. Condensed consolidated financial statements of the Capital Group

Consolidated statement of comprehensive income

Continuing operations	Note no.	6 months ended	6 months ended
		30-06-2020	30-06-2019
Sales revenue	4.3.1.	382,419	479,807
Cost of sales	4.3.2.	367,660	466,462
Gross profit (loss) on sales		14,759	13,345
General and administrative expenses	4.3.2.	11,540	10,699
Other operating income	4.3.3.	633	259
Other operating expenses	4.3.4.	1,467	292
Operating profit (loss)		2,385	2,613
Financial income	4.3.5.	315	974
Financial expenses	4.3.6.	1,080	965
Pre-tax profit (loss)		1,620	2,622
Corporate income tax	4.3.7.	701	1,479
Net profit (loss) from continuing operations		919	1,143
Net profit (loss)		919	1,143
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		-60	-23
Actuarial gains (losses) relating to specific benefit schemes		-60	-23
Other total net comprehensive income		-60	-23
Total comprehensive income			1,120
Number of shares		23,030,083	23,030,083
Consolidated net profit attributable to:			
Shareholders of the parent		951	1,157
Non-controlling interests		-32	-14
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)		0.04	0.05
Total comprehensive income attributable to:			
Shareholders of the parent		891	1,134
Non-controlling interests		-32	-14
Total comprehensive income per share (PLN)		0.04	0.05

Consolidated statement of financial position

	Note no.	Balance at 30-06-2020	Restated Balance at 31-12-2019
ASSETS			
Non-current assets			
Property, plant and equipment	4.7.1.	66,981	56,525
Investment property	4.7.2.	5,687	5,877
Intangible assets	4.7.3.	1,602	1,521
Right-of-use assets	4.7.4.	41,498	57,092
Goodwill	4.7.6.	31,172	31,172
Retentions on construction contracts	4.4.2.	10,605	9,758
Deferred tax assets	4.3.7.	19,510	20,202
Other assets		168	189
Total non-current assets		177,223	182,336
Current assets			
Inventories	4.7.9.	36,398	30,353
Trade and other receivables	4.5.1.	89,796	185,772
Measurement of long-term construction contracts	4.4.1.	157,630	111,893
Retentions on construction contracts	4.4.2.	2,790	3,057
Advance payments	4.4.4.	9,368	9,722
Current tax assets	4.3.7.	0	0
Other assets		1,229	1,126
Cash and cash equivalents	4.6.4.	20,779	30,378
Total current assets		317,990	372,301
Assets held for sale	4.7.5.	3,989	0
Total current assets		321,979	372,301
Total assets		499,202	554,637

EQUITY AND LIABILITIES

Equity

Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		54,277	53,386

Total equity attributable to shareholders of the parent company

151,182 **150,291**

Equity attributable to non-controlling interests

118 150

Total equity

151,300 **150,441**

Non-current liabilities

Long-term loans and bank credits	4.6.1.	8,888	13,333
Long-term lease liabilities	4.6.2.	9,216	12,450
Retentions on construction contracts	4.4.2.	14,631	12,946
Liabilities under employee benefits		2,220	2,092
Deferred tax liabilities	4.3.7.	41	48
Long-term provisions	4.4.3.	13,971	12,449

Total non-current liabilities

48,967 **53,318**

Current liabilities

Trade and other payables	4.5.2.	99,414	165,631
Accruals	4.4.5.	84,836	61,422
Measurement of long-term construction contracts	4.4.1.	2,613	4,584
Retentions on construction contracts	4.4.2.	19,587	19,807
Advance payments	4.4.4.	24,771	27,890
Short-term loans and bank credits	4.6.1.	14,525	15,983
Short-term lease liabilities	4.6.2.	7,458	10,016
Other financial liabilities		36	106
Liabilities under employee benefits		30,610	29,497
Current tax liabilities	4.3.7.	0	0
Short-term provisions	4.4.3.	15,085	15,942

Total current liabilities

298,935 **350,878**

Total liabilities

347,902 **404,196**

Total equity and liabilities

499,202 **554,637**

Consolidated statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent	Equity attributable to non-controlling interests	Total equity
Balance at	1 January 2020	5,758	93,837	-2,690	53,386	150,291	150	150,441
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	951	951	-32	919
Other net comprehensive income		0	0	0	-60	-60	0	-60
Other		0	0	0	0	0	0	0
Balance at	30 June 2020	5,758	93,837	-2,690	54,277	151,182	118	151,300
Balance at	1 January 2019	5,758	93,837	-2,690	49,717	146,622	126	146,748
Change of interest in subsidiaries		0	0	0	0	0	0	0
Payment of dividend		0	0	0	0	0	0	0
Issue of shares		0	0	0	0	0	0	0
Issue costs		0	0	0	0	0	0	0
Buy-back of shares		0	0	0	0	0	0	0
Profit (loss)		0	0	0	1,157	1,157	-14	1,143
Other net comprehensive income		0	0	0	-23	-23	0	-23
Other		0	0	0	2	2	0	2
Balance at	30 June 2019	5,758	93,837	-2,690	50,853	147,758	112	147,870
Balance at	1 January 2019	5,758	93,837	-2,690	49,717	146,622	126	146,748

Change of interest in subsidiaries	0	0	0	0	0	0	0	
Payment of dividend	0	0	0	0	0	0	0	
Issue of shares	0	0	0	0	0	0	0	
Issue costs	0	0	0	0	0	0	0	
Buy-back of shares	0	0	0	0	0	0	0	
Profit (loss)	0	0	0	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	
Balance at	31 December 2019	5,758	93,837	-2,690	53,386	150,291	150	150,441

Consolidated statement of cash flows

	Restated	
	6 months ended	6 months ended
	30-06-2020	30-06-2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	1,620	2,622
Adjustments for:		
Depreciation and amortisation	6,691	6,352
Foreign exchange gains / (losses)	-9	1
Interest and share in profit (dividends)	898	632
(Gain) / loss on disposal of investments	-30	-82
Operating profit (loss) before changes in working capital	9,170	9,525
Change in receivables and retentions on construction contracts	95,574	39,767
Change in inventories	-6,045	3,681
Change in provisions and liabilities under employee benefits	1,854	-3,175
Change in payables and retentions on construction contracts	-65,989	-80,698
Change in measurement of construction contracts	-47,708	-56,253
Change in accruals	23,414	31,425
Change in advance payments	-2,765	-35,159
Change in other assets	-109	-166
Income tax paid / tax refund	-2	0
NET CASH FROM OPERATING ACTIVITIES	7,394	-91,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	66	156
Purchase of property, plant and equipment and intangible assets	-3,814	-1,405
Sale / (purchase) of financial assets in related parties	0	-35
Advanced loans	-17	-17
Repayment of advanced loans	0	2,734
Interest received	10	170
NET CASH FROM INVESTING ACTIVITIES	-3,755	1,603
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	0	43,650
Repayment of loans and bank credits	-5,906	-8,264
Decrease in lease liabilities	-6,282	-8,244
Lease interest paid	-533	-533
Other interest paid	-506	-163
NET CASH FLOWS FROM FINANCING ACTIVITIES	-13,247	26,446
TOTAL NET CASH FLOWS	-9,608	-63,004
Net foreign exchange gains / (losses)	9	-1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	30,378	81,723
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	20,779	18,718
- of limited availability	843	48

Notes to the condensed consolidated financial statements ZUE Capital Group

1. General information

1.1. Composition of the Capital Group

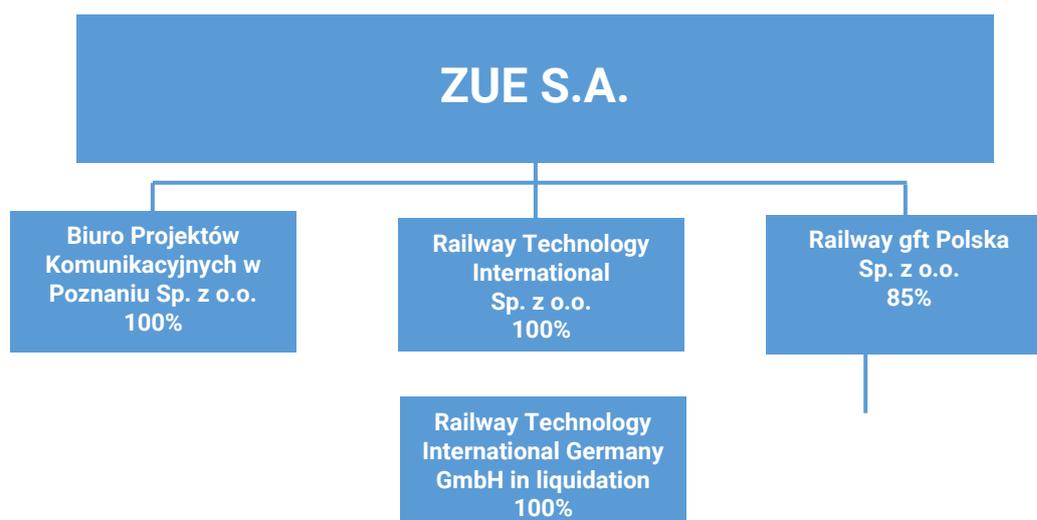
At the end of the reporting period, the Capital Group is composed of ZUE S.A. (the Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Railway Technology International Germany GmbH (indirect subsidiary).

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 incorporated 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 and human resources and the supply of materials. In addition, ZUE's task is to create a uniform trade and marketing policy of the Group and to promote the Group's potential among its customers.

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



Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. has been established under the deed of 15 June 2009 signed in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). Poznań is the company's registered office. The company has been registered with the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry no. KRS 0000332405.

Subsidiary – Railway gft Polska Sp. z o.o. has been established under the deed of 21 October 2014 in the Notary's Office in Cracow, the Lubicz Street no. 3 (Rep. A no. 3715/2014). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000532311.

Subsidiary – Railway Technology International Sp. z o.o. has been established under the deed of 20 July 2011 in the Notary's Office in Warsaw, al. Jerozolimskie 29/26 (Rep. A no. 2582/2011). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000397032.

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH 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 but RTI Germany is in liquidation. The financial statements of all the subordinates have been prepared for the same reporting period as the financial statements of the Parent Company using consistent accounting policies. The Parent Company and the companies within the Group use a calendar year as their financial year.

1.2. Consolidated companies

Consolidated companies as at 30 June 2020:

Company name	Registered office	Interests as at		Consolidation method
		30 June 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 is entitled to manage the financial and operating policy of BPK Poznań and Railway gft because at 30 June 2020, it held a 100% and an 85% interest, respectively, in these companies.

At 30 June 2020, ZUE held 100% of shares in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated.

Railway Technology International Sp. z o.o. held 100% of shares in Railway Technology International Germany GmbH in liquidation. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Germany GmbH in liquidation was 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 this report approval.

On 13 February 2020, an entry about the start of liquidation proceedings regarding RTI Germany was made in the District Court of Dresden.

1.4. Activities of the Capital Group

The Group reports the three aggregate reportable 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 relating to urban and rail transport systems complement the abovementioned construction activities.

As part of **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; and
- Special technologies: RHEDA 2000® slab tracks, RHEDA CITY C, RHEDA CITY GREEN tram systems, "Ypsylon" steel sleepers.

The operating segments' financial information is presented in the note 4.3.8.

1.5. Functional and reporting currency

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

2. Operational information

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

In the first half of 2020, both the Group and the Company saw a year-on-year decrease in sales revenue by 20% and 21%, respectively. Gross margin increased over the year for both ZUE (from 2.5% to 3.9%) and the Group (from 2.8% to 3.9%).

By the date of publication of this report, the Company won the new contracts in 2020 with the total net value of approx. PLN 134m. In addition, the Company submitted the most economically advantageous tenders in tender procedures with the total net value of approx. PLN 500m.

At the date of publication of this report, the Group has the backlog of approx. PLN 1,763m.

Financial results are discussed in detail in the note 4.1.

No major events other than the operating events discussed in detail in the sections 11 of the Management Board Report for 1H 2020 occurred by the date of preparation of this document.

2.2. Major events after the end of the reporting period

On 17 July 2020, the Company received the signed contract with PKP Polskie Linie Kolejowe S.A. for the project named: "Provision of design services and completion of works at the Munina and Żurawica stations" as part of the project named: "Modernization of the railway line no. 91 Kraków Główny Osobowy – Medyka and the railway line no. 92 Przemyśl – Medyka, the Rzeszów – State Border section." The Company informed about the selection of the Company's tender as the most economically advantageous offer in the current report 19/2020. Net value of the contract: PLN 23.4m. Gross value of the contract: PLN 28.8m. Project completion date: 670 days of the contract conclusion date. **(Current report 22/2020)**

On 17 July 2020, the Company learnt about the submission by ZUE of the lowest price tender in the tender procedure for the project named: "Expansion of a tram line in Olsztyn." Contracting Authority: City of Olsztyn. Net value of the tender submitted by the Company: PLN 310.7m. Gross value of the tender submitted by the Company: PLN 382.2m. Project completion date: 791 days of the contract conclusion date. On 17 August 2020, the Company learnt about the selection by the Contracting Authority of the Company's tender as the most economically advantageous offer in the said tender procedure. **(Current report 23/2020 and 28/2020)**

On 21 July 2020, the Company learnt about the submission by ZUE of the lowest price tender in the tender procedure for the completion of the second part of the project named: "Reconstruction of the tramway track from the Toruńska Street to the OM Rządź tram terminus" and "Reconstruction of the Chełmińska Street between the

Laskowicka Street and the Wiejska Street” as part of the following projects: “Reconstruction of tram infrastructure to improve public transport in Grudziądz” and “Reconstruction of a part of the provincial road no. 498 (the Chełmińska Street) in Grudziądz.” The Contracting Authority: Zarząd Dróg Miejskich w Grudziądzu. Net value of the tender submitted by the Company: PLN 47.7m. Gross value of the tender submitted by the Company: PLN 58.6m. Project completion date: 31 October 2021. **(Current report 24/2020)**

On 30 July 2020, the Company and BNP Paribas Bank Polska S.A. signed the premium multi-purpose credit line agreement whereby the Company was granted the credit limit of up to PLN 30m. The credit limit would be provided to the Company for the period until 30 July 2022. The tenor was set until 30 July 2030. **(Current report 25/2020)**

On 30 July 2020, the Ordinary General Meeting of ZUE resolved, *inter alia*, to allocate the entire net profit for the financial year 2019 of PLN 3,135 thousand to reserve funds. **(Current report 26/2020 and 27/2020)**

2.3. Bonds, guarantees, loans and credit limits

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

As at 30 June 2020:

- The amount of the bonds issued by the Group to third parties: PLN 522,174 thousand;
- The amount of the bonds issued by the Company to third parties: PLN 511,270 thousand;
- The amount of unused guarantee lines at the Group: PLN 157,023 thousand (including PLN 21,300 thousand which may be allocated to working capital credit);
- The amount of unused guarantee lines at the Company: PLN 155,250 thousand (including PLN 21,300 thousand which may be allocated to working capital credit);
- The amount of unused credits at the Group: PLN 31,300 thousand (no ability to allocate them to bonds);
- The amount of unused credits at ZUE: PLN 31,300 thousand (no ability to allocate them to bonds).

In the reporting period:

- On 15 January 2020, ZUE entered into the guarantee limit agreement for PLN 10m with Towarzystwo Ubezpieczeniowe InterRisk;
- 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 amount of the limit is disclosed exclusively in the list of guarantee limits.
- 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 to PLN 40m. The Company informed thereof in the current report 13/2020.
- On 26 May 2020, the Company signed the annex to the master agreement with mBank whereby the maturity date was extended by one year and the type of security was changed. The available limit was reduced from PLN 50m to PLN 25m.
- On 10 June 2020, the Company and mBank entered into the working capital credit agreement as part of the sublimit available under the abovementioned Master Agreement.
- mBank – working capital credit for contract prefinancing – under the Annex of 19 May 2020, the date of repayment by a subsidiary was extended until 31 July 2020.
- On 5 February 2020, the debt under the multipurpose credit line with BNP Paribas Bank was repaid in full and the limit expired.
- mBank – on 22 May 2020, an amendment was made to the working capital credit agreement whereby a type of security was changed for a subsidiary by establishing a financial pledge over the borrower’s bank accounts.
- On 15 May 2020, the debt under the revolving credit agreement with BNP Paribas Bank was repaid in full and the limit expired.

At the end of the reporting period, the loans granted by ZUE (net of write-downs) amounted to PLN 749 thousand. At the end of the reporting period, the loans granted by the Group (net of write-downs) amounted to 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 30 June 2020 is PLN 17,446 thousand, including PLN 13,500 thousand to guarantee the liabilities of Railway gft.

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

- Guarantee master agreement with mBank S.A. – the guarantee of PLN 8m in the period July 2015 – August 2023;
- Revolving credit agreement with mBank S.A. – the guarantee of PLN 5.5m in the period August 2015 – November 2020.

No loans or bonds of significant total value were granted or provided in the first half 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 9 July 2020, the Company and mBank signed the annex to the overdraft agreement whereby the repayment date was extended by another year and the type of security was changed.
- On 30 July 2020, the Company entered into the new agreement with BNP Paribas whereby it was granted the credit limit of up to PLN 30m thousand. Pursuant to the agreement, the tenor is until 30 July 2030.

2.4. 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 half of 2020. The Group continues to operate on all operating segments despite the related restrictions.

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

The influence of threats related to the spread of COVID-19 on the Group is discussed in section 6 of the Management Board Report on the Group's activities in the first half of 2020.

2.5. 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.

3. Corporate information

3.1. Governing Bodies of ZUE

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 2,690,000. 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 18 August 2020	% of the share capital/total number of votes	Number of shares/votes at the date of publication of the last interim report ⁽¹⁾	% of the share capital/total number of votes
Wiesław Nowak	14,400,320	62.53	14,400,320	62.53
MetLife OFE	1,400,000 ⁽²⁾	6.08	1,400,000 ⁽²⁾	6.08
PKO Bankowy OFE	1,500,000 ⁽³⁾	6.51	1,500,000 ⁽³⁾	6.51
NN Investment Partners TFI	n/a ⁽⁴⁾	n/a ⁽⁴⁾	1,671,345 ⁽⁵⁾	7.26
Other	5,729,763 ⁽⁶⁾	24.88	4,058,418 ⁽⁶⁾	17.62
Total	23,030,083	100	23,030,083	100

(1) Publication of the last interim report (Consolidated Report of the Group for 1Q 2020): 20 May 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) On 21 May 2020, the Issuer received the notice from NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. according to which all investment funds managed by NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. had dropped below 5% of votes at the Company's General Meeting. The Issuer informed thereof in the current report 16/2020.

(5) 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.

(6) 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 as at 18 August 2020	% of the share capital/total number of votes	Changes in shareholding since the preparation of the last interim report; i.e. 20 May 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 with significant influence on 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. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 18 June 2020.

On 30 July 2020, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit for the financial year 2019 to reserve funds.

4. Financial information

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

The largest portion of the Group's revenue is derived from the construction activity conducted by ZUE (92% of the Group's revenue). Construction works are carried out by the Company on the railway and urban markets. The Company performs the railway construction contracts as part of the biggest ever railway modernisation project – the National Railway Programme until 2023 (the "NRP"). The NRP provides for the completion of about 230 modernisation projects with the total value of approx. PLN 76bn. The Company's activity on the urban market mainly includes the construction and modernisation of tram lines in such cities as Szczecin, Cracow or Katowice. In addition, ZUE maintains tram and street lighting infrastructure in Cracow. The Group continues to perform the railway contracts won in 2016-2017. They are the low-margin contracts and the reasons for this include the excessively growing costs of project execution beyond the Company's control and no real price indexation. Accordingly, they have an adverse influence on the Group's results. The works under these contracts are scheduled for completion in 2020 and 2021. The construction backlog is expanded by winning the new railway contracts as part of the NRP but also urban contracts. At the date of preparation of this report, the Company submitted the best "build" tenders in urban tender procedures with the total net value of approx. PLN 0.5bn.

The influence of the coronavirus pandemic on the Group's operations is discussed in section 6 of the Management Board Report on the Group's activities in the first half of 2020.

Discussion of major items of the statement of profit or loss

Sales revenue generated by the Group in the period under analysis amounted to PLN 382,419 thousand and decreased by 20% when compared with revenue in the first half of 2019. ZUE's sales revenue amounted to PLN 357,787 thousand (a year-on-year decrease by 21%).

In the first half of 2020, both the Group and the Company recorded positive results at all profit levels.

Comparison of the results reported by ZUE and the Group:

Item (PLN '000)	GROUP		ZUE	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Sales revenue	382,419	479,807	357,787	455,740
Gross profit (loss) on sales	14,759	13,345	13,046	11,354
Operating profit (loss) (EBIT)**	2,385	2,613	2,532	2,709

EBITDA***	9,076	8,965	9,138	8,988
Pre-tax profit (loss)	1,620	2,622	2,220	3,042
Net profit (loss)	919	1,143	1,494	1,669

* Operating profit + depreciation / amortisation.

** EBIT, EBITDA measures unspecified by IFRS.

The Group's gross profit on sales in the first half of 2020 grew over the year by PLN 1,414 thousand; i.e. by 11%. ZUE's gross profit on sales in the analogous period grew by PLN 1,692 thousand; i.e. by 15%.

The Group's general and administrative expenses in the reporting period increased over the year by 8% to PLN 11,540 thousand. The Company's general and administrative expenses in the reporting period increased over the year by 10% to PLN 9,426 thousand.

In the first half of 2020, the Group's other operating income stood at PLN 633 thousand and decreased year on year by 144% (ZUE: PLN 299 thousand – a year-on-year decrease by 94%). 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 1,467 thousand – up by 404% when compared with the figure reported in the analogous period of 2019 (ZUE: PLN 1,387 thousand – a year-on-year increase by 471%). 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 decreased over the year by PLN 228 thousand (by 9%). The analogous item reported by ZUE decreased by PLN 177 thousand (by 7%).

The Group's financial income of PLN 315 thousand decreased over the year by 68%. The Company's financial income was PLN 496 thousand – a year-on-year decrease by 54%. 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 1,080 thousand – up by 12% compared to the first half of 2019. (ZUE: PLN 808 thousand – a year-on-year increase by 10%). 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 decreased over the year by PLN 224 thousand; i.e. by 20%. Compared to the first half of 2019, ZUE's net profit/loss decreased by PLN 175 thousand; i.e. by 10%.

Discussion of major balance sheet items

As at 30 June 2020, the Group's total assets and liabilities amounted to PLN 499,202 thousand and the Company's total assets and liabilities amounted to PLN 473,906 thousand.

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

Item	Change compared to 31-12-2019	Balance as at 30-06-2020	Description
Assets			
Property, plant and equipment	10,456	66,981	End of leases and reclassification of right-of-use assets to property, plant and equipment.
Right-of-use assets	-15,594	41,498	End of leases and repayment.
Inventories	6,045	36,398	Increase in connection with the performance of construction contracts.
Trade and other receivables	-95,976	89,796	Accounting for certain completed construction works.
Measurement of long-term construction contracts	45,737	157,630	Greater progress of construction works in connection with performed contracts.
Cash and cash equivalents	-9,599	20,779	Use of funds to conduct operating activities.
Assets held for sale	3,989	3,989	Reclassification of real estate from property, plant and equipment and right-of-use assets.

Liabilities			
Long-term loans and bank credits	-4,445	8,888	Repayment of financial liabilities.
Long-term lease liabilities	-3,234	9,216	Repayment of financial liabilities.
Trade and other payables	-66,217	99,414	Accounting for certain completed construction works.
Accruals	23,414	84,836	Greater provisions for subcontractors in connection with performed contracts.
Advance payments	-3,119	24,771	Accounting for certain advance payments in connection with works progressing under construction contracts.

Discussion of items of the statement of cash flows

Cash flows from operating activities were mainly influenced by changes in receivables, payables, retentions on construction contracts, measurement of long-term construction contracts and accruals in connection with the performance of construction contracts.

Cash flows from investing activities were mainly influenced by the purchase of intangible assets and non-current assets. The transaction was financed by own resources.

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

Item (PLN '000)	Group		ZUE	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Cash flows from operating activities	7,394	-91,053	4,790	-86,501
Cash flows from investing activities	-3,755	1,603	-4,383	1,357
Cash flows from financing activities	-13,247	26,446	-9,301	23,089
Total net cash flows	-9,608	-63,004	-8,894	-62,055
Cash and cash equivalents at the beginning of the	30,378	81,723	27,979	79,404
Cash and cash equivalents at the end of the period	20,779	18,718	19,094	17,348

Discussion of sales results reported by segments

The total revenue generated by the Group in the first half of 2020 was PLN 382,419 thousand. 92% of the revenue was derived from construction activity.

	Construction	Sales	Design	Exclusions	Total
Sales revenue	357,787	25,653	5,492	-6,513	382,419
Gross profit on sales	13,046	1,130	824	-241	14,759
Net profit/loss	1,494	-254	-152	-169	919

In the first half of 2020, both Railway gft (sales activities) and BPK Poznań (design activities) reported gross profit and net losses. The revenue of Railway gft accounted for 7% of the Group's revenue. 1% of the Group's revenue was generated by BPK Poznań.

Note no. 4.3.8 contains more information about the results reported by 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 30-06-2020	Period ended 30-06-2019
Revenue from construction contracts	352,738	450,397
Revenue from the rendering of services	6,204	6,755
Revenue from the sale of goods, raw and other materials	23,477	22,655
Total	382,419	479,807

Revenue from construction and design activities is recognised by the Group in the item Revenue from construction contracts. The revenue is earned under the contracts accounted for on the basis of consumed time and expenditures. The services provided under construction contracts are passed directly to customers as the time passes by.

The Group's sales revenue in the period from 1 January to 30 June 2020 amounted to PLN 382,419 thousand and decreased by 20% compared to the revenue reported in the analogous period of the previous year.

The Group operated in the territory of Poland in the first half of 2020. In addition, the Group generated sales revenue of PLN 449 thousand from the sale of materials to Russia and Germany.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	30-06-2020	30-06-2019
Counterparty A	268,934	252,909
Counterparty B		53,389

4.3.2. Operating expenses

	Period ended 30-06-2020	Period ended 30-06-2019
Change in products	-1,765	-1,600
Depreciation and amortization	6,691	6,352
Consumption of materials and energy, including:	76,360	143,629
- consumption of materials	73,202	139,945
- consumption of energy	3,158	3,684
Contracted services	209,944	237,058
Costs of employee benefits	58,099	56,336
Taxes and charges	824	740
Other expenses	8,125	7,998
Value of goods and materials sold	20,922	26,648
Total	379,200	477,161

	Period ended 30-06-2020	Period ended 30-06-2019
Cost of sales	367,660	466,462
General and administrative expenses	11,540	10,699
Total	379,200	477,161

The Group's general and administrative expenses in the period 1 January – 30 June 2020 amounted to PLN 11,540 thousand and increased by 8% when compared with the Group's general and administrative expenses reported in the first half of 2019.

Depreciation and amortisation

	Period ended 30-06-2020	Period ended 30-06-2019
Depreciation of property, plant and equipment	5,705	3,719
Depreciation of right-of-use assets	743	2,381
Amortisation of intangible assets	53	64
Depreciation of investments in real property	190	188
Total	6,691	6,352

The foregoing table sets out the data on the depreciation and amortisation of assets according to the use and purpose thereof as at 30 June 2020. The reclassification of assets presented in the item Right-of-use assets to the item Property, plant and equipment in connection with the purchase at the end of the lease caused (Note 4.7.1 and 4.7.4) a change in the presentation of depreciation expense and a shift among items.

4.3.3. Other operating income

	Period ended 30-06-2020	Period ended 30-06-2019
Gain on disposal of assets	36	82
Gain on disposal of non-current assets	36	82
Other operating income	597	177
Damages and penalties	172	24
Release of allowances for receivables	107	9
Refund of the costs of court proceedings	14	15
Release of write-downs of inventories	5	75
Donations	256	0
Other	43	54
Total	633	259

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

The Donations item includes the additional funding received by a subsidiary in connection with COVID.

4.3.4. Other operating expenses

	Period ended 30-06-2020	Period ended 30-06-2019
Loss on disposal of assets	6	0
Loss on disposal of non-current assets	6	0
Other operating expenses	1,461	292
Donations	0	2
Damages and penalties	0	2
Allowances for receivables	1,055	206
Costs of litigations	352	38
Other	54	44

Total	1,467	292
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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 30-06-2020	Period ended 30-06-2019
Interest income	136	168
Interest on bank deposits	57	102
Interest on loans	0	40
Interest on receivables	79	26
Other financial income	179	806
Foreign exchange gains	0	7
Discount of long-term items	167	799
Other	12	0
Total	315	947

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 30-06-2020	Period ended 30-06-2019
Interest expenses	934	830
Interest on bank credits	178	160
Interest on loans	331	3
Interest on leases	382	615
Interest on trade and other payables	43	52
Other financial expenses	146	135
Foreign exchange losses	126	32
Discount of long-term items	0	24
Write-down of investments in related parties	0	35
Other	20	44
Total	1,080	965

4.3.7. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

	Period ended 30-06-2020	Period ended 30-06-2019
Current income tax	2	0
Deferred tax	699	1,479
Total tax expense/income	701	1,479

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 30-06-2020	Period ended 30-06-2019
Gross profit (loss)	1,620	2,622
Income tax at the applicable rate of 19%	308	498
Effect of tax recognition of:	-2,106	-1,870
- Unused tax losses carried forward	0	87
- Costs that are not tax-deductible under tax regulations	6,585	6,843
- Revenue not classified as revenue under tax regulations	9,158	10,711
- Tax-deductible expenses not classified as balance sheet expenses	-489	-2,062
- Taxable revenue not classified as balance sheet revenue	-22	23
Revaluation of deferred tax assets (current year loss)	1,800	1,372
Deferred tax	699	1,479
Income tax according to effective tax rate	701	1,479
Effective tax rate	43%	56%

Current tax assets and liabilities

	Balance at 30-06-2020	Balance at 31-12-2019
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	0

Deferred tax

	Period ended 30-06-2020	Period ended 30-06-2019
Deferred tax balance at the beginning of the period	20,154	22,876
Temporary differences relating to deferred tax assets:	45,815	50,756
Provisions for expenses and accruals	25,292	26,998
Discount of receivables	161	236
Operating lease liabilities	2,096	2,835
Write-downs	1,458	1,526
Bonds and insurances accounted for over time	1,778	1,079
Tax work in progress	14,254	16,290
Measurement of long-term contracts	496	1,508
Other	280	284
Temporary differences relating to deferred tax liabilities:	42,948	46,156
Measurement of long-term contracts	29,950	32,690
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,362	12,773
Discount of payables	627	690
Other	9	3
Unutilised tax losses and other tax credits carried forward:	16,602	16,802
Tax losses	16,602	16,802
Total temporary differences relating to deferred tax assets:	62,417	67,558
Total temporary differences relating to deferred tax liabilities:	42,948	46,156
Deferred tax balance at the end of the period	19,469	21,402
Change in deferred tax, including:	-685	-1,474
- recognised in income	-699	-1,479
- recognised in equity	14	5

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 reporting 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. This 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 in H1 2020:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	357,787	25,653	5,492	-6,513	382,419
including:					
Revenue from external customers	355,485	21,996	4,938	0	382,419
Inter-segment revenues	2,302	3,657	554	-6,513	0
including:					
Revenue from construction contracts	349,827	0	5,492	-2,581	352,738
Revenue from the provision of services	6,439	36	0	-271	6,204
Revenue from the sale of goods, raw and other materials	1,521	25,617	0	-3,661	23,477
Gross profit	13,046	1,130	824	-241	14,759
Financial income / expenses	-312	-414	-58	19	-765
Interest received	19	0	0	-9	10
Interest paid	-913	-134	-22	10	-1,059
Pre-tax profit	2,220	-232	159	-209	1,620
Corporate income tax	726	22	-7	-40	701
Net profit	1,494	-254	-152	-169	919
Depreciation and amortisation	6,606	1	93	-9	6,691
Property, plant and equipment	66,752	4	197	28	66,981
Non-current assets	176,291	390	889	-347	177,223
Total assets	473,906	13,117	18,159	-5,980	499,202
Total liabilities	323,181	12,411	17,938	-5,628	347,902

The Group operated in Poland in the first half of 2020. In addition, the Group earned the revenue of PLN 449 thousand from the sale of materials to Russia and Germany.

Operating segments' results in H1 2019:

	Construction	Sales	Design	Exclusions	Total
Sales revenue	455,740	27,872	5,158	-8,963	479,807
including:					
Revenue from external customers	455,347	21,135	221	3,104	479,807
Inter-segment revenues	393	6,737	4,937	-12,067	0
including:					
Revenue from construction contracts	447,198	0	5,158	-1,959	450,397
Revenue from the provision of services	7,021	1	0	-267	6,755
Revenue from the sale of goods, raw and other materials	1,521	27,871	0	-6,737	22,655
Gross profit	11,354	1,190	554	247	13,345
Financial income / expenses	333	-281	-55	12	9

Interest received	161	130	0	-121	170
Interest paid	-528	0	-5	0	-533
Pre-tax profit	3,042	-102	-611	293	2,622
Corporate income tax	1,373	50	0	56	1,479
Net profit	1,669	-152	-611	237	1,143
Depreciation and amortisation	6,279	7	75	-9	6,352
Property, plant and equipment	49,477	4	219	2,648	52,348
Non-current assets	186,288	430	1,184	-930	186,972
Total assets	552,577	17,550	17,393	-3,486	584,034
Total liabilities	404,689	16,821	17,771	-3,117	436,164

The Group operated in Poland in the first half of 2019. In addition, the Group earned the revenue of PLN 244 thousand from the sale of materials to Russia and Germany.

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 30-06-2020	Period ended 30-06-2019
Revenue from long-term construction contracts	334,781	438,676
Costs of long-term construction contracts*)	329,346	443,130
Gross profit (loss) on long-term contracts	5,435	-4,454
	Balance at 30-06-2020	Balance at 31-12-2019
Assets (selected items)	180,393	134,472
- Measurement of long-term construction contracts	157,630	111,893
- Advance payments transferred in connection with performed contracts	9,368	9,764
- Retentions on construction contracts retained by customers	13,395	12,815
Liabilities (selected items)	174,300	154,363
- Measurement of long-term construction contracts	2,613	4,584
- Provisions for contract costs	83,709	60,755
- Advance payments received in connection with performed contracts	24,739	27,887
- Retentions on construction contracts retained for suppliers	34,218	32,753
- Provisions for warranty claims	15,442	14,191
- Provisions for expected losses on contracts	13,579	14,193

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

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

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

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

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

4.4.2. Retentions on construction contracts

	Balance at 30-06-2020	Balance at 31-12-2019
Retained by customers – to be repaid after 12 months	10,605	9,758
Retained by customers – to be repaid within 12 months	2,790	3,057
Total retentions on construction contracts retained by customers	13,395	12,815
Retained for suppliers – to be repaid after 12 months	14,631	12,946
Retained for suppliers – to be repaid within 12 months	19,587	19,807
Total retentions on construction contracts retained for suppliers	34,218	32,753

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 guarantees issued by banks or insurance companies. If the term of a bank guarantee is longer than 37 months, banks establish additional security in the form of cash deposit.

4.4.3. Provisions

Change in provisions

Provisions	01-01-2020	Created	Used	Released	Reclassified	30-06-2020	Item
Long-term provisions:	14,541	1,801	94	150	93	16,191	
Provisions for employee benefits	2,092	128	0	0	0	2,220	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,449	1,673	94	150	93	13,971	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	35,539	16,164	9,469	8,030	-93	34,111	
Provisions for employee benefits	19,597	10,534	9,420	1,685	0	19,026	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,742	111	46	243	-93	1,471	Short-term provisions
Provision for loss on contracts	14,193	5,488	0	6,102	0	13,597	Short-term provisions
Other provisions	7	31	3	0	0	36	Short-term provisions
Total provisions:	50,080	17,965	9,563	8,180	0	50,302	

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	31-12-2019	Item
Long-term provisions:	10,146	5,816	357	2	-1,062	14,541	
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
Short-term provisions:	44,187	24,201	14,918	18,993	1,062	35,539	
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
Total provisions:	54,333	30,017	15,275	18,995	0	50,080	

4.4.4. Advance payments

	Balance at 30-06-2020	Balance at 31-12-2019
Advance payments transferred in connection with performed contracts	9,368	9,764
Other advance payments	4	4
Allowances for advance payments	-4	-46
Total advance payments due	9,368	9,722

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

	Balance at 30-06-2020	Balance at 31-12-2019
Advance payments received in connection with performed contracts	24,739	27,887
Other advance payments	32	2
Total advance payments	24,771	27,889

The received advance payments are the prepayments received by the Group on the basis of relevant provisions of the contracts with PKP PLK and the City of Szczecin to perform construction contracts.

Certain advance payments received from the Contracting Authority were accounted for in the reporting period in connection with the progress of construction works.

4.4.5. Accruals

	Balance at 30-06-2020	Balance at 31-12-2019
Provisions for contract costs	83,709	60,755
Other accruals	1,127	667
Total	84,836	61,422

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

	Balance at 30-06-2020	Balance at 31-12-2019
Trade receivables	108,323	200,544
Allowances for trade receivables in connection with the increase in credit risk	-22,751	-18,889
Allowance for trade receivables – initial for expected credit losses	-189	-189
Other receivables	4,413	4,306
Total trade and other receivables	89,796	185,772

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

Allowances in connection with the increase of credit risk of PLN 22,751 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 release of allowances of PLN 107 thousand and the measurement of allowances of PLN 1,055 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:

	Balance at	
	30-06-2020	31-12-2019
Counterparty A	55,115	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

Balance at	Balance at
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	30-06-2020	31-12-2019
Trade payables	93,061	148,615
Liabilities to the state budget other than corporate income tax	6,132	16,794
Other payables	221	222
Total trade and other payables	99,414	165,631

4.6. Debt and management of capital and liquidity

4.6.1. Loans and bank credits

	Balance at 30-06-2020	Balance at 31-12-2019
Long-term	8,888	13,333
Bank credits	0	0
Loans received	8,888	13,333
Short-term	14,525	15,983
Bank credits	5,369	9,053
Loans received	9,156	6,930
Total	23,413	29,316

Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 30-06- 2020	Amount of available loans/credits as at 30-06-2020	Use as at 30-06- 2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A. (i)	Master Agreement including: sublimit for bonds non-revolving working capital facility	25,000		0	1M WIBOR + margin	May 2021
			3,700		0		
			21,300	21,300	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	17,778	1M WIBOR + margin	June 2022
4	mBank S.A.	Working capital facility for contract prefinancing	1,800	0	369	1M WIBOR + margin	July 2020
5	mBank S.A.	Working capital facility	5,000	0	5,000	1M WIBOR + margin	August 2020
6	Magdalena Lis	Loan agreement	266	0	266	3M WIBOR + margin	Unspecified

Total amount of available loans and credits	31,300
Total debt under loans and credits	23,413
Total use for bonds	0

Types of security and liabilities under loan and credit agreements:

1. **Overdraft:**
 - a) Promissory note;
 - b) Financial pledge over customer's bank accounts maintained by the Bank;
 - c) Registered pledge;
 - d) Statement on submission to enforcement.
2. **Master agreement:**
 - a) Mortgage;
 - b) Security deposit for the benefit of the Bank established each time for the guarantees expiring after 36 months;
 - c) Financial pledge over customer's bank accounts maintained by the Bank;
 - d) Registered pledge;
 - e) 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. **Working capital credit for contract prefinancing:**
 - a) Blank promissory note;
 - b) Guarantees by ZUE;
 - c) Assignment of claims.
5. **Working capital credit:**
 - a) Guarantees by ZUE;
 - b) Registered pledge on inventories;
 - c) Blank promissory note;
 - d) Statement on submission to enforcement;
 - e) Assignment of rights under insurance policy;
 - f) Financial pledge over customer's bank accounts maintained by the Bank.

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 amount of the limit is disclosed exclusively in the list of guarantee limits (item 3 of the comparative information).
- On 5 February 2020, the debt under the multipurpose credit line with BNP Paribas Bank was repaid in full and the limit expired (item 5 of the comparative information).
- BNP Paribas Bank – Revolving credit agreement – under the Annex of 6 March 2020, the amount of outstanding instalments was changed and the final repayment date remained unchanged (item 9 of the comparative information).
- mBank – Working capital credit for contract prefinancing (item 4) – under the Annex of 19 May 2020, the amount of instalments was changed and the repayment date was extended until 31 July 2020.
- On 15 May 2020, the debt under the revolving credit agreement with BNP Paribas Bank was repaid in full and the limit expired (item 9 of the comparative information).
- mBank – Working capital credit (item 5) – on 22 May 2020, the security was changed through the establishment of a financial pledge over the borrower's bank accounts.
- mBank – Master Agreement (item 2) – on 26 May 2020, the Company signed the annex to the master agreement whereby the maturity date was extended by one year and the type of security was changed. The available limit was reduced.
- mBank – Master Agreement (item 2) – on 10 June 2020, the Company and mBank entered into the working capital credit agreement as part of the sublimit available under the abovementioned Master Agreement.

After the end of the reporting period:

- mBank – Overdraft (item 1) – on 9 July 2020, the Company signed the annex to the overdraft agreement whereby the repayment date was extended by another year and the type of security was changed.

- mBank - Working capital credit for contract prefinancing (item 4) – the debt was repaid in full on 31 July 2020.
- BNP Paribas – Premium multipurpose credit line agreement – on 30 July 2020, the Company entered into the new agreement with BNP Paribas whereby the Company would be granted the credit limit of up to PLN 30m. The tenor was set until 30 July 2030.
- mBank - Working capital credit (item 5) – partial repayment of the credit of PLN 1,050 thousand on 6 August 2020.

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 including: sublimit for bonds non-revolving working capital facility	50,000 50,000 40,000	40,000	0 0	1M WIBOR + margin	July 2020
3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement including: sublimit for bonds sublimit for working capital facilities	170,000 170,000 20,000	20,000	52,621 52,621 0	1M WIBOR + margin	January 2020
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 capital facility for contract prefinancing	1,800	0	896	0	March 2020
8	mBank S.A.	Working capital 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
Total amount of available loans and credits				70,443			

Total debt under loans and credits	29,316
Total use for bonds	52,621

- (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 30-06-2020	Balance at 31-12-2019
Long-term lease liabilities	9,216	12,450
Short-term lease liabilities	7,458	10,016
Total	16,674	22,466

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 1,990 thousand in the first half of 2020 and PLN 1,716 thousand in the first half of 2019.

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

No.	Note	30-06-2020	30-06-2019
4.3.2	Depreciation and amortisation	743	2,381
4.3.6	Financial expenses – interest on leases	382	615

No.	Note	30-06-2020	31-12-2019
4.6.2	Leases – lease liabilities	16,674	22,466
4.7.4	Right-of-use assets	41,498	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 30-06-2020	Balance at 31-12-2019
Long- and short-term loans and bank credits	23,413	29,316
Long- and short-term lease liabilities	16,674	22,466
Long- and short-term other financial liabilities	36	106
Total financial liabilities	40,123	51,888
Cash and cash equivalents	20,779	30,378
Net debt	19,344	21,510
Equity	151,300	150,441
Net debt to equity ratio	12.79%	14.30%

Positive net debt is due to the fact that total financial liabilities at the end of the first half 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

	Balance at 30-06-2020	Balance at 31-12-2019
Cash on hand and at banks	20,779	30,378
Bank deposits up to three months	0	0
TOTAL	20,779	30,378

The cash decreased at the end of the first half 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, retentions on construction contracts, 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.

	Balance at 30-06-2020	Balance at 30-06-2019
Cash flows from operating activities	7,394	-91,053
Cash flows from investing activities	-3,755	1,603
Cash flows from financing activities	-13,247	26,446
Total net cash flows	-9,608	-63,004
Cash and cash equivalents at the beginning of the period	30,378	81,723

Cash and cash equivalents at the end of the period	20,779	18,718
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4.7. Other notes to the financial statements

4.7.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2020	0	26,311	37,335	55,709	2,331	121,686	377	27	122,090
Additions	0	55	1,118	3,292	64	4,529	749	26	5,304
Adjustment	0	2,268	179	46	0	2,493	0	0	2,493
Reclassification – right-of-use*	0	0	0	14,600	0	14,600	0	0	14,600
Transfer to non-current assets	0	0	0	0	0	0	517	53	570
Sale/liquidation	0	0	207	99	57	363	0	0	363
Reclassification to assets held for sale	0	-5,209	0	0	0	-5,209	0	0	-5,209
Balance at 30 June 2020	0	23,425	38,425	73,548	2,338	137,736	609	0	138,345

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2020	0	9,594	23,563	30,492	1,916	65,565	0	0	65,565
Elimination on disposal of assets	0	0	202	99	57	358	0	0	358
Reclassification – right-of-use* - depreciation expense	0	0	0	1,461	0	1,461	0	0	1,461
Depreciation expense	0	414	1,311	2,477	42	4,244	0	0	4,244
Adjustment	0	872	56	1,543	22	2,493	0	0	2,493
Reclassification to assets held for sale	0	-2,041	0	0	0	-2,041	0	0	-2,041

Balance at 30 June 2020	0	8,839	24,728	35,874	1,923	71,364	0	0	71,363
Carrying amount									
Balance at 1 January 2020	0	16,717	13,772	25,217	415	56,121	377	27	56,525
Balance at 30 June 2020	0	14,586	13,697	37,674	415	66,372	609	0	66,981

*Purchase at the end of the lease.

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

As at 30 June 2020, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 1,913 thousand. As at 30 June 2020, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 19,815 thousand.

Assets pledged as security

Property, plant and equipment used as security for bank agreements are discussed in the note 4.7.14.

Comparative information:

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

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	8,716	23,084	28,227	1,882	61,909	0	0	61,909
Opening balance adjustment	0	0	-1,964	-1,946	0	-3,910	0	0	-3,910
Balance at 1 January 2019 after OB adjustment	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
Balance at 31 December 2019	0	9,594	23,563	30,492	1,916	65,565	0	0	65,565
Carrying amount									
Balance at 1 January 2019	0	17,504	28,977	57,508	409	104,398	302	0	104,700
Balance at 1 January 2019 after OB adjustment	0	17,504	11,504	23,438	409	52,855	302	0	53,157
Balance at 31 December 2019	0	16,717	13,772	25,217	415	56,121	377	27	56,525

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	8,716	23,084	28,227	1,882	61,909	0	0	61,909
Opening balance adjustment	0	0	-1,964	-1,946	0	-3,910	0	0	-3,910
Balance at 1 January 2019 after OB adjustment	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
Balance at 31 December 2019	0	9,594	23,563	30,492	1,916	65,565	0	0	65,565
Carrying amount									
Balance at 1 January 2019	0	17,504	28,977	57,508	409	104,398	302	0	104,700
Balance at 1 January 2019 after OB adjustment	0	17,504	11,504	23,438	409	52,855	302	0	53,157
Balance at 31 December 2019	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
Balance at 1 January 2020	126	5,243	4,594	0	0	0	9,963
Additions	0	0	0	0	0	0	0
Adjustment	0	470	-470	0	0	0	0
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0
Balance at 30 June 2020	126	5,713	4,124	0	0	0	9,963

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	0	1,743	2,343	0	0	0	4,086
Elimination on disposal of assets	0	0	0	0	0	0	0

Depreciation expense	0	-183	183	0	0	0	190
Balance at 30 June 2020	0	1,972	2,304	0	0	0	4,276

Carrying amount

Balance at 1 January 2020	126	3,500	2,251	0	0	0	5,877
Balance at 30 June 2020	126	3,741	1,820	0	0	0	5,687

The investment property as at 30 June 2020 included the real property located in Kościelisko. The investment property included buildings with land and leasehold land. The Group's investment property is held as freehold and 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:

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

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2019	0	1,656	2,050	0	0	0	3,706
Opening balance adjustment	0	0	0	0	0	0	0

Balance at 1 January 2019 after opening balance adjustment	0	1,656	2,050	0	0	0	3,706
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	87	293	0	0	0	380
Balance at 31 December 2019	0	1,743	2,343	0	0	0	4,086
Carrying amount							
Balance at 1 January 2019	126	2,595	2,544	0	0	0	5,265
Balance at 1 January 2019 after opening balance adjustment	126	3,587	2,544	0	0	0	6,257
Balance at 31 December 2019	126	3,500	2,251	0	0	0	5,877

4.7.3. Intangible assets

Structure of intangible assets

	Balance at 30-06-2020	Balance at 31-12-2019
Acquired concessions, patents, licenses and similar assets, including:	1,602	1,521
- Software	1,602	1,521

Movements in intangible assets

	Other intangible assets – software
Gross value	
Balance at 1 January 2020	5,778
Additions	134
Sale/liquidation	0
Adjustment	0
Balance at 30 June 2020	5,912
Amortisation and impairment	
Balance at 1 January 2020	4,257
Amortisation expense	53
Sale/liquidation	0
Adjustment	0
Balance at 30 June 2020	4,310
Carrying amount	
Balance at 1 January 2020	1,521
Balance at 30 June 2020	1,602

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

Comparative information:

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

Amortisation and impairment

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

4.7.4. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
Balance at 1 January 2020	1,239	13,844	1,157	15,592	33,857	0	65,689
Conclusion of new contracts	418	0	186	0	143	0	747
Changes resulting from the amendments to contracts	0	0	0	-3	0	0	-3
Reclassification – right-of-use*	0	0	0	0	-14,600	0	-14,600
Changes resulting from the shortening of contracts	-280	0	-169	0	-61	0	-510
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-913	0	0	0	0	-913
Balance at 30 June 2020	1,377	13,164	1,174	15,589	19,339	0	50,643

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	535	1,128	618	2,282	4,034	0	8,597
Depreciation expense	327	92	330	458	997	0	2,204
Reclassification – right-of-use* - depreciation expense	0	0	0	0	-1,461	0	-1,461
Elimination on the shortening of contract	129	0	169	0	38	0	336
Adjustment	0	233	0	0	0	0	233
Reclassification to assets held for sale	0	-92	0	0	0	0	-92

Balance at 30 June 2020	733	1,361	779	2,740	3,532	0	9,145
Carrying amount							
Balance at 1 January 2020	704	12,716	539	13,310	29,823	0	57,092
Balance at 30 June 2020	644	11,803	395	12,849	15,807	0	41,498

* Purchase at the end of the lease.

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
Balance at 1 January 2019	0	0	0	0	0	0	0
Opening balance adjustment	812	13,835	932	19,475	36,699	0	71,753
Balance at 1 January 2019 after opening balance adjustment	812	13,835	932	19,475	36,699	0	71,753
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
Balance at 31 December 2019	1,239	13,844	1,157	15,592	33,857	0	65,689

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
Balance at 1 January 2019	0	0	0	0	0	0	0
Opening balance adjustment	0	948	0	1,964	1,947	0	4,859
Balance at 1 January 2019 after opening balance adjustment	0	948	0	1,964	1,947	0	4,859
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
Balance at 31 December 2019	535	1,128	618	2,282	4,034	0	8,597
Carrying amount							
Balance at 1 January 2019	0	0	0	0	0	0	0
Balance at 1 January 2019 after opening balance adjustment	812	12,887	932	17,511	34,752	0	66,894
Balance at 31 December 2019	704	12,716	539	13,310	29,823	0	57,092

*Purchase at the end of the lease.

4.7.5. Assets held for sale

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	0	0	0	0	0	0	0
Reclassification from property, plant and equipment	0	0	5,209	0	0	0	5,209
Reclassification from right-of-use assets	0	913	0	0	0	0	913

Balance at 30 June 2020	0	913	5,209	0	0	0	6,122
Depreciation							
	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	0	0	0	0	0	0	0
Reclassification from property, plant and equipment	0	0	2,041	0	0	0	2,041
Reclassification from right-of-use assets	0	92	0	0	0	0	92
Balance at 30 June 2020	0	92	2,041	0	0	0	2,133
Carrying amount							
Balance at 1 January 2020	0	0	0	0	0	0	0
Balance at 30 June 2020	0	821	3,168	0	0	0	3,989

As at 30 June 2020, assets held for sale included the following pieces of real estate:

- real estate located in Poznań; and
- real estate located in Magdalenka.

The real estate located in Magdalenka was sold on 4 August 2020 (after the end of the reporting period). The transaction's result was positive.

The Group intends to sell the real estate in Poznań and negotiates with the potential buyer. The Group expects the transaction to be at least equal to the carrying amount of assets. The sale is expected to take place within 12 months of the end of the reporting period.

4.7.6. 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.

At cost	Balance at 30-06-2020	Balance at 31-12-2019
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
Balance at the end of the reporting period	31,172	31,172

Annual 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 the tests for the impairment of the Company's assets. The impairment tests carried out at 30 June 2020 according to IAS 36 *Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets.

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

The total capital expenditures disclosed in the reporting period in the cash flows statement amounted to PLN 3,814 thousand.

At 30 June 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,913 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 3,364 thousand;
- Purchase of excavator – PLN 240 thousand;
- Purchase of trucks – PLN 159 thousand;
- Purchase of rail lifting device – PLN 146 thousand;
- Purchase of cherry picker – PLN 99 thousand.

In the first half of 2020, the Group sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 0. In the first half of 2019, the Group sold the property, plant and equipment and intangible assets with total net carrying amount of PLN 56 thousand.

4.7.8. Advanced loans

	Balance at 30-06-2020	Balance at 31-12-2019
Loans advanced to related parties	93	76
Loans advanced to third parties	285	285

Impairment losses	-378	-361
Total	0	0

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.

4.7.9. Inventories

	Balance at 30-06-2020	Balance at 31-12-2019
Goods, raw and other materials	33,921	29,542
Work-in-progress	2,274	612
Finished goods	203	199
Total	36,398	30,353

The security on inventories as at 30 June 2020 and 31 December 2019 amounted to PLN 4,000 thousand. No write-downs on inventories were recognised in the reporting period.

4.7.10. Financial instruments

The following table sets out the carrying amounts of the Group's financial instruments classified as assets and liabilities as at 30 June 2020.

Balance at 30 June 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)	14,235	0	0	0	35,818
Trade receivables	108,323	0	0	0	0
Other financial liabilities	0	0	0	0	106
Advanced loans	378	0	0	0	0
Cash and cash equivalents	20,779	0	0	0	0
Loans and bank credits	0	0	0	0	23,413
Lease liabilities	0	0	0	0	16,674
Trade payables	0	0	0	0	93,061
Total	143,715	0	0	0	169,072

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	13,687	0	0	0	34,254

contracts (before discount)					
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
Total	244,609	0	0	0	234,757

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

4.7.11. Transactions with related parties

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

	Receivables		Payables	
	Balance at		Balance at	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	0	0	0	0

	Revenue		Purchases	
	Period ended		Period ended	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
RTI	2	2	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	5	0	0
Total	2	7	0	0

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	30-06-2020	31-12-2019	30-06-2020	30-06-2019
RTI	0	0	0	0
RTI Germany	93	76	0	0
Wiesław Nowak	0	0	0	0
Total	93	76	0	0

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

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

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 disbursed on the date of the agreement and the remaining amount of EUR 3000 would be disbursed at request.

On 22 July 2020, ZUE and RTI signed the special-purpose loan agreement. The loan of PLN 10,000 would be repaid by 22 July 2021. The loan was disbursed on 23 July 2020.

Remuneration of key management personnel

	Period ended 30-06-2020	Period ended 30-06-2019
Management Board	2,987	1,847
Supervisory Board	218	123
Total	3,205	1,970

4.7.12. 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."

An expert opinion is being prepared. The date of the next trial has not been set.

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.

No new activities have been undertaken in connection with the case.

Court case relating to contractual claims

The Group previously declared its intention to make contractual claims relating to railway projects in order to increase the amount of remuneration payable to the contractor for the performance of the railway contracts in case of any risks beyond the contractor’s control. On 28 April 2020, the claim of approx. PLN 34.8m was lodged against PKP PLK S.A. with the District Court in Warsaw to increase/pay the remuneration for the performance of the following contract: “Works on the railway line no. 1 of the Częstochowa – Zawiercie section.” The case is pending. The Defendant (PKP PLK S.A.), represented by the General Counsel to the Republic of Poland, was obliged on the basis of the order of 22 June 2020 and 8 July passed by the District Court in Warsaw, to respond to the claim by 28 August 2020. No response was made by the date of preparation of this report.

4.7.13. 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 30 June 2020 or 31 December 2019.

4.7.14. Contingent assets and contingent liabilities

Contingent assets

	Balance at 30-06-2020	Balance at 31-12-2019
Bonds	100,185	77,381

Guarantees	58	55
Promissory notes	2,848	1,772
Total	103,091	79,208

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 has also received promissory notes from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

Contingent liabilities

	Balance at 30-06-2020	Balance at 31-12-2019
Bonds	522,174	518,569
Guarantees	17,446	24,530
Promissory notes	267,944	407,825
Mortgages*	91,159	91,159
Pledges	172,590	22,016
Total	1,071,313	1,064,099

*Change in the balance as at 31.12.2019 explained in 4.8.2.3.

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 promissory notes.

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 have been 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 has been established in connection with the credit agreement with mBank entered into by a subsidiary. The pledge is on inventories.

Apart from the registered pledges, there is a financial pledge over the borrower's bank accounts to secure the agreements between the Company and a subsidiary, and mBank 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 and the mortgages established to secure the credit agreements between the subsidiaries and BNP Paribas Bank Polska S.A.

4.7.15. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 June 2020 or 31 December 2019.

4.7.16. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the six months ended 30 June 2020 or the six months ended 30 June 2019.

4.8. Other notes to the financial statements

4.8.1. Use of the International Financial Reporting Standards

Statement of compliance

The condensed consolidated financial statements have been drawn up in accordance with IAS 34 as at 30 June 2020 as endorsed by the European Union (EU).

The half-yearly consolidated financial statements for the six months ended 30 June 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);
- **Amendment to IFRS 3 "Business Combinations"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8: "Accounting Policies,"** changes in estimates and corrections of errors – definition of materials (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).

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 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current"** (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 3 "Business Combinations," IAS 16 "Property, Plant and Equipment" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – annual improvements process for the 2018-2020 cycle (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 16 "Leases"** – relief for lessees in connection with COVID-19 (effective for annual periods beginning on or after 1 June 2020);
- **Amendments to IFRS 4 "Insurance Contracts"** – deferral of effective date for IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2021).

4.8.2. Important accounting principles

4.8.2.1. Going concern

The half-yearly condensed financial statements of the Group 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 30 June 2020.

The financial condition of the Parent Company is the most important factor influencing the Group's ability to continue in operational existence. 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 six months ended 30 June 2020, the Group recognised sales revenue of PLN 382.4m and gross profit on sales of PLN 14.8m. As at 30 June 2020, the Group presented current assets of PLN 318m, including trade receivables of PLN 89.8m and cash of approx. PLN 20.8m. At the end of the reporting period, the Group had the backlog worth approx. PLN 1,763m and was 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, no economic circumstances have occurred and no strategic decisions have been made, and these half-yearly condensed financial statements have been prepared assuming that the Group will continue in operational existence in the foreseeable future.

4.8.2.2. Preparation basis

The Group has prepared these half-yearly 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 periods.

4.8.2.3. Comparability of financial information

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

In order to make the consolidated 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	
	6 months ended	6 months ended	Effect of changes
	30-06-2019	30-06-2019	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before tax	2,622	2,622	0
Operating profit (loss) before changes in working capital	9,525	9,525	0
Change in receivables, measurement of contracts and retentions on construction contracts	0	-19,107	19,107
Change in receivables and retentions on construction contracts	39,767	0	39,767
Change in inventories	3,681	3,681	0
Change in provisions and liabilities under employee benefits	-3,175	-3,175	0
Change in payables, measurement of contracts and retentions on construction contracts, excluding loans and bank credits and other financing sources	0	-81,811	81,811
Change in payables and retentions on construction contracts	-80,698	0	-80,698
Change in measurement of construction contracts	-56,253	0	-56,253
Change in accruals	31,425	0	31,425
Change in advance payments	-35,159	0	-35,159
Change in other assets	-166	-166	0
NET CASH FROM OPERATING ACTIVITIES	-91,053	-91,053	0
CASH FLOWS FROM INVESTING ACTIVITIES			
NET CASH FROM INVESTING ACTIVITIES	1,603	1,603	0

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH FLOWS FROM FINANCING ACTIVITIES	24,446	24,446	0
TOTAL NET CASH FLOWS	-63,004	-63,004	0
Net foreign exchange gains / (losses)	-1	-1	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	81,723	81,723	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	18,718	18,718	0
- of limited availability	48	48	0

The additional inspection revealed a technical error in the note Contingent liabilities as at 31 December 2019.

The table below sets out the effect of changes:

	Corrected	Approved	
	Balance at	Balance at	Effect of
	31-12-2019	31-12-2019	changes
Bonds	518,569	518,569	0
Guarantees	24,530	24,530	0
Promissory notes	407,825	407,825	0
Mortgages	91,159	30,000	61,159
Pledges	22,016	22,016	0
Total	1,064,099	1,002,940	61,159

4.8.2.4. Applied accounting principles

These half-yearly consolidated financial statements for the six months ended 30 June 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 half-yearly 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. 4.7.6.)

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. 4.7.14.)

Uncertainty over tax settlements (note no. 4.7.13.)

Revisions to estimates occurred in the reporting period with reference to construction contracts accounted for using percentage-of-completion method – the revision was influenced by the review of the construction contract budgets, which entailed a change in the planned revenues and expenses relating to the performed contracts. The said revisions did not have any material influence on the Company's performance in the reporting period.



ZUE S.A.

**CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR 6 MONTHS ENDED 30 JUNE 2020**

Cracow, 18 August 2020

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

Separate statement of comprehensive income

Continuing operations	Note no.	6 months ended	6 months ended
		30-06-2020	30-06-2019
Sales revenue	2.1.1.	357,787	455,740
Cost of sales	2.1.2.	344,741	444,386
Gross profit (loss) on sales		13,046	11,354
General and administrative expenses	2.1.2.	9,426	8,556
Other operating income	2.1.3.	299	154
Other operating expenses	2.1.4.	1,387	243
Operating profit (loss)		2,532	2,709
Financial income	2.1.5.	496	1,070
Financial expenses	2.1.6.	808	737
Pre-tax profit (loss)		2,220	3,042
Corporate income tax	2.1.7.	726	1,373
Net profit (loss) from continuing operations		1,494	1,669
Net profit (loss)		1,494	1,669
Other net comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		-60	-23
Actuarial gains (losses) relating to specific benefit schemes		-60	-23
Other total net comprehensive income		-60	-23
Total comprehensive income		1,434	1,646
Number of shares		23,030,083	23,030,083
Net profit (loss) per share (PLN) (basic and diluted)		0.06	0.07
Total comprehensive income per share (PLN)		0.06	0.07

Separate statement of financial position

	Note no.	Balance at 30-06-2020	Balance at 31-12-2019
ASSETS			
Non-current assets			
Property, plant and equipment	2.5.1.	66,752	53,695
Investment property	2.5.2.	5,687	9,487
Intangible assets	2.5.3.	1,573	1,484
Right-of-use assets	2.5.4.	41,231	56,059
Goodwill	2.5.6.	31,172	31,172
Investments in subordinates		221	221
Retentions on construction contracts	2.2.2.	10,346	9,455
Deferred tax assets	2.1.7.	19,244	19,954
Advanced loans	2.5.8.	65	107
Total non-current assets		176,291	181,634
Current assets			
Inventories	2.5.9.	31,739	25,114
Trade and other receivables	2.3.1.	82,206	175,133
Measurement of long-term construction contracts	2.2.1.	146,126	99,287
Retentions on construction contracts	2.2.2.	2,676	2,984
Advance payments	2.2.4.	9,937	10,291
Current tax assets	2.1.7.	0	0
Advanced loans	2.5.8.	684	95
Other assets		960	814
Cash and cash equivalents	2.4.4.	19,094	27,979
Current assets		293,422	341,697
Assets held for sale	2.5.5.	4,193	0
Total current assets		297,615	341,697
Total assets		473,906	523,331

	Note no.	Balance at 30-06-2020	Balance at 31-12-2019
EQUITY AND LIABILITIES			
Equity			
Share capital		5,758	5,758
Share premium account		93,837	93,837
Treasury shares		-2,690	-2,690
Retained earnings		53,820	52,386
Total equity		150,725	149,291
Non-current liabilities			
Long-term loans and bank credits	2.4.1.	8,888	13,333
Non-current lease liabilities	2.4.2.	9,084	12,385
Retentions on construction contracts	2.2.2.	14,043	12,505
Liabilities under employee benefits		1,306	1,200
Long-term provisions	2.2.3.	13,541	12,076
Total non-current liabilities		46,862	51,499
Current liabilities			
Trade and other payables	2.3.2.	91,334	156,784
Accruals	2.2.5.	79,464	54,041
Measurement of long-term construction contracts	2.2.1.	2,280	4,247
Retentions on construction contracts	2.2.2.	18,868	19,167
Advance payments	2.2.4.	24,639	27,788
Short-term loans and bank credits	2.4.1.	8,890	6,667
Current lease liabilities	2.4.2.	7,363	9,931
Other financial liabilities		36	36
Liabilities under employee benefits		27,993	27,671
Current tax liabilities	2.1.7.	0	0
Short-term provisions	2.2.3.	15,452	16,209
Total current liabilities		276,319	322,541
Total liabilities		323,181	374,040
Total equity and liabilities		473,906	523,331

Separate statement of changes in equity

		Share capital	Share premium account	Treasury shares	Retained earnings	Total
Balance at	1 January 2020	5,758	93,837	-2,690	52,386	149,291
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	1,494	1,494
Other net comprehensive income		0	0	0	-60	-60
Balance at	30 June 2020	5,758	93,837	-2,690	53,820	150,725
Balance at	1 January 2019	5,758	93,837	-2,690	49,337	146,242
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	1,669	1,669
Other net comprehensive income		0	0	0	-23	-23
Balance at	30 June 2019	5,758	93,837	-2,690	50,983	147,888
Balance at	1 January 2019	5,758	93,837	-2,690	49,337	146,242
Payment of dividend		0	0	0	0	0
Issue of shares		0	0	0	0	0
Issue costs		0	0	0	0	0
Buy-back of shares		0	0	0	0	0
Profit (loss)		0	0	0	3,135	3,135
Other net comprehensive income		0	0	0	-86	-86
Balance at	31 December 2019	5,758	93,837	-2,690	52,386	149,291

Separate statement of cash flows

	Restated	
	6 months ended	6 months ended
	30-06-2020	30-06-2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	2,220	3,042
Adjustments for:		
Depreciation and amortisation	6,606	6,279
Foreign exchange gains / (losses)	-9	1
Interest and share in profit (dividends)	739	589
(Gain) / loss on disposal of investments	6	-67
Operating profit (loss) before changes in working capital	9,562	9,844
Change in receivables and retentions on construction contracts	92,343	40,776
Change in inventories	-6,625	1,046
Change in provisions and liabilities under employee benefits	1,062	-3,718
Change in payables and retentions on construction contracts	-65,224	-74,780
Change in measurement of construction contracts	-48,806	-56,251
Change in accruals	25,423	30,766
Change in advance payments	-2,795	-34,056
Change in other assets	-148	-128
Income tax paid / tax refund	-2	0
NET CASH FROM OPERATING ACTIVITIES	4,790	-86,501
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment and intangible assets	7	110
Purchase of property, plant and equipment and intangible assets	-3,846	-1,314
Sale / (purchase) of financial assets in related parties	0	-35
Advanced loans	-617	-317
Repayment of advanced loans	54	2,752
Interest received	19	161
NET CASH FROM INVESTING ACTIVITIES	-4,383	1,357
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and bank credits received	0	40,000
Repayment of loans and bank credits	-2,222	-8,321
Decrease in lease liabilities	-6,166	-8,058
Lease interest paid	-548	-528
Other interest paid	-365	-4
NET CASH FLOWS FROM FINANCING ACTIVITIES	-9,301	23,089
TOTAL NET CASH FLOWS	-8,894	-62,055
Net foreign exchange gains / (losses)	9	-1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	27,979	79,404
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	19,094	17,348
- of limited availability	611	12

Notes to the condensed separate financial statements of ZUE

1. General information

1.1. Information about the Company

ZUE Spółka Akcyjna has been incorporated 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 did not change during the reporting period or until the date of preparation of these 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).

1.2. Core business of ZUE

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

	Period ended 30-06-2020	Period ended 30-06-2019
Revenue from construction contracts	349,827	447,198
Revenue from the rendering of services	6,439	7,021
Revenue from the sale of goods, raw and other materials	1,521	1,521
Total	357,787	455,740

Revenue from construction activities is recognised by the Company in the item Revenue from construction contracts. The revenue is earned under the contracts accounted for on the basis of consumed time and expenditures. The services provided under construction contracts are passed directly to customers as the time passes by.

The Company's sales revenue in the period from 1 January to 30 June 2020 amounted to PLN 357,787 thousand and decreased by 21% compared to the revenue reported in the analogous period of the previous year.

The Company operated in the territory of Poland in the first half of 2020.

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

The entire revenue is presented by the Company in one reporting segment; i.e. construction activities.

Concentration of revenue exceeding 10% of total sales revenue

	Period ended	
	30-06-2020	30-06-2019
Counterparty A	267,610	252,014

Counterparty B 53,389

2.1.2. Operating expenses

	Period ended 30-06-2020	Period ended 30-06-2019
Change in products	-1,662	-1,405
Depreciation and amortization	6,606	6,279
Consumption of materials and energy, including:	76,284	150,267
- consumption of materials	73,126	146,583
- consumption of energy	3,158	3,684
Contracted services	209,426	235,972
Costs of employee benefits	53,728	52,263
Taxes and charges	755	665
Other expenses	7,938	7,819
Value of goods and materials sold	1,092	1,082
Total	354,167	452,942

	Period ended 30-06-2020	Period ended 30-06-2019
Cost of sales	344,741	444,386
General and administrative expenses	9,426	8,556
Total	354,167	452,942

The Company's general and administrative expenses in the period 1 January – 30 June 2020 amounted to PLN 9,426 thousand and increased by 10% when compared with the Company's general and administrative expenses reported in the first half of 2019.

Depreciation and amortisation

	Period ended 30-06-2020	Period ended 30-06-2019
Depreciation of property, plant and equipment	5,608	3,627
Depreciation of right-of-use assets	697	2,341
Amortisation of intangible assets	45	56
Depreciation of investments in real property	256	255
Total	6,606	6,279

The foregoing table sets out the data on the depreciation and amortisation of assets according to the use and purpose thereof as at 30 June 2020. The reclassification of assets presented in the item Right-of-use assets to the item Property, plant and equipment in connection with the purchase at the end of the lease caused (Note 2.5.1 and 2.5.4) a change in the presentation of depreciation expense and a shift among items.

2.1.3. Other operating income

	Period ended 30-06-2020	Period ended 30-06-2019
Gain on disposal of assets	0	67
Gain on disposal of non-current assets	0	67
Other operating income	299	87
Damages and penalties	163	24
Release of allowances for receivables	104	7

Refund of the costs of court proceedings	14	0
Release of write-downs of inventories	5	21
Other	13	35
Total	299	154

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

2.1.4. Other operating expenses

	Period ended 30-06-2020	Period ended 30-06-2019
Loss on disposal of assets	6	0
Loss on disposal of non-current assets	6	0
Other operating expenses	1,381	243
Donations	0	2
Allowances for receivables	1,037	206
Costs of litigations	344	33
Other	0	2
Total	1,387	243

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 30-06-2020	Period ended 30-06-2019
Interest income	145	142
Interest on bank deposits	56	101
Interest on loans	10	38
Interest on receivables	79	3
Other financial income	351	928
Discount of long-term items	164	799
Guarantees	175	129
Other	12	0
Total	496	1,070

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 30-06-2020	Period ended 30-06-2019
Interest expenses	782	654
Interest on bank credits	37	4
Interest on loans	328	0
Interest on leases	377	609
Interest on trade and other payables	40	41
Other financial expenses	26	83
Foreign exchange losses	9	31

Write-down of investments in related parties	0	35
Other	17	17
Total	808	737

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 the statement of comprehensive income

	Period ended 30-06-2020	Period ended 30-06-2019
Current income tax	2	0
Deferred tax	724	1,373
Total tax expense/income	726	1,373

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 30-06-2020	Period ended 30-06-2019
Gross profit (loss)	2,220	3,042
Income tax at the applicable rate of 19%	422	578
Effect of tax recognition of:	-2,101	-1,942
- Unused tax losses carried forward	0	0
- Costs that are not tax-deductible under tax regulations	6,766	6,447
- Revenue not classified as revenue under tax regulations	9,332	10,797
- Tax-deductible expenses not classified as balance sheet expenses	-502	-2,385
- Taxable revenue not classified as balance sheet revenue	-37	23
Revaluation of deferred tax assets (current year loss)	1,681	1,364
Deferred tax	724	1,373
Income tax according to effective tax rate	726	1,373
Effective tax rate	33%	45%

Current tax assets and liabilities

	Balance at 30-06-2020	Balance at 31-12-2019
Current tax assets		
Tax refundable	0	0
Current tax liabilities		
Tax payable	0	0

Deferred tax

	Balance at 30-06-2019	Balance at 30-06-2019
Deferred tax balance at the beginning of the period	19,954	22,485
Temporary differences relating to deferred tax assets:	43,773	48,329
Provisions for expenses and accruals	24,042	25,193
Discount of receivables	154	226
Operating lease liabilities	2,052	2,797
Write-downs	1,136	1,180
Bonds and insurances accounted for over time	1,775	1,079
Tax work in progress	13,768	15,856
Measurement of long-term contracts	433	1,500
Other	413	498
Temporary differences relating to deferred tax liabilities:	40,699	43,909
Measurement of long-term contracts	27,764	30,508
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,356	12,781
Discount of payables	570	618
Other	9	2
Unutilised tax losses and other tax credits carried forward:	16,170	16,697
Tax losses	16,170	16,697
Total temporary differences relating to deferred tax assets:	59,943	65,026
Total temporary differences relating to deferred tax liabilities:	40,699	43,909
Deferred tax balance at the end of the period	19,244	21,117
Change in deferred tax, including:	-710	-1,368
- recognised in income	-724	-1,373
- recognised in equity	14	5

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 to 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 30-06-2020	Period ended 30-06-2019
Revenue from long-term construction contracts	331,933	435,528
Costs of long-term construction contracts*)	327,219	440,971
Gross profit (loss) on long-term contracts	4,714	-5,443
	Balance at 30-06-2020	Balance at 31-12-2019
Assets (selected items)	169,085	122,059
- Measurement of long-term construction contracts	146,126	99,287
- Advance payments made in connection with performed contracts	9,937	10,333
- Retentions on construction contracts retained by customers	13,022	12,439
Liabilities (selected items)	167,343	145,670
- Measurement of long-term construction contracts	2,280	4,247
- Provisions for contract costs	78,520	53,678
- Advance payments received in connection with performed contracts	24,639	27,788
- Retentions on construction contracts retained for suppliers	32,911	31,672
- Provisions for warranty claims	14,960	13,775
- Provisions for expected losses on contracts	14,033	14,510

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

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

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

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

2.2.2. Retentions on construction contracts

	Balance at 30-06-2020	Balance at 31-12-2019
Retained by customers – to be repaid after 12 months	10,346	9,455
Retained by customers – to be repaid within 12 months	2,676	2,984
Total retentions on construction contracts retained by customers	13,022	12,439
Retained for suppliers – to be repaid after 12 months	14,043	12,505
Retained for suppliers – to be repaid within 12 months	18,868	19,167
Total retentions on construction contracts retained for suppliers	32,911	31,672

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 guarantees issued by banks or insurance companies. If the term of a bank guarantee is longer than 37 months, banks establish additional security in the form of cash deposit.

2.2.3. Provisions

Change in provisions

Provisions	01-01-2020	Created	Used	Released	Reclassified	30-06-2020	Item
Long-term provisions:	13,276	1,713	94	150	102	14,847	
Provisions for employee benefits	1,200	106	0	0	0	1,306	Liabilities under employee benefits (long-term)
Provisions for warranty claims	12,076	1,607	94	150	102	13,541	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
Short-term provisions:	34,638	15,283	8,879	7,821	-102	33,119	
Provisions for employee benefits	18,429	9,684	8,833	1,613	0	17,667	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,699	111	46	243	-102	1,419	Short-term provisions
Provision for loss on contracts	14,510	5,488	0	5,965	0	14,033	Short-term provisions
Other provisions	0	0	0	0	0	0	Short-term provisions
Total provisions:	47,914	16,996	8,973	7,971	0	47,966	

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

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
Long-term provisions:	8,908	5,634	357	0	-909	13,276	
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
Short-term provisions:	43,504	22,553	13,398	18,930	909	34,638	
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
Total provisions:	52,412	28,187	13,755	18,930	0	47,914	

2.2.4. Advance payments

	Balance at 30-06-2020	Balance at 31-12-2019
Advance payments transferred in connection with performed contracts	9,937	10,333
Other advance payments	0	0
Allowances for advance payments	0	-42
Total advance payments due	9,937	10,291

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

	Balance at 30-06-2020	Balance at 31-12-2019
Advance payments received in connection with performed contracts	24,639	27,788
Other advance payments	0	0
Total advance payments received	24,639	27,788

The received advance payments are the prepayments received by the Company on the basis of relevant provisions of the contracts with PKP PLK and the City of Szczecin.

Certain advance payments received from the Contracting Authority were accounted for in the reporting period in connection with the progress of construction works.

2.2.5. Accruals

	Balance at 30-06-2020	Balance at 31-12-2019
Provisions for contract costs	78,520	53,678
Other accruals	944	363
Total	79,464	54,041

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

	Balance at 30-06-2020	Balance at 31-12-2019
Trade receivables	99,586	188,796
Allowances for trade receivables in connection with the increase of credit risk	-21,651	-17,805
Allowances for trade receivables – initial for expected credit losses	-130	-120
Other receivables	4,401	4,272
Total trade and other receivables	82,206	175,133

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

Allowances in connection with the increase of credit risk of PLN 21,651 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 release of allowances of PLN 104 thousand and the measurement of allowances of PLN 1,037 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:

	Balance at 30-06-2020	Balance at 31-12-2019
Counterparty A	54,793	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 Company has carried out the construction contracts for the Counterparty A for many years. The Counterparty A is co-owned by the State Treasury as a result of which their creditability is even higher. Accordingly, the Management Board of the Company believe there is no need to create additional provisions.

2.3.2. Trade and other payables

	Balance at 30-06-2020	Balance at 31-12-2019
Trade payables	85,826	140,722
Liabilities to the state budget other than corporate income tax	5,287	15,848
Other payables	221	214
Total trade and other payables	91,334	156,784

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 30 June 2020, the Company could use overdraft and working capital credit limits in the total amount of PLN 31,300 thousand. The available bond limits provided by banks and insurance companies amounted to PLN 155,250 thousand

2.4.1. Loans and bank credits

	Balance at 30-06-2020	Balance at 31-12-2019
Long-term	8,888	13,333
Bank credits	0	0
Loans received	8,888	13,333
Short-term	8,890	6,667
Bank credits	0	0
Loans received	8,890	6,667
Total	17,778	20,000

Summary of loan and credit agreements

No.	Bank	Description	Principal/limit according to the agreement as at 30-06-2020	Amount of available loans/credits as at 30-06-2020	Use as at 30-06-2020	Interest	Repayment date
1	mBank S.A.	Overdraft	10,000	10,000	0	O/N WIBOR + margin	July 2021
2	mBank S.A.	Master Agreement	25,000		0	1M WIBOR + margin	May 2021
	(i)	including: sublimit for bonds	3,700		0		
		non-revolving working capital facility	21,300	21,300	0		
3	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	17,778	1M WIBOR + margin	June 2022
Total amount of available loans and credits				31,300			
Total debt under loans and credits					17,778		
Total use for bonds					0		

Types of security and liabilities under loan and credit agreements:

1. **Overdraft:**
 - a) Promissory note;
 - b) Financial pledge over customer's bank accounts maintained by the Bank;
 - c) Registered pledge;
 - d) Statement on submission to enforcement.
2. **Master agreement:**
 - a) Mortgage;
 - b) Security deposit for the benefit of the Bank established each time for the guarantees expiring after 36 months;
 - c) Financial pledge over customer's bank accounts maintained by the Bank;
 - d) Registered pledge;
 - e) 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.

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 amount of the limit is disclosed exclusively in the list of guarantee limits (item 3 of the comparative information).
- mBank – Master Agreement (item 2) – on 26 May 2020, the Company signed the annex to the master agreement whereby the maturity date was extended by one year and the type of security was changed. The available limit was reduced.
- mBank – Master Agreement (item 2) – on 10 June 2020, the Company entered into the working capital credit agreement as part of the limit available under the Master Agreement.

After the end of the reporting period:

- mBank – Overdraft (item 1) – on 9 July 2020, the Company signed the annex to the overdraft agreement whereby the repayment date was extended by another year and the type of security was changed.
- BNP Paribas – Premium multipurpose credit line agreement – on 30 July 2020, the Company entered into the new agreement with BNP Paribas whereby the Company would be granted the credit limit of up to PLN 30m. The tenor was set until 30 July 2030.

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 capital credit	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 capital credit	20,000	20,000	0		
4	Agencja Rozwoju Przemysłu S.A.	Loan agreement	20,000	0	20,000	1M WIBOR + margin	June 2022
Total amount of available loans and credits				70,000			
Total debt under loans and credits					20,000		

Total use for bonds **52,621**

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

2.4.2. Leases

Leases liabilities

	Balance at 30-06-2020	Balance at 31-12-2019
Long-term lease liabilities	9,084	12,385
Short-term lease liabilities	7,363	9,931
Total	16,447	22,316

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 1,814 thousand in the first half of 2020 and PLN 1,540 thousand in the first half of 2019.

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

No.	Note	30-06-2020	30-06-2019
2.1.2.	Depreciation and amortisation	697	2,341
2.1.6.	Financial expenses – interest on leases	377	609

No.	Note	30-06-2020	31-12-2019
2.4.2.	Leases – lease liabilities	16,447	22,316
2.5.4.	Right-of-use assets	41,231	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 30-06-2020	Balance at 31-12-2019
Long- and short-term loans and bank credits	17,778	20,000
Long- and short-term lease liabilities	16,447	22,316
Long- and short-term other financial liabilities	36	36
Total financial liabilities	34,261	42,352
Cash and cash equivalents	19,094	27,979
Net debt	15,167	14,373
Equity	150,725	149,291
Net debt to equity ratio	10.06%	9.63%

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

The Company uses own resources, loan, 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

	Balance at 30-06-2020	Balance at 31-12-2019
Cash on hand and at banks	19,094	27,979
Bank deposits up to three months	0	0
TOTAL	19,094	27,979

The cash decreased at the end of the first half 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, retentions on construction contracts, 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 granted loans.

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

	Balance at 30-06-2020	Balance at 30-06-2019
Cash flows from operating activities	4,790	-86,501
Cash flows from investing activities	-4,383	1,357
Cash flows from financing activities	-9,301	23,089
Total net cash flows	-8,894	-62,055
Cash at the beginning of the period	27,979	79,404
Cash at the end of the period	19,094	17,348

2.5. Other notes to the financial statements

2.5.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2020	0	24,725	36,342	55,586	2,187	118,840	377	27	119,244
Additions	0	55	1,103	3,292	64	4,514	749	26	5,289
Reclassification – right-of-use*	0	0	0	14,600	0	14,600	0	0	14,600
Transfer to non-current assets	0	0	0	0	0	0	517	53	570
Sale/liquidation	0	0	207	33	57	297	0	0	297
Reclassification to assets held for sale	0	-1,359	0	0	0	-1,359	0	0	-1,359
Balance at 30 June 2020	0	23,421	37,238	73,445	2,194	136,298	609	0	136,907

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2020	0	9,215	22,676	31,864	1,794	65,549	0	0	65,549
Elimination on disposal of assets	0	0	202	33	57	292	0	0	292
Reclassification – right-of-use* - depreciation expense	0	0	0	1,461	0	1,461	0	0	1,461
Depreciation expense	0	334	1,264	2,507	42	4,147	0	0	4,147
Reclassification to assets held for sale	0	-710	0	0	0	-710	0	0	-710
Balance at 30 June 2020	0	8,839	23,738	35,799	1,779	70,155	0	0	70,155

Carrying amount

Balance at 1 January 2020	0	15,510	13,666	23,722	393	53,291	377	27	53,695
Balance at 30 June 2020	0	14,582	13,500	37,646	415	66,143	609	0	66,752

*Purchase at the end of the lease.

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

As at 30 June 2020, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 1,913 thousand. As at 30 June 2020, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 18,819 thousand.

Assets pledged as security

Property, plant and equipment used as security for bank agreements are discussed in the note 2.5.14.

Comparative information:

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
Balance at 1 January 2019	0	24,634	51,268	85,378	2,147	163,427	302	0	163,729
Opening balance adjustment		0	-19,437	-35,890	0	-55,327	0	0	-55,327
Balance at 1 January 2019 after opening balance adjustment	0	24,634	31,831	49,488	2,147	108,100	302	0	108,402
Additions	0	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
Balance at 31 December 2019	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
Balance at 1 January 2019	0	8,498	22,207	29,445	1,764	61,914	0	0	61,914
Opening balance adjustment	0	0	-1,964	-1,919	0	-3,883			-3,883
Balance at 1 January 2019 after opening balance adjustment	0	8,498	20,243	27,526	1,764	58,031	0	0	58,031
Elimination on disposal of assets	0	0	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
Balance at 31 December 2019	0	9,215	22,676	31,864	1,794	65,549	0	0	65,549
Carrying amount									
Balance at 1 January 2019	0	16,136	29,061	55,933	383	101,513	302	0	101,815
Balance at 1 January 2019 after opening balance adjustment		16,136	11,588	21,962	383	50,069	302	0	50,371
Balance at 31 December 2019	0	15,510	13,666	23,722	393	53,291	377	27	53,695

*Purchase at the end of the lease.

2.5.2. Investment property

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	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
Reclassification to assets held for sale	0	-874	-3,285	0	0	0	-4,159
Balance at 30 June 2020	126	5,713	4,124	0	0	0	9,963

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	0	1,898	2,737	0	0	0	4,635
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	112	144	0	0	0	256
Reclassification to assets held for sale	0	-38	-577	0	0	0	-615
Balance at 30 June 2020	0	1,972	2,304	0	0	0	4,276

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2020	126	3,500	4,672	0	0	0	9,487
Balance at 30 June 2020	126	3,741	1,820	0	0	0	5,687

As at 30 June 2020, the investment property comprised the real property situated in Kościelisko. The investment property includes buildings and land as well as leasehold land. 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 2.5.14.

Comparative information:

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

Depreciation	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
Balance at 1 January 2019	0	1,677	2,444	0	0	0	4,121
Opening balance adjustment	0	0	0	0	0	0	0
Balance at 1 January 2019 after opening balance adjustment	0	1,677	2,444	0	0	0	4,121
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	221	293	0	0	0	514
Balance at 31 December 2019	0	1,898	2,737	0	0	0	4,635

Carrying amount

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

2.5.3. Intangible assets

Structure of intangible assets:

	Balance at 30-06-2020	Balance at 31-12-2019
Acquired concessions, patents, licenses and similar assets, including:	1,573	1,484
- Software	1,573	1,484

Movements in intangible assets

	Other intangible assets – software
Gross value	
Balance at 1 January 2020	5,259
Additions	134
Sale/liquidation	0
Balance at 30 June 2020	5,393
Amortisation and impairment	
Balance at 1 January 2020	3,775
Amortisation expense	45
Sale/liquidation	0
Balance at 30 June 2020	3,820
Carrying amount	
Balance at 1 January 2020	1,484
Balance at 30 June 2020	1,573

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

Comparative information:

	Leasehold	Other intangible assets – software	Total
Gross value			
Balance at 1 January 2019	9,038	3,920	12,958
Opening balance adjustment	-9,038	0	-9,038
Balance at 1 January 2019 after opening balance adjustment	0	3,920	3,920
Additions	0	1,395	1,395
Sale/liquidation	0	56	56
Balance at 31 December 2019	0	5,259	5,259
Amortisation and impairment			
Balance at 1 January 2019	1,113	3,730	4,843
Opening balance adjustment	-1,113	0	-1,113
Balance at 1 January 2019 after opening balance adjustment	0	3,730	3,730
Amortisation expense	0	101	101

Sale/liquidation	0	56	56
Balance at 31 December 2019	0	3,775	3,775
Carrying amount			
Balance at 1 January 2019	7,925	190	8,115
Balance at 1 January 2019 after opening balance adjustment	0	190	190
Balance at 31 December 2019	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
Balance at 1 January 2020	1,239	13,164	1,157	15,551	33,595	0	64,706
Conclusion of new contracts	418	0	186	0	16	0	620
Changes resulting from the amendments to contracts	0	0	0	0	0	0	0
Reclassification – right of use*	0	0	0	0	-14,600	0	-14,600
Changes resulting from the shortening of contracts	-280	0	-169	0	0	0	-449
Balance at 30 June 2020	1,377	13,164	1,174	15,551	19,011	0	50,277
Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
Balance at 1 January 2020	535	1,276	618	2,263	3,955	0	8,647
Depreciation expense	327	85	330	449	967	0	2,158
Reclassification – right of use* - depreciation expense	0	0	0	0	-1,461	0	-1,461
Elimination on the shortening of contract	129	0	169	0	0	0	298
Balance at 30 June 2020	733	1,361	779	2,712	3,461	0	9,046
Carrying amount							
Balance at 1 January 2020	704	11,888	539	13,288	29,640	0	56,059
Balance at 30 June 2020	644	11,803	395	12,839	15,550	0	41,231

*Purchase at the end of the lease.

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
Balance at 1 January 2019	0	0	0	0	0	0	0
Opening balance adjustment	812	13,164	932	19,438	36,564	0	70,910
Balance at 1 January 2019 after opening balance adjustment	812	13,164	932	19,438	36,564	0	70,910
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
Balance at 31 December 2019	1,239	13,164	1,157	15,551	33,595	0	64,706

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets
Balance at 1 January 2019	0	0	0	0	0	0	0
Opening balance adjustment	0	1,112	0	1,964	1,920	0	4,996
Balance at 1 January 2019 after opening balance adjustment	0	1,112	0	1,964	1,920	0	4,996
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
Balance at 31 December 2019	535	1,276	618	2,263	3,955	0	8,647

Carrying amount

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

2.5.5. Assets held for sale

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	0	0	0	0	0	0	0
Reclassification from property, plant and equipment	0	0	1,359	0	0	0	1,359
Reclassification from investment property	0	874	3,285	0	0	0	4,159
Balance at 30 June 2020	0	874	4,644	0	0	0	5,518

Depreciation	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	0	0	0	0	0	0	0
Reclassification from property, plant and equipment	0	0	710	0	0	0	710
Reclassification from investment property	0	38	577	0	0	0	615
Balance at 30 June 2020	0	38	1,287	0	0	0	1,325

Carrying amount	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total
Balance at 1 January 2020	0	0	0	0	0	0	0
Balance at 30 June 2020	0	836	3,357	0	0	0	4,193

As at 30 June 2020, assets held for sale included the following pieces of real estate:

- real estate located in Poznań; and
- real estate located in Magdalenka.

The real estate located in Magdalenka was sold on 4 August 2020 (after the end of the reporting period). The transaction's result was positive.

The Company intends to sell the real estate in Poznań and negotiates with the potential buyer. The Group expects the transaction to be at least equal to the carrying amount of assets. The sale is expected to take place within 12 months of the end of the reporting period.

2.5.6. Goodwill

At cost	Balance at 30-06-2020	Balance at 31-12-2019
Goodwill of PRK	31,172	31,172
Balance at the end of the reporting period	31,172	31,172

ZUE merged with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A (PRK) on 20 December 2013. The control of PRK was gained by ZUE in 2010.

The goodwill of PLN 31,172 thousand and the leasehold land (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 had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Company carried out the tests for the impairment of the Company's assets. The impairment tests carried out at 30 June 2020 according to IAS 36 *Impairment of Assets* revealed no indication of impairment of the carrying amount of the Company's assets.

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

The total capital expenditures disclosed in the reporting period in the cash flows statement amounted to PLN 3,846 thousand.

At 30 June 2020, net liabilities incurred to purchase property, plant and equipment amounted to PLN 1,913 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 3,364 thousand;
- Purchase of excavator – PLN 240 thousand;
- Purchase of trucks – PLN 159 thousand;
- Purchase of rail lifting device – PLN 146 thousand;
- Purchase of cherry picker – PLN 99 thousand.

In the first half of 2020, the Company sold the property, plant and equipment and intangible assets whose total net carrying amount was PLN 0. In the first half of 2019, the Company sold the property, plant and equipment and intangible assets with total net carrying amount of PLN 25 thousand.

2.5.8. Advanced loans

	Balance at 30-06-2020	Balance at 31-12-2019
Loans advanced to related parties	842	278
Loans advanced to third parties	285	285
Impairment losses	-378	-361
Total	749	202

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 related parties.

2.5.9. Inventories

	Balance at 30-06-2020	Balance at 31-12-2019
Goods, raw and other materials	29,262	24,303
Work-in-progress	2,274	612
Finished goods	203	199
Total	31,739	25,114

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. No write-downs of inventories were recognised in the reporting period.

2.5.10. Financial instruments

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

Balance at 30 June 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)	13,823	0	0	0	34,438
Trade receivables	99,586	0	0	0	0
Other financial liabilities	0	0	0	0	36
Advanced loans	1,127	0	0	0	0
Cash and cash equivalents	19,094	0	0	0	0
Loans and bank credits	0	0	0	0	17,778
Lease liabilities	0	0	0	0	16,447
Trade payables	0	0	0	0	85,826
Total	133,630	0	0	0	154,525

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
Total	230,237	0	0	0	216,176

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

2.5.11. Transactions with related parties

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

	Receivables		Payables	
	Balance at		Balance at	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Railway gft	68	0	304	1,196
BPK Poznań	4,008	1,222	803	1,503
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
Total	4,076	1,222	1,107	2,699

	Revenues		Purchases	
	Period ended		Period ended	
	30-06-2020	30-06-2019	30-06-2020	30-06-2019
Railway gft	220	204	3,658	6,737
BPK Poznań	2,322	378	554	4,943
RTI	2	2	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	5	0	0
Total	2,544	589	4,212	11,680

	Advanced loans		Financial income (interest)	
	Balance at		Period ended	
	30-06-2020	31-12-2019	30-06-2020	30-06-2019
Railway gft	0	0	0	35
BPK Poznań	749	202	10	3
RTI	0	0	0	0
RTI Germany	93	76	0	0
Wiesław Nowak	0	0	0	0
Total	842	278	10	38

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 Design services;
- o Lease of rooms, including utilities and phone services;
- o Financial services; and
- o Re invoicing of costs.

In the reporting period, ZUE imposed the contractual penalty of PLN 170 thousand on the consortium with BPK Poznań as the leader. The penalty was not recognised by the Company in revenue.

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.

On 11 February 2020, ZUE and BPK Poznań signed the loan agreement whereby BPK Poznań was granted the special-purpose loan of PLN 600,000 to be repaid by 20 December 2020. The loan was disbursed on 21 February 2020.

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 disbursed on the date of the agreement and the remaining amount of EUR 3000 would be disbursed at request.

On 22 July 2020, ZUE and RTI signed the special-purpose loan agreement. The loan of PLN 10,000 would be repaid by 22 July 2021. The loan was disbursed on 23 July 2020.

On 6 August 2020, ZUE and Railway gft signed the special-purpose loan agreement. The loan of PLN 1m would be repaid by 31 January 2021.

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 30 June 2020 is PLN 17,446 thousand.

Remuneration of key management personnel

	Period ended 30-06-2020	Period ended 30-06-2019
Management Board	2,987	1,847
Supervisory Board	218	123
Total	3,205	1,970

2.5.12. Major 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 4.7.12 of the consolidated financial statements.

2.5.13. 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 30 June 2020 or 31 December 2019.

2.5.14. Contingent assets and contingent liabilities

Contingent assets

	Balance at 30-06-2020	Balance at 31-12-2019
Bonds	98,853	76,049
Promissory notes	5,776	4,254
Pledges	300	300
Total	104,929	80,603

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

The Company has also received promissory notes from subcontractors to secure ZUE's claims against the subcontractors and the repayment of advances.

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

Contingent liabilities

	Balance at 30-06-2020	Balance at 31-12-2019
Bonds	511,270	508,375
Guarantees	17,446	24,530
Promissory notes	255,760	388,745
Mortgages*	91,159	91,159
Pledges	157,390	18,016
Total	1,033,025	1,030,825

* Change in the balance as at 31.12.2019 explained in 2.6.2.3.

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

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

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

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 and the mortgages established to secure the credit agreements between the subsidiaries and BNP Paribas Bank Polska S.A.

Registered pledges have been established to secure the agreements entered into with BNP Paribas Bank Polska S.A., PEKAO S.A. and mBank 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, car and profiling machine.

Apart from the registered pledges, there is a financial pledge over the borrower's bank accounts to secure the agreements between the Company and mBank S.A.

2.5.15. Liabilities incurred to purchase property, plant and equipment

There were no major agreements concerning capital expenditures on property, plant and equipment at 30 June 2020 or 31 December 2019.

2.5.16. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in the six months ended 30 June 2020 or the six months ended 30 June 2019.

2.5.17. 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 2.5 of the consolidated financial statements: Seasonal and cyclical nature of the Group's operations.

2.5.18. Issue and redemption of debt and equity securities

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

2.5.19. 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. The Company's Supervisory Board gave a favourable opinion on the said recommendations on 18 June 2020.

On 30 July 2020, the Ordinary General Meeting of ZUE resolved to allocate the entire net profit for the financial year 2019 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 separate consolidated financial statements have been drawn up in accordance with IAS 34 as at 30 June 2020 as endorsed by the European Union (EU).

The half-yearly separate financial statements for the six months ended 30 June 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);

- **Amendment to IFRS 3 “Business Combinations”** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8: “Accounting Policies,”** changes in estimates and corrections of errors – definition of materials (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).

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 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current”** (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 3 “Business Combinations,” IAS 16 “Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – annual improvements process for the 2018-2020 cycle (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 16 “Leases”** – relief for lessees in connection with COVID-19 (effective for annual periods beginning on or after 1 June 2020);
- **Amendments to IFRS 4 “Insurance Contracts”** – deferral of effective date for IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2021).

2.6.2. Important accounting principles

2.6.2.1. Going concern

The half-yearly condensed financial statements of ZUE 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 30 June 2020.

The financial condition of ZUE is the most important factor influencing the Company’s ability to continue in operational existence. 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 six months ended 30 June 2020, the Company recognised sales revenue of PLN 357.8m and gross profit on sales of PLN 13m. As at 30 June 2020, the Company presented current assets of PLN 293.4m, including trade receivables of PLN 82.2m and cash of approx. PLN 19.1m. At the end of the reporting period, the Company had the backlog worth approx. PLN 1,740m and was 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, no economic circumstances have occurred and no strategic decisions have been made, and these half-yearly 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 half-yearly 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 periods.

2.6.2.3. Comparability of financial information

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

In order to make the 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:

	Restated	Approved	
	6 months ended	6 months ended	Effect of changes
	30-06-2019	30-06-2019	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before tax	3,042	3,042	0
Adjustments for:			0
Operating profit (loss) before changes in working capital	9,844	9,844	0
Change in receivables, measurement of contracts and retentions on construction contracts	0	-17,018	17,018
Change in receivables and retentions on construction contracts	40,776	0	40,776
Change in inventories	1,046	1,046	0
Change in provisions and liabilities under employee benefits	-3,718	-3,718	0
Change in payables, measurement of contracts and retentions on construction contracts, excluding loans and bank credits and other financing sources	0	-76,527	76,527
Change in payables and retentions on construction contracts	-74,780	0	-74,780
Change in measurement of construction contracts	-56,251	0	-56,251
Change in accruals	30,766	0	30,766
Change in advance payments	-34,056	0	-34,056
Change in other assets	-128	-128	0
NET CASH FROM OPERATING ACTIVITIES	-86,501	-86,501	0
CASH FLOWS FROM INVESTING ACTIVITIES			
NET CASH FROM INVESTING ACTIVITIES	1,357	1,357	0
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FLOWS FROM FINANCING ACTIVITIES	23,089	23,089	0
TOTAL NET CASH FLOWS	-62,055	-62,055	0
Net foreign exchange gains / (losses)	-1	-1	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	79,404	79,404	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:	17,348	17,348	0
- of limited availability	12	12	0

The additional inspection revealed a technical error in the note Contingent liabilities as at 31 December 2019.

The table below sets out the effect of changes:

	Corrected	Approved	
	Balance at	Balance at	Effect of changes
	31-12-2019	31-12-2019	
Bonds	508,375	508,375	0
Guarantees	24,530	24,530	0
Promissory notes	388,745	388,745	0

Mortgages	91,159	30,000	61,159
Pledges	18,016	18,016	0
Total	1,030,825	969,666	61,159

2.6.2.4. Applied accounting principles

These half-yearly financial statements for the six months ended 30 June 2020 have been prepared according to the same accounting principles and measurement methods as those used in the last annual financial statements of ZUE as at 31 December 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. 2.5.6.)

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. 2.5.14.)

Uncertainty over tax settlements (note no. 2.5.13.)

Revisions to estimates occurred in the reporting period with reference to construction contracts accounted for using percentage-of-completion method – the revision was influenced by the review of the construction contract budgets, which entailed a change in the planned revenues and expenses relating to the performed contracts. The said revisions did not have any material influence on the Company's performance in the reporting period.

3. Approval of the condensed consolidated and separate financial statements

These condensed consolidated and separate financial statements for the six months ended 30 June 2020 were approved for publication by the Management Board of ZUE on 18 August 2020.

Statement by the Management Board of ZUE

Preparation of half-yearly condensed consolidated and separate financial statements

On the basis of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing information required under the law of a non-member state as equivalent, the Management Board of ZUE state that according to their best knowledge, these half-yearly condensed consolidated and separate financial statements and the comparative information have

been prepared in accordance with applicable accounting principles binding on the Group and the Company and give a true and fair view of the economic and financial position and profit or loss of the Group and the Company.

4. Signatures

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant

Signatures of the management personnel:

Wiesław Nowak – Management Board President

Anna Mroczek – Management Board Vice-President

Jerzy Czeremuga – Management Board Vice-President

Maciej Nowak – Management Board Vice-President

Marcin Wiśniewski – Management Board Vice-President

Cracow, 18 August 2020