



**ZUE Capital Group**

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**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Prepared in Accordance with the International Financial Reporting Standards  
as Endorsed by the European Union**

**Cracow, 16 March 2020**

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Abbreviations and definitions:

ZUE, Company, Issuer, Parent Company	ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the ZUE Capital Group.
BPK Poznań	Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE.
Railway gft	Railway gft Polska Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000532311, share capital of PLN 300,000 paid up in full. Subsidiary of ZUE.
RTI	Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 260,000 paid up in full. Subsidiary of ZUE.
RTI Germany	Railway Technology International Germany GmbH in liquidation with registered office in Görlitz, Germany, entered into the German Register of Entrepreneurs ( <i>Handelsregister B, HRB</i> ) maintained by the District Court in Dresden ( <i>Amtsgericht Dresden</i> ) under entry number HRB 36690. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow.
ZUE Group, Group, Capital Group	ZUE Capital Group including at the end of the reporting period ZUE, BPK Poznań, Railway gft, RTI and RTI Germany.
PLN	Polish złoty.
EUR	Euro.
Act	Polish Companies Act (Journal of Laws of 2019, item 505, as amended).

Share capital details as at 31 December 2019.

## Selected financial information of the Capital Group

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

	Balance at 31-12-2019		Balance at 31-12-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Non-current assets	182,336	42,817	182,498	42,441
Current assets	372,301	87,425	447,064	103,968
<b>Total assets</b>	<b>554,637</b>	<b>130,242</b>	<b>629,562</b>	<b>146,409</b>
Equity	150,441	35,327	146,748	34,127
Non-current liabilities	53,318	12,520	36,402	8,466
Current liabilities	350,878	82,395	446,412	103,816
<b>Total equity and liabilities</b>	<b>554,637</b>	<b>130,242</b>	<b>629,562</b>	<b>146,409</b>

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

	Period ended 31-12-2019		Period ended 31-12-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Sales revenue	996,215	231,581	832,725	195,159
Cost of sales	968,268	225,084	888,763	208,292
<b>Gross profit (loss) on sales</b>	<b>27,947</b>	<b>6,497</b>	<b>-56,038</b>	<b>-13,133</b>
Operating profit (loss)	7,870	1,829	-77,890	-18,254
Gross profit (loss)	6,753	1,570	-77,304	-18,117
<b>Net profit (loss) from continuing operations</b>	<b>3,777</b>	<b>878</b>	<b>-62,585</b>	<b>-14,668</b>
Total comprehensive income	3,691	858	-62,660	-14,685

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

	Period ended 31-12-2019		Period ended 31-12-2018	
	PLN '000	EUR '000	PLN '000	EUR '000
Cash flows from operating activities	-53,530	-12,444	-22,180	-5,198
Cash flows from investing activities	-2,245	-522	-17,467	-4,094
Cash flows from financing activities	4,432	1,030	3,591	842
<b>Total net cash flows</b>	<b>-51,343</b>	<b>-11,936</b>	<b>-36,056</b>	<b>-8,450</b>
Cash at the beginning of the period	81,723	19,005	117,748	28,231
Cash at the end of the period	30,378	7,133	81,723	19,005

### Rules adopted to translate selected financial information into EUR:

Item	Exchange rate	Exchange rate on 31-12-2019	Exchange rate on 31-12-2018	Exchange rate on 31-12-2017
Items of assets, equity and liabilities	Mid exchange rate prevailing at the end of the reporting period	4.2585	4.3000	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	4.3018	4.2669	n/a
"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	4.2585	4.3000	4.1709

## Consolidated statement of comprehensive income

Continuing operations	Note no.	12 months ended	12 months ended
		31-12-2019	31-12-2018
Sales revenue	2.1.	996,215	832,725
Cost of sales	2.2.	968,268	888,763
<b>Gross profit (loss) on sales</b>		<b>27,947</b>	<b>-56,038</b>
General and administrative expenses	2.2.	21,173	21,891
Other operating income	2.3.	1,938	1,276
Other operating expenses	2.4.	842	1,237
<b>Operating profit (loss)</b>		<b>7,870</b>	<b>-77,890</b>
Financial income	2.5.	1,227	2,051
Financial expenses	2.6.	2,344	1,465
<b>Pre-tax profit (loss)</b>		<b>6,753</b>	<b>-77,304</b>
Corporate income tax	2.7.	2,976	-14,719
<b>Net profit (loss) from continuing operations</b>		<b>3,777</b>	<b>-62,585</b>
<b>Net profit (loss)</b>		<b>3,777</b>	<b>-62,585</b>
<b>Other net comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>		<b>-86</b>	<b>-75</b>
Actuarial gains (losses) relating to specific benefit schemes	2.8.	-86	-75
<b>Other total net comprehensive income</b>		<b>-86</b>	<b>-75</b>
<b>Total comprehensive income</b>		<b>3,691</b>	<b>-62,660</b>
Number of shares		23,030,083	23,030,083
<b>Consolidated net profit attributable to:</b>			
Shareholders of the parent		3,753	-62,794
Non-controlling interests		24	209
Net profit (loss) per share (PLN) attributable to shareholders of the parent (basic and diluted)	5.2.	0.16	-2.73
<b>Total comprehensive income attributable to:</b>			
Shareholders of the parent		3,667	-62,869
Non-controlling interests		24	209
Total comprehensive income per share (PLN)	5.2.	0.16	-2.73

## Consolidated statement of financial position

	Note no.	Balance at 31-12-2019	Restated Balance at 31-12-2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7.1.	56,525	104,700
Investment property	7.2.	5,877	5,265
Intangible assets	7.4.	1,521	8,616
Right-of-use assets	7.5.	57,092	0
Goodwill	7.6.	31,172	31,172
Retentions on construction contracts	3.2.	9,758	9,720
Deferred tax assets	2.7.	20,202	22,876
Other assets	7.9.	189	149
<b>Total non-current assets</b>		<b>182,336</b>	<b>182,498</b>
<b>Current assets</b>			
Inventories	7.11.	30,353	48,720
Trade and other receivables	4.1.	185,772	179,562
Measurement of long-term construction contracts	3.1.	111,893	114,910
Retentions on construction contracts	3.2.	3,057	3,021
Advance payments	3.4.	9,722	15,275
Current tax assets	2.7.	0	0
Advanced loans	7.10.	0	2,813
Other assets	7.9.	1,126	1,040
Cash and cash equivalents	6.5	30,378	81,723
<b>Total current assets</b>		<b>372,301</b>	<b>447,064</b>
<b>Total assets</b>		<b>554,637</b>	<b>629,562</b>

	Note no.	Balance at 31-12-2019	Restated Balance at 31-12-2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5.1.	5,758	5,758
Share premium account	5.3.	93,837	93,837
Treasury shares	5.4.	-2,690	-2,690
Retained earnings	5.5.	53,386	49,717
<b>Total equity attributable to shareholders of the parent company</b>		<b>150,291</b>	<b>146,622</b>
Equity attributable to non-controlling interests		150	126
<b>Total equity</b>		<b>150,441</b>	<b>146,748</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits	6.1.	13,333	0
Long-term lease liabilities	6.2.	12,450	14,815
Retentions on construction contracts	3.2.	12,946	11,371
Other financial liabilities	7.12.	0	70
Liabilities under employee benefits	7.13.	2,092	1,994
Deferred tax liabilities	2.7.	48	0
Long-term provisions	3.3.	12,449	8,152
<b>Total non-current liabilities</b>		<b>53,318</b>	<b>36,402</b>
<b>Current liabilities</b>			
Trade and other payables	4.2.	165,631	219,194
Accruals	3.5.	61,422	62,428
Measurement of long-term construction contracts	3.1.	4,584	7,047
Retentions on construction contracts	3.2.	19,807	8,312
Advance payments	3.4.	27,890	75,009
Short-term loans and bank credits	6.1.	15,983	7,907
Short-term lease liabilities	6.2.	10,016	13,001
Other financial liabilities	7.12.	106	316
Liabilities under employee benefits	7.13.	29,497	23,455
Current tax liabilities	2.7.	0	4
Short-term provisions	3.3.	15,942	29,739
<b>Total current liabilities</b>		<b>350,878</b>	<b>446,412</b>
<b>Total liabilities</b>		<b>404,196</b>	<b>482,814</b>
<b>Total equity and liabilities</b>		<b>554,637</b>	<b>629,562</b>

**Consolidated statement of changes in equity**

**Equity attributable to shareholders of the Group**

		Share capital	Share premium account	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent	Equity attributable to non-controlling interests	Total equity
<b>Balance at</b>	<b>1 January 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,717</b>	<b>146,622</b>	<b>126</b>	<b>146,748</b>
Change of interest in subsidiaries		0	0	0	0	0	0	0
Payment of dividend		0	0	0	0	0	0	0
Issue of shares		0	0	0	0	0	0	0
Issue costs		0	0	0	0	0	0	0
Buy-back of shares		0	0	0	0	0	0	0
Profit (loss)		0	0	0	3,753	3,753	24	3,777
Other net comprehensive income		0	0	0	-86	-86	0	-86
Other		0	0	0	2	2	0	2
<b>Balance at</b>	<b>31 December 2019</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>53,386</b>	<b>150,291</b>	<b>150</b>	<b>150,441</b>
<b>Balance at</b>	<b>1 January 2018</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>112,605</b>	<b>209,510</b>	<b>-91</b>	<b>209,419</b>
Change of interest in subsidiaries		0	0	0	-19	-19	8	-11
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	-62,794	-62,794	209	-62,585
Other net comprehensive income		0	0	0	-75	-75	0	-75
<b>Balance at</b>	<b>31 December 2018</b>	<b>5,758</b>	<b>93,837</b>	<b>-2,690</b>	<b>49,717</b>	<b>146,622</b>	<b>126</b>	<b>146,748</b>

**Consolidated statement of cash flows**

	<b>12 months ended</b>	<b>Restated 12 months ended</b>
	<b>31-12-2019</b>	<b>31-12-2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit / (loss) before tax</b>	<b>6,753</b>	<b>-77,304</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	13,170	10,907
Foreign exchange gains / (losses)	2	-42
Interest and share in profit (dividends)	1,617	811
(Gain) / loss on disposal of investments	-105	0
<b>Operating profit (loss) before changes in working capital</b>	<b>21,437</b>	<b>-65,628</b>
Change in receivables and retentions on construction contracts	-6,323	-70,876
Change in inventories	18,367	-20,782
Change in provisions and liabilities under employee benefits	-3,502	34,554
Change in payables and retentions on construction contracts	-41,189	112,584
Change in measurement of construction contracts	554	-34,379
Change in accruals	-1,006	27,318
Change in advance payments	-41,565	-5,138
Change in other assets	-86	56
Change in funds of limited availability	17	-5
Income tax paid / tax refund	-234	116
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-53,530</b>	<b>-22,180</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of property, plant and equipment and intangible assets	240	892
Purchase of property, plant and equipment and intangible assets	-5,357	-15,829
Sale / (purchase) of financial assets in related parties	-35	-58
Sale / (purchase) of financial assets from non-controlling shareholders	0	-11
Advanced loans	-17	-2,710
Repayment of advanced loans	2,721	0
Interest received	203	249
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-2,245</b>	<b>-17,467</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and bank credits received	62,124	19,970
Repayment of loans and bank credits	-40,797	-851
Decrease in lease liabilities	-15,552	-14,449
Lease interest paid	-875	-816
Other interest paid	-468	-263
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>4,432</b>	<b>3,591</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-51,343</b>	<b>-36,056</b>
Net foreign exchange gains / (losses)	-2	31
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>81,723</b>	<b>117,748</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>30,378</b>	<b>81,723</b>
- of limited availability	29	4

## Notes to the consolidated financial statements as at 31 December 2019

### 1. General information

#### 1.1. Governing bodies of the Parent Company

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

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

##### Management Board:

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

##### Supervisory Board:

Mariusz Szubra	Supervisory Board Chairperson
Barbara Nowak	Supervisory Board Vice-Chairperson
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. 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 votes/shares at 16 March 2020	% of the share capital / total number of votes	Number of shares/votes on the date of publication of the last interim report <sup>(1)</sup>	% of the share capital / total number of votes
Wiesław Nowak	14,400,320	62.53	14,400,320	62.53
MetLife OFE	1,400,000 <sup>(2)</sup>	6.08	1,400,000 <sup>(2)</sup>	6.08
PKO Bankowy OFE	1,500,000 <sup>(3)</sup>	6.51	1,500,000 <sup>(3)</sup>	6.51
NN Investment Partners TFI	1,671,345 <sup>(4)</sup>	7.26	1,671,345 <sup>(4)</sup>	7.26
Other	4,058,418 <sup>(5)</sup>	17.62	4,058,418 <sup>(5)</sup>	17.62
<b>Total</b>	<b>23,030,083</b>	<b>100</b>	<b>23,030,083</b>	<b>100</b>

(1) Publication of the last interim report (Consolidated report of the Group for the three quarters of 2019): 19 November 2019.

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

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

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

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

## 1.3. Composition of the Capital Group

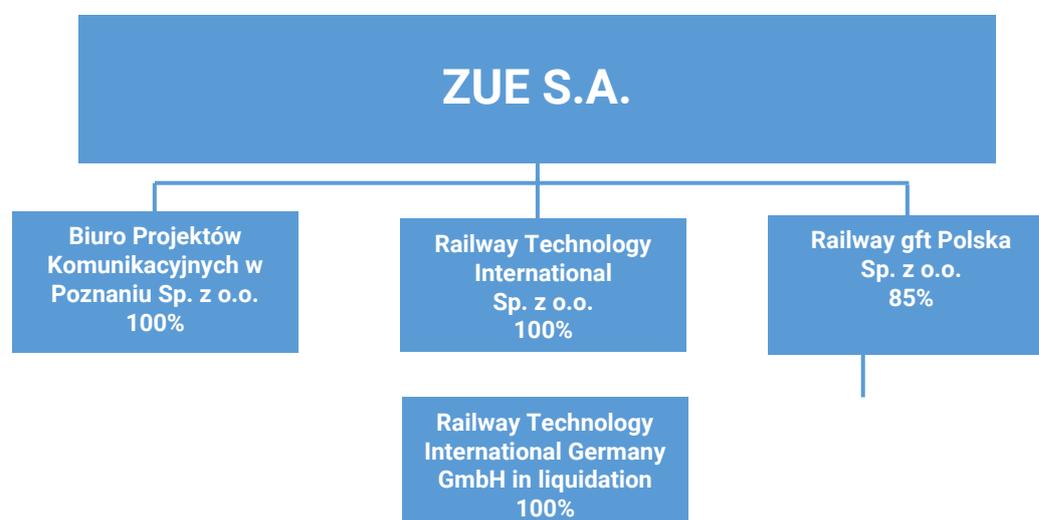
At the end of the reporting period, the Capital Group was composed of ZUE S.A. (the Parent Company), Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o., Railway Technology International Sp. z o.o., Railway gft Polska Sp. z o.o. and Railway Technology International Germany GmbH (indirect subsidiary).

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

The Company has been established on the basis of the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000135388.

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

**Structure of the Capital Group at the date of approval of the consolidated financial statements:**



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

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

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

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

The companies within the Capital Group have been incorporated for indefinite period. RTI Germany GmbH is in liquidation. The financial statements of the consolidated subsidiaries have been prepared for the same reporting period as the Parent Company using consistent accounting policies. The Parent Company and the subsidiaries use a calendar year as their financial year.

#### 1.4. Consolidated companies

Consolidated companies at 31 December 2019:

Company name	Registered office	Shares as at		Consolidation method
		31 December 2019	31 December 2018	
ZUE S.A.	Cracow	Parent company	Parent company	
Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o.	Poznań	100%	100%	Full
Railway gft Polska Sp. z o.o.	Cracow	85%	85%	Full

ZUE has the power to govern financial and operating policies of BPK Poznań and Railway gft because at 31 December 2019, it held a 100% and 85% interest, respectively, in the companies.

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

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

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

No changes in the Group's structure occurred between the beginning of 2019 and the date of approval of these financial statements.

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

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

## 1.6. Activities of the Capital Group

The Group operates in the three aggregate operating segments:

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

**Construction** activities include:

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

In 2019, the Group continued to provide rail and urban infrastructure construction services.

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

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

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

- Rails for railways, tramways and cranes; special profiles, light rails and narrow-gauge railway;
- Steel, wooden and pre-stressed concrete sleepers;
- Crossovers and crossover components;
- Accessories required to build tram and railway tracks;
- Aggregate;
- Special technologies: RHEDA 2000® slab tracks, RHEDA CITY C, RHEDA CITY GREEN tram systems, "Ypsylon" steel sleepers.

The financial information of operating segments is presented in the note 2.9.

## 1.7. Functional and reporting currency

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

## 2. Notes to the statement of comprehensive income

### 2.1. Revenue

	Year ended 31-12-2019	Year ended 31-12-2018
Revenue from construction contracts	921,713	755,514
Revenue from the rendering of services	18,139	14,581
Revenue from the sale of goods, raw and other materials	56,363	62,630
<b>Total</b>	<b>996,215</b>	<b>832,725</b>

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

The Group's sales revenue in the period 1 January – 31 December 2019 was PLN 996,215 thousand and increased year-on-year by 19.6%.

In 2019, the Group provided services in the territory of Poland. In addition, the Group earned the revenue of PLN 1,168 thousand from the sale of materials in Russia and Germany.

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

	Period ended	
	31-12-2019	31-12-2018
Counterparty A	608,235	558,380
Counterparty B	112,882	

### 2.2. Operating expenses

	Period ended 31-12-2019	Period ended 31-12-2018
Change in products	-236	119
Depreciation and amortization	13,170	10,907
Consumption of materials and energy, including:	268,804	365,719
- consumption of materials	261,297	357,878
- consumption of energy	7,507	7,841
Contracted services	502,816	358,855
Costs of employee benefits	114,737	93,896
Taxes and charges	1,537	1,778
Other expenses	26,319	12,196
Value of goods and materials sold	62,294	67,184
<b>Total</b>	<b>989,441</b>	<b>910,654</b>

	Period ended 31-12-2019	Period ended 31-12-2018
Cost of sales	968,268	888,763
General and administrative expenses	21,173	21,891
<b>Total</b>	<b>989,441</b>	<b>910,654</b>

The Group's general and administrative expenses in the period 1 January - 31 December 2019 amounted to PLN 21,173 thousand and decreased by 3.3% compared to the Group's general and administrative expenses in 2018.

#### Depreciation and amortisation

	<b>Period ended 31-12-2019</b>	<b>Period ended 31-12-2018</b>
Depreciation of property, plant and equipment	8,839	10,067
Depreciation of right-of-use assets	3,829	0
Amortisation of intangible assets	122	502
Depreciation of investments in real property	380	338
<b>Total</b>	<b>13,170</b>	<b>10,907</b>

### 2.3. Other operating income

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Gain on disposal of assets</b>	<b>105</b>	<b>138</b>
Gain on disposal of non-current assets	105	138
<b>Other operating income</b>	<b>1,833</b>	<b>1,138</b>
Damages and penalties	711	149
Release of allowances for receivables	684	50
Refund of the costs of court proceedings	210	597
Release of provisions for court cases	0	141
Release of write-downs of inventories	80	67
Other	148	134
<b>Total</b>	<b>1,938</b>	<b>1,276</b>

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

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

### 2.4. Other operating expenses

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Loss on disposal of assets</b>	<b>0</b>	<b>0</b>
Loss on disposal of non-current assets	0	0
<b>Other operating expenses</b>	<b>842</b>	<b>1,237</b>
Donations	38	28
Damages and penalties	0	312
Allowances for receivables	447	541
Costs of litigations	305	283
Write-downs of inventories	0	1
Other	52	72
<b>Total</b>	<b>842</b>	<b>1,237</b>

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

## 2.5. Financial income

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Interest income</b>	<b>459</b>	<b>776</b>
Interest on bank deposits	184	432
Interest on loans	33	107
Interest on receivables	242	237
<b>Other financial income</b>	<b>768</b>	<b>1,275</b>
Foreign exchange gains	0	3
Discount of long-term items	762	1,272
Other	6	0
<b>Total</b>	<b>1,227</b>	<b>2,051</b>

## 2.6. Financial expenses

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Interest expenses</b>	<b>1,843</b>	<b>1,189</b>
Interest on credits	382	263
Interest on loans	85	6
Interest on leases	1,127	816
Interest on factoring liabilities	86	0
Interest on trade and other payables	163	104
<b>Other financial expenses</b>	<b>501</b>	<b>276</b>
Foreign exchange losses	89	115
Discount of long-term items	60	39
Allowance for investments in related parties	35	58
Expenses relating to the costs of factoring	69	0
Commission expense	200	0
Other	48	64
<b>Total</b>	<b>2,344</b>	<b>1,465</b>

In 2019, Interest on leases includes the interest of PLN 413 thousand on disclosed leases following the implementation of IFRS 16.

## 2.7. Corporate income tax

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

	Period ended 31-12-2019	Period ended 31-12-2018
Current income tax	234	116
Deferred tax	2,742	-14,835
<b>Total tax expense/income</b>	<b>2,976</b>	<b>-14,719</b>

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

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

### Income tax according to effective interest rate

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Gross profit (loss)</b>	<b>6,753</b>	<b>-77,304</b>
Income tax at the applicable rate of 19%	1,283	-14,688
<b>Effect of tax recognition of:</b>	<b>-1,205</b>	<b>7,023</b>
- Use of tax losses of prior years	946	162
- Costs that are not tax-deductible under tax regulations and tax-deductible expenses that are not balance sheet expenses	-376	13,979
- Revenue not classified as revenue under tax regulations and taxable revenue that is not balance sheet revenue	-117	6,794
Revaluation of deferred tax assets (current year loss)	-78	7,781
Deferred tax	2,742	-14,835
Income tax adjustments	234	0
<b>Income tax according to effective tax rate</b>	<b>2,976</b>	<b>-14,719</b>
Effective tax rate	44%	19%

### Current tax assets and liabilities

	Balance at 31-12-2019	Balance at 31-12-2018
<b>Current tax assets</b>		
Tax refundable	0	0
<b>Current tax liabilities</b>		
Tax payable	0	4

## Deferred tax balance

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Deferred tax balance at the beginning of the period</b>	<b>22,876</b>	<b>8,024</b>
<b>Temporary differences relating to deferred tax assets:</b>	<b>39,760</b>	<b>40,658</b>
Provisions for expenses and accruals	18,277	20,309
Discount of receivables	168	261
Operating lease liabilities	2,454	1,493
Write-downs	1,327	1,494
Bonds and insurances accounted for over time	2,234	1,711
Tax work in progress	14,184	13,798
Measurement of long-term contracts	871	1,339
Other	245	253
<b>Temporary differences relating to deferred tax liabilities:</b>	<b>34,497</b>	<b>33,552</b>
Measurement of long-term contracts	21,260	21,964
Difference between the carrying and tax amount of property, plant and equipment and intangible assets	12,630	10,991
Discount of payables	602	560
Other	5	37
<b>Unused tax losses and other tax credits carried forward:</b>	<b>14,891</b>	<b>15,770</b>
Tax losses	14,891	15,770
<b>Total temporary differences relating to deferred tax assets:</b>	<b>54,651</b>	<b>56,428</b>
<b>Total temporary differences relating to deferred tax liabilities:</b>	<b>34,497</b>	<b>33,552</b>
<b>Deferred tax balance at the end of the period</b>	<b>20,154</b>	<b>22,876</b>
<b>Change in deferred tax, including:</b>	<b>-2,722</b>	<b>14,852</b>
- recognised in income	-2,742	14,835
- recognised in equity	20	17

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

## 2.8. Components of other comprehensive income

Components of other comprehensive income:

	Period ended 31-12-2019	Period ended 31-12-2018
Actuarial gains (losses) relating to specific benefit schemes	106	92
Deferred tax	-20	-17
<b>Amount recognised in other comprehensive income</b>	<b>86</b>	<b>75</b>

## 2.9. Operating segments

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

- Construction;

- Design; and
- Sales.

The segments jointly meet the following rules:

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

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

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

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

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

#### Operating segments results in 2019:

	Construction	Sales	Design	Exclusions	Total
<b>Sales revenue</b>	<b>934,899</b>	<b>64,686</b>	<b>11,949</b>	<b>-15,319</b>	<b>996,215</b>
including:					
Revenue from external customers	934,230	52,582	5,012	4,391	996,215
Inter-segment revenues	669	12,104	6,937	-19,710	0
including:					
Revenue from construction contracts	912,344	0	11,949	-2,580	921,713
Revenue from the provision of services	18,773	1	0	-635	18,139
Revenue from the sale of goods, raw and other materials	3,782	64,685	0	-12,104	56,363
<b>Gross profit</b>	<b>23,074</b>	<b>2,712</b>	<b>1,757</b>	<b>404</b>	<b>27,947</b>
Financial income / expenses	-381	-617	-141	22	-1,117
Interest received	196	133	0	-126	203
Interest paid	-992	-307	-44	0	-1,343
<b>Pre-tax profit</b>	<b>5,920</b>	<b>126</b>	<b>188</b>	<b>519</b>	<b>6,753</b>
Corporate income tax	2,785	45	48	98	2,976
<b>Net profit</b>	<b>3,135</b>	<b>81</b>	<b>140</b>	<b>421</b>	<b>3,777</b>
Depreciation and amortisation	13,011	9	166	-16	13,170
Property, plant and equipment	53,695	4	229	2,597	56,525
Non-current assets	181,634	434	1,193	-925	182,336
<b>Total assets</b>	<b>523,331</b>	<b>17,530</b>	<b>18,010</b>	<b>-4,234</b>	<b>554,637</b>
<b>Total liabilities</b>	<b>374,040</b>	<b>16,569</b>	<b>17,636</b>	<b>-4,049</b>	<b>404,196</b>

In 2019, the Group carried out the works in the territory of Poland. In addition, the Group earned the revenue of PLN 1,168 thousand from the sale of materials to Russia and Germany.

**Operating segments results in 2018:**

	<b>Construction</b>	<b>Sales</b>	<b>Design</b>	<b>Exclusions</b>	<b>Total</b>
<b>Sales revenue</b>	<b>763,757</b>	<b>71,800</b>	<b>14,499</b>	<b>-17,331</b>	<b>832,725</b>
including:					
Inter-segment revenues	763,182	60,056	6,071	3,416	832,725
Revenue from external customers	575	11,744	8,428	-20,747	0
including:					
Revenue from construction contracts	746,026	0	14,499	-5,011	755,514
Revenue from the provision of services	15,069	187	0	-675	14,581
Revenue from the sale of goods, raw and other materials	2,662	71,613	0	-11,645	62,630
<b>Gross profit</b>	<b>-62,035</b>	<b>3,758</b>	<b>1,999</b>	<b>240</b>	<b>-56,038</b>
Financial income / expenses	1,259	-537	-145	9	586
Interest received	247	15	0	-13	249
Interest paid	-813	-249	-17	0	-1,079
<b>Pre-tax profit</b>	<b>-78,714</b>	<b>1,061</b>	<b>18</b>	<b>331</b>	<b>-77,304</b>
Corporate income tax	-14,665	-116	0	62	-14,719
<b>Net profit</b>	<b>-64,049</b>	<b>1,177</b>	<b>18</b>	<b>269</b>	<b>-62,585</b>
Depreciation and amortisation	10,760	10	144	-7	10,907
Property, plant and equipment	101,815	4	173	2,708	104,700
Non-current assets	181,913	439	802	-656	182,498
<b>Total assets</b>	<b>596,618</b>	<b>27,933</b>	<b>17,248</b>	<b>-12,237</b>	<b>629,562</b>
<b>Total liabilities</b>	<b>450,376</b>	<b>27,055</b>	<b>17,015</b>	<b>-11,632</b>	<b>482,814</b>

In 2018, the Group operated in the territory of Poland. In addition, the Group earned the revenue of PLN 198 thousand from the provision of equipment services in the territory of Slovakia.

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

#### 3.1. Construction contracts

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

##### Selected balance sheet data

	Period ended 31-12-2019	Period ended 31-12-2018
Revenue from long-term construction contracts	887,542	725,877
Costs of long-term construction contracts*)	878,893	766,169
<b>Gross profit (loss) on long-term contracts</b>	<b>8,649</b>	<b>-40,292</b>

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

	Balance at 31-12-2019	Balance at 31-12-2018
<b>Assets (selected items)</b>	<b>134,472</b>	<b>142,968</b>
- Measurement of long-term construction contracts	111,893	114,910
- Advance payments made in connection with performed contracts	9,764	15,317
- Retentions on construction contracts retained by customers	12,815	12,741
<b>Liabilities (selected items)</b>	<b>154,363</b>	<b>201,236</b>
- Measurement of long-term construction contracts	4,584	7,047
- Provisions for contract costs	60,755	61,990
- Advance payments received in connection with performed contracts	27,887	75,007
- Retentions on construction contracts retained for suppliers	32,753	19,683
- Provisions for warranty claims	14,191	10,122
- Provisions for expected losses on contracts	14,193	27,387

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

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

Following the presentation changes in the consolidated statement of financial position, changes have also been made to the foregoing note relating to the comparative information discussed in the note 8.2.2.

#### 3.2. Retentions on construction contracts

	Balance at 31-12-2019	Balance at 31-12-2018
Retained by customers – to be repaid after 12 months	9,758	9,720
Retained by customers – to be repaid within 12 months	3,057	3,021
<b>Total retentions on construction contracts retained by customers</b>	<b>12,815</b>	<b>12,741</b>
Retained for suppliers – to be repaid after 12 months	12,946	11,371
Retained for suppliers – to be repaid within 12 months	19,807	8,312
<b>Total retentions on construction contracts retained for suppliers</b>	<b>32,753</b>	<b>19,683</b>

The construction contracts and work-for-hire contracts entered into by the Group provide for the obligation to provide performance bonds and defects liability bonds in the form of deposits or bonds issued by banks or insurance companies. If the term of a bond provided by a bank is longer than 37 months, the bank establishes

additional security in the form of cash deposit.

### Discount of long-term retentions

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Discount of long-term retentions on construction contracts retained by customers	872	1,359
Discount of long-term retentions on construction contracts retained for suppliers	1,501	1,494
	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Financial income on the discount of retentions	512	1,099
Financial expenses on the discount of retentions	18	18
Deferred tax	94	205
<b>Net effect on the statement of comprehensive income</b>	<b>400</b>	<b>876</b>

### Ageing analysis of past due retentions on construction contracts (nominal values before discount)

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Past due retentions on construction contracts:		
– up to 1 month	3	0
– 1 - 3 months	0	0
– 3 - 6 months	0	0
– 6 months - 1 year	0	0
– over 1 year	11	292
<b>Total past due retentions on construction contracts (gross)</b>	<b>14</b>	<b>292</b>
Write-downs	-11	-292
<b>Total past due retentions on construction contracts (net)</b>	<b>3</b>	<b>0</b>

### Discount rate

The effective discount rate in 2019 used for deposit discounting was 2.1% (2.8% in 2018).

### 3.3. Provisions

Provisions	01-01-2019	Created	Used	Released	Reclassified	31-12-2019	Item
<b>Long-term provisions:</b>	<b>10,146</b>	<b>5,816</b>	<b>357</b>	<b>2</b>	<b>-1,062</b>	<b>14,541</b>	
Provisions for employee benefits	1,994	217	0	2	-117	2,092	Liabilities under employee benefits (long-term)
Provisions for warranty claims	8,152	5,599	357	0	-945	12,449	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>44,187</b>	<b>24,201</b>	<b>14,918</b>	<b>18,993</b>	<b>1,062</b>	<b>35,539</b>	
Provisions for employee benefits	14,448	21,353	14,112	2,209	117	19,597	Liabilities under employee benefits (short-term)
Provisions for warranty claims	1,970	0	281	892	945	1,742	Short-term provisions
Provision for loss on contracts	27,387	2,622	0	15,816	0	14,193	Short-term provisions
Other provisions	382	226	525	76	0	7	Short-term provisions
<b>Total provisions:</b>	<b>54,333</b>	<b>30,017</b>	<b>15,275</b>	<b>18,995</b>	<b>0</b>	<b>50,080</b>	

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

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

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

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

The release of provisions for expected losses on contracts results from the greater progress of works on 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	01-01-2018	Created	Used	Released	Reclassified	31-12-2018	Item
<b>Long-term provisions:</b>	<b>7,644</b>	<b>3,841</b>	<b>308</b>	<b>222</b>	<b>-809</b>	<b>10,146</b>	
Provisions for employee benefits	1,888	231	1	4	-120	1,994	Liabilities under employee benefits (long-term)
Provisions for warranty claims	5,756	3,610	307	218	-689	8,152	Long-term provisions
Other provisions	0	0	0	0	0	0	Long-term provisions
<b>Short-term provisions:</b>	<b>14,426</b>	<b>45,767</b>	<b>13,385</b>	<b>3,430</b>	<b>809</b>	<b>44,187</b>	

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

### 3.4. Advance payments

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Advance payments transferred in connection with performed contracts	9,764	15,317
Other advance payments	4	4
Allowances for advance payments	-46	-46
<b>Total advance payments due</b>	<b>9,722</b>	<b>15,275</b>

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

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Advance payments received in connection with performed contracts	27,887	75,007
Other advance payments	2	2
<b>Total advance payments received</b>	<b>27,889</b>	<b>75,009</b>

Received advance payments are the prepayments received by the Group on the basis of contracts with PKP PLK to perform construction contracts.

### 3.5. Accruals

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Provisions for contract costs	60,755	61,990
Other accruals	667	438
<b>Total</b>	<b>61,422</b>	<b>62,428</b>

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

## 4. Trade and other receivables and payables

### 4.1. Trade and other receivables

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Trade receivables	200,544	192,693
Allowances for trade receivables in connection with the increase of credit risk	-18,889	-17,654

Allowances for trade receivables – initial for expected credit losses	-189	-119
Receivables from the state budget other than corporate income tax	0	383
Other receivables	4,306	4,259
<b>Total trade and other receivables</b>	<b>185,772</b>	<b>179,562</b>

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

Loss allowances in connection with the increase of credit risk of PLN 18,889 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 684 thousand and the recognition of allowances of PLN 447 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.

#### Ageing analysis of trade payables

	Balance at 31-12-2019	Balance at 31-12-2018
<b>Not past due receivables</b>	<b>179,660</b>	<b>168,080</b>
<b>Receivables that are past due but not impaired</b>	<b>1,995</b>	<b>6,959</b>
1-30 days	1,846	389
31-60 days	41	4,635
61-90 days	17	375
91-180 days	5	345
181-360 days	37	0
360 + days	49	1,215
<b>Past due receivables for which allowances were recognized</b>	<b>18,889</b>	<b>17,654</b>
1-30 days	333	1,841
31-60 days	158	182
61-90 days	0	35
91-180 days	623	1,359
181-360 days	1,567	1,033
360 + days	16,208	13,204
<b>Total trade receivables (gross)</b>	<b>200,544</b>	<b>192,693</b>
<b>Allowances for trade receivables</b>	<b>-18,889</b>	<b>-17,654</b>
<b>Total trade receivables (net)</b>	<b>181,655</b>	<b>175,039</b>

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

	Balance at 31-12-2019	Balance at 31-12-2018
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Counterparty A	149,831	147,395
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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.

#### 4.2. Trade and other payables

	Balance at 31-12-2019	Balance at 31-12-2018
Trade payables	148,615	188,156
Liabilities to the state budget other than corporate income tax	16,794	30,959
Other payables	222	79
<b>Total trade and other payables</b>	<b>165,631</b>	<b>291,194</b>

#### Ageing analysis of trade payables

	Balance at 31-12-2019	Balance at 31-12-2018
<b>Not past due payables</b>	<b>110,265</b>	<b>148,795</b>
<b>Past due payables</b>	<b>38,350</b>	<b>39,361</b>
1-30 days	37,912	39,084
31-60 days	163	68
61-90 days	2	148
91-180 days	4	0
181-360 days	227	2
360 + days	42	59
<b>Total trade payables</b>	<b>148,615</b>	<b>188,156</b>

## 5. Equity

### 5.1. Share capital

The amount of the registered share capital and the amount recognised in the consolidated financial statements as at 31 December 2019 was PLN 5,757,520.75.

#### Share capital as at 16 March 2020

(PLN)

Class / issue	Type of shares	Number of shares	Amount of class / issue at par value	Contribution	Registration date (Right to dividend from registration date)
Class A	Ordinary bearer shares	16,000,000	4,000,000.00	Contribution in kind	12 July 2002
Class B	Ordinary bearer shares	6,000,000	1,500,000.00	Fully paid up in cash by way of issue	19 October 2010
Class C	Bearer – “Merger shares”	1,030,083	257,520.75	Fully paid up in cash by way of issue	20 December 2013
<b>Total</b>		<b>23,030,083</b>	<b>5,757,520.75</b>		

Class A, B and C shares are not preferred and rights to the shares are not limited.

At 31 December 2019, the share capital structure was the same as at 16 March 2020.

### 5.2. Profit (loss) per share

(PLN)

	Period ended 31-12-2019	Period ended 31-12-2018
Basic profit (loss) per share	0.16	-2.73
Diluted profit (loss) per share	0.16	-2.73

#### Basic profit per share

Profit and weighted average number of ordinary shares used in the calculation of basic profit per share:

(PLN)

	Period ended 31-12-2019	Period ended 31-12-2018
Profit (loss) per share for the financial year	0.16	-2.73
<b>Total profit (loss) used in the calculation of basic profit per share</b>	<b>3,750,962.44</b>	<b>-62,794,527.79</b>
Weighted average number of ordinary shares used in the calculation of profit (loss) per share	23,030,083	23,030,083

Basic profit per share is calculated by dividing net profit for the period by weighted average number of shares for the period.

#### Diluted profit per share

There are no diluting instruments.

### 5.3. Share premium account

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Balance at the beginning of the year</b>	<b>93,837</b>	<b>93,837</b>
Share issue	0	0
Issue costs	0	0
<b>Balance at the end of the year</b>	<b>93,837</b>	<b>93,837</b>

ZUE raised cash of PLN 88.5m through the issue of shares on 1 October 2010. The costs of class B shares issue in 2010 amounted to PLN 3.1m.

The Company did not launch any new issue of shares in 2012 or 2011.

In 2013, the Company launched a new issue of class C shares. The *agio* generated by the Company on 6 December 2013 was PLN 9m. The costs of class C shares issue in 2013 amounted to PLN 0.5m. The Company did not launch any new issue of shares in 2014-2019.

### 5.4. Treasury shares

At the date of preparation of the consolidated financial statements, the Company held 264,652 treasury shares worth PLN 2,690 thousand. The shares were acquired by the Company from the employees of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., the company which merged with ZUE S.A., as part of the buy-back effected in 2015. The shares were bought back on the basis of the Resolution no. 4 passed by the Company's Extraordinary General Meeting on 8 December 2014 authorising the Management Board of ZUE S.A. to buy back own shares. The transaction was described in detail in note no. 25 of the consolidated financial statements for the year ended 31 December 2015.

### 5.5. Retained earnings

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Balance at the beginning of the year</b>	<b>49,717</b>	<b>112,605</b>
<b>Net profit distribution</b>	<b>-62,794</b>	<b>310</b>
Reserve funds	-23,359	310
Capital reserve	-39,435	0
Coverage of loss of prior years	0	0
<b>Profit (loss) of the current year</b>	<b>3,753</b>	<b>-62,794</b>
<b>Other net comprehensive income</b>	<b>-86</b>	<b>-75</b>
<b>Payment of dividend for the prior year</b>	<b>0</b>	<b>0</b>
Change of interest in subsidiaries	0	-19
Other	2	0
<b>Balance at the end of the year</b>	<b>53,386</b>	<b>49,717</b>

Retained earnings of prior years include the earnings retained at companies on the basis of the shareholders' decision and the effects of the implementation of IFRS.

Companies create a capital reserve according to the articles of association. A company's profit to be distributed in subsequent periods or used to cover special losses or other expenses may be allocated to capital reserve.

The Company's reserve funds meet the requirements of Art. 396 of the Act. According to the Act, reserve funds should be created so that a loss can be financed. At least 8% of profit for the financial year should be transferred to the reserve funds until the reserve funds reach at least one third of the share capital.

## 6. Debt and management of capital and liquidity

### 6.1. Loans and bank credits

	Balance at 31-12-2019	Balance at 31-12-2018
<b>Long-term</b>	<b>13,333</b>	<b>0</b>
Bank credits	0	0
Loans received	13,333	0
<b>Short-term</b>	<b>15,983</b>	<b>7,907</b>
Bank credits	9,053	7,651
Loans received	6,930	256
<b>Total</b>	<b>29,316</b>	<b>7,907</b>

#### Summary of credit agreements and loans

##### Balance at 31 December 2019

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 credit 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 credit facilities	170,000  170,000  20,000	  40,000	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	ON WIBOR	May 2020

						+ margin		
7	mBank S.A.	Working credit facility for contract prefinancing	1,800	0	896	1M WIBOR + margin	March 2020	
8	mBank S.A.	Working credit facility	5,000	0	5,000	1M WIBOR + margin	August 2020	
9	BNP Paribas Bank Polska S.A.	Revolving credit agreement	2,500	0	2,500	3M WIBOR + margin	May 2020	
10	Magdalena Lis	Loan agreement	263	0	263	3M WIBOR + margin	Unspecified	
<b>Total amount of available loans and credits</b>			<b>70,443</b>					
<b>Total debt under loans and credits</b>					<b>29,316</b>			
<b>Total use for bonds</b>					<b>52,621</b>			

(i) ZUE is able to use the limit for both working credit facility and bonds.

Types of security and liabilities under credit agreements:

1. **Overdraft** – promissory note.
2. **Master agreement:**
  - a) Mortgage;
  - b) Statement on submission to enforcement.
3. **Multipurpose credit line agreement:**
  - a) Promissory note;
  - b) Cash deposit for the bonds expiring after 37 months;
  - c) Security deposit of PLN 4,000 thousand;
  - d) Registered pledge on non-current assets owned by the borrower;
  - e) Assignment of rights under policy;
  - f) Statement on submission to enforcement.
4. **Loan agreement:**
  - a) Mortgage;
  - b) Registered pledge;
  - c) Assignment of rights under insurance policy;
  - d) Assignment of claims under contracts.
5. **Multipurpose credit line:**
  - a) Blank promissory note;
  - b) Statement on submission to enforcement.
6. **Overdraft:**
  - a) Blank promissory note;
  - b) ZUE's guarantees.
7. **Working credit facility for contract prefinancing:**
  - a) Blank promissory note;
  - b) ZUE's guarantees;
  - c) Assignment of claims.
8. **Revolving credit:**
  - a) ZUE's guarantee;
  - b) Registered pledge on inventories;
  - c) Blank promissory note;
  - d) Statement on submission to enforcement;
  - e) Assignment of rights under insurance policy.
9. **Revolving credit agreement:**
  - a) Promissory note;
  - b) Statement on submission to enforcement.

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

- mBank – Overdraft (item 1) – the credit was extended for another term under the Annex of 27 June 2019.
- mBank – Master Agreement (item 2) - the sublimit for working credit facility was raised to PLN 40,000 thousand and the agreement name was changed to Master Agreement under the Annex of 21 February 2019.
- BNP Paribas – Multipurpose Credit Line Agreement (item 3) – the limit was provided by the bank to be used by 31 January 2020.
- Agencja Rozwoju Przemysłu (item 4) – on 19 November 2019, the Company signed the new Loan Agreement of up to PLN 20,000 thousand. The loan would be used to finance day-to-day operations.
- mBank – Overdraft (item 6) - the credit was extended for another term under the Annex of 3 June 2019.
- mBank – Working credit facility for contract prefinancing (item 7) – the principal was reduced to PLN 1,800 thousand and the repayment date was extended until 20 March 2020 under the Annex of 24 June 2019.
- mBank – Revolving credit (item 8) – the credit was extended for another term under the Annex of 22 August 2019.
- BNP Paribas BANK (item 9) – the limit will expire. The Annex of 16 December 2019 contains the limit reduction and debt repayment schedule. The debt will be repaid in full on 15 May 2020.

After the end of the reporting period:

- On 28 January 2020, the Company and BNP Paribas signed an annex to the Multipurpose Credit Line Agreement (item 3) 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 bond.
- On 5 February 2020, the debt under the multipurpose credit line with BNP Paribas Bank (item 5) was repaid in full and the limit expired.

**Comparative information:**

No.	Bank	Description	Principal/limit according to the agreement as at 31-12-2018	Use as at 31-12-2018	Interest	Repayment date
1	mBank S.A. (i)	Overdraft	10,000	0	O/N WIBOR + margin	10-05-2019
2	mBank S.A.	Cooperation agreement	50,000	0	1M WIBOR + margin	17-07-2020
		including:				
		sublimit for bonds	50,000	0		
		sublimit for working credit facilities	30,000	0		
3	BGŻ BNP PARIBAS S.A.	Multipurpose credit line agreement	170,000	<b>104,508</b>	1M WIBOR + margin	24-10-2019
		including:				
		sublimit for bonds	170,000	104,508		
		sublimit for working credit facilities	20,000	0		
4	BGŻ BNP Paribas S.A. (iv)	Multipurpose credit line	600	<b>313</b>	1M WIBOR + margin	05-11-2019
5	mBank S.A. (iii)	Overdraft	500	<b>496</b>	O/N WIBOR + margin	07-06-2019
6	mBank S.A. (ii)	Working credit facility for contract prefinancing	2,000	<b>842</b>	1M WIBOR + margin	25-11-2019
7	mBank S.A.	Revolving credit	5,000	<b>5,000</b>	1M WIBOR + margin	23-08-2019
8	BGŻ BNP Paribas S.A.	Revolving credit agreement	4,000	<b>1,000</b>	3M WIBOR + margin	06-08-2019
9	Magdalena Lis	Loan agreement	<b>256</b>	<b>256</b>	3M WIBOR + margin	Indefinite
<b>Total use of credits at the Group</b>				<b>7,907</b>		
<b>Total use of bonds at the Group</b>				<b>104,508</b>		

## 6.2. Leases

### Lease liabilities

	Balance at 31-12-2019	Balance at 31-12-2018
Long-term lease liabilities	12,450	14,815
Short-term lease liabilities	10,016	13,001
<b>Total</b>	<b>22,466</b>	<b>27,816</b>

The increase in lease liabilities following the implementation of IFRS 16 as at 1 January 2019 amounted to PLN 7,951 thousand. Note 8.1.5 contains the details.

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

	Minimum lease payments		Present value of minimum lease payments	
	Balance at 31-12-2019	Balance at 31-12-2018	Balance at 31-12-2019	Balance at 31-12-2018
Not later than one year	10,738	13,698	10,016	13,001
Later than one year and not later than five years	8,667	15,265	7,192	14,815
Later than five years	19,553	0	5,258	0
Less: future finance charges	-16,492	-1,147	0	0
<b>Present value of minimum lease payments</b>	<b>22,466</b>	<b>27,816</b>	<b>22,466</b>	<b>27,816</b>

### 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

	Period ended 31-12-2019
Short-term lease	3,693
Low value asset lease	69
<b>Total</b>	<b>3,762</b>

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 from 1 January 2019, which were treated as short-term leases; and
2. Not to recognise leases where the underlying asset has a low value; i.e. PLN 20 thousand.

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

No.	Note	Amount
2.2	Depreciation and amortisation	3,829
2.6	Financial expenses – interest on leases	1,127
6.2	Leases – lease liabilities	22,466
6.2	Leases – short-term and low value leases	3,762
7.2	Right-of-use assets	57,092

### 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.

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Long- and short-term loans and bank credits	29,316	7,907
Long- and short-term lease liabilities	22,466	27,816
Long- and short-term other financial liabilities	106	386
<b>Total financial liabilities</b>	<b>51,888</b>	<b>36,109</b>
Cash and cash equivalents	30,378	81,723
<b>Net debt</b>	<b>21,510</b>	<b>-45,614</b>
Equity	150,441	146,748
<b>Net debt to equity ratio</b>	<b>14.30%</b>	<b>-31.08%</b>

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

#### Changes in liabilities resulting from financing activities

Item	01-01-2019	OB adjustment	Balance at 1 Jan 2019 after OB adjustment	Cash flows (change)	Change on gain/loss of control	Change on foreign exchange gains/losses	Change on conclusion of new leases	Reclassification	31-12-2019
Long-term loans and bank credits	0	0	0	13,333	0	0	0	0	13,333
Long-term lease liabilities	14,815	6,465	21,280	0	0	0	649	-9,479	12,450
Long-term other financial liabilities	70	0	70	0	0	0	0	-70	0
Short-term loans and bank credits	7,907	0	7,907	8,076	0	0	0	0	15,983
Short-term lease liabilities	13,001	1,485	14,486	-15,271	0	0	1,322	9,479	10,016
Short-term other financial liabilities	316	0	316	-280	0	0	0	70	106
<b>Total financing liabilities</b>	<b>36,109</b>	<b>7,950</b>	<b>44,059</b>	<b>5,858</b>	<b>0</b>	<b>0</b>	<b>1,971</b>	<b>0</b>	<b>51,888</b>

### 6.4. Financial risk management

The main financial instruments used by the Group include:

- Leases;

- Credits;
- Receivables factoring;
- Loan to finance day-to-day operations;
- Trade and other receivables and payables as well as cash and short-term deposits arising during the course of the Group's operations.

The Group's operations expose it to different financial risks including foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Management Board verify these risks and define the rules governing the management thereof.

#### Foreign exchange risk

As part of its operations, the Group makes settlements in foreign currencies, mainly in EUR. The foreign exchange risk is mainly hedged by concluding contracts with counterparties whereby the risk is transferred to them. If this is not possible, currency exposure (if relevant) is hedged on the financial market using currency futures.

#### Foreign exchange risk – sensitivity to changes

To analyse the sensitivity to exchange rate changes, the reasonably possible change in foreign exchange rates was assessed, on the basis of historical changes and the Group's experience and knowledge of financial markets, at -5% / +5% for EUR/PLN exchange rate as at 31 December 2019.

The following table presents the sensitivity of the profit or loss of the period to reasonably possible changes in foreign exchange rates assuming that other factors remain unchanged (the effect on the profit or loss of the year and net assets is identical).

	Currency	Nominal value at the end of the reporting period	Sensitivity to changes at 31 December 2019	
			Depreciation of PLN	Appreciation of other currencies
			+5%	-5%
Cash	EUR	1,751	88	-88
	USD	148	7	-7
	HRK	1	0	0
Trade and other payables	EUR	3,405	-170	170
Trade and other receivables	EUR	2,366	118	-118
<b>Gross effect on profit or loss of the period and net assets</b>			<b>43</b>	<b>-43</b>
Deferred tax			-8	8
<b>Total</b>			<b>35</b>	<b>-35</b>

The Group had no hedging currency futures at 31 December 2019 or 31 December 2018.

#### Interest rate risk

The Group is exposed to interest rate risk mainly because it uses such instruments as leases and multi-purpose lines of credit. These financial instruments are based on variable interest rates and expose the Group to the risk of cash flow fluctuations.

#### Interest rate risk – sensitivity to changes

To analyse the sensitivity to interest rate changes, the reasonably possible change in interest rates was assessed, on the basis of historical changes and the Group's experience and knowledge of financial markets, at -1 / +1 pp at 31 December 2019. A parallel shift of interest rate curve was assumed for the purpose of calculating the sensitivity to change in interest rates.

The following table sets out the effect on the profit or loss of the period and net assets as at 31 December 2019.

	Amount at the end of the reporting period	Balance at 31-12-2019	
		+100 bp	-100 bp
Long-term retentions on construction contracts (discount):			
– recognised in assets (present value)	9,758	-380	403
– recognised in liabilities (present value)	12,946	-638	686
Cash at banks	30,378	304	-304
Advanced loans	0	0	0
Bank credits and loans	29,316	-293	293
Lease liabilities	22,46	-225	225
<b>Gross effect on profit or loss of the period and net assets</b>		<b>-1,232</b>	<b>1,303</b>
Deferred tax		234	-248
<b>Total</b>		<b>-999</b>	<b>1,055</b>

### Price risk

The Group is exposed to price risk relating to the increase in prices of the most popular products and raw materials such as concrete, aggregates, steel elements (including HV tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact wires) and, given a big number of machines, liquid fuels (including diesel oil and petrol).

Changes in prices of materials or labour costs may contribute to a change in service fees charged by subcontractors. Prices contained in contracts with investors remain fixed throughout the term of such contracts (usually from 6 to 36 months). However, contracts with subcontractors may be concluded at later dates as the works progress.

The Group protects itself against the price risk by signing master agreements for the supply of strategic materials.

### Credit risk

The Group cooperates, as part of both financial and equity transactions, with highly credible financial institutions and aims to reduce the concentration of credit risk.

The Group's financial assets exposed to increased credit risk include trade receivables (excluding receivables from contracting authorities (investors) in connection with the projects carried out pursuant to the Public Procurement Act). A contract-related credit risk is assessed and verified by the Group both at the stage of tender submission and at the stage of project execution.

Before a contract is signed, each counterparty is assessed in terms of their ability to fulfil their financial obligations. If the assessment is negative, signing of the contract is conditional at least on the provision of proper security on property or financial security. In addition, the Group tries to make sure that contracts with investors provide for the right to stop the works if the payment for the services already performed is delayed. If possible, contracts provide for the Group's ability to pay its subcontractors after the Group has been paid by an investor.

The nature of construction activities requires the Group to use a considerable part of its working capital to perform the contracts due to their relatively high value and a long time of their performance. Accordingly, a failure of the Group's customers to timely settle their liabilities to the Group directly influences the Group's financial results.

### Liquidity risk

The Group reduces liquidity risk by keeping sufficient cash and concluding multi-purpose credit line agreements which serve as an additional safeguard against the loss of liquidity. The Group uses own resources, credits and long-term finance lease agreements to finance capital expenditures and to ensure a stable financing structure for such type of assets.

Liquidity management is supported by the system of reporting cash flow forecasts.

The maturity structure for financial liabilities is set out in Note 7.14 – Financial instruments.

## 6.5. Cash and cash equivalents

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Cash on hand and at banks	30,378	81,723
Bank deposits up to three months	0	0
<b>TOTAL</b>	<b>30,378</b>	<b>81,723</b>

The cash decreased at the end of 2019 after it had been used to conduct operating activities.

The cash does not include the cash on escrow accounts attributable to consortium members. The Group believes that the cash does not meet the definition of an asset and is not presented in the balance sheet. As at 31 December 2018, the cash kept on escrow accounts maintained by ZUE amounted to PLN 2,962 thousand. As at 31 December 2019, there was no cash attributable to consortium members on escrow accounts.

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

The Group's cash flows from operating activities were mainly influenced by changes in payables, advance payments and inventories.

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

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

	<b>Period ended 31-12-2019</b>		<b>Period ended 31-12-2018</b>	
	<b>PLN '000</b>	<b>EUR '000</b>	<b>PLN '000</b>	<b>EUR '000</b>
Cash flows from operating activities	-53,530	-12,444	-22,180	-5,198
Cash flows from investing activities	-2,245	-522	-17,467	-4,094
Cash flows from financing activities	4,432	1,030	3,591	842
<b>Total net cash flows</b>	<b>-51,343</b>	<b>-11,936</b>	<b>-36,056</b>	<b>-8,450</b>
Cash at the beginning of the period	81,723	19,005	117,748	28,231
Cash at the end of the period	30,378	7,133	81,723	19,005

## 7. Other notes to the financial statements

### 7.1. Property, plant and equipment

Gross value	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2019</b>	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
<b>Balance at 1 January 2019 after OB adjustment</b>	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
<b>Balance at 31 December 2019</b>	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
<b>Balance at 1 January 2019</b>	0	8,716	23,084	28,227	1,882	61,909	0	0	61,909
Opening balance adjustment	0	0	-1,964	-1,946	0	-3,910	0	0	-3,910
<b>Balance at 1 January 2019 after OB adjustment</b>	0	8,716	21,120	26,281	1,882	57,999	0	0	57,999

(in PLN '000, unless otherwise provided)

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

\*Purchase at the end of the lease.

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

As at 31 December 2019, the amount of net liabilities incurred to purchase property, plant and equipment was PLN 1,043 thousand. As at 31 December 2019, the gross carrying amount of fully depreciated property, plant and equipment still used by the Group was PLN 17,183 thousand.

The item Opening balance adjustment results from the implementation of IFRS 16.

#### Assets pledged as security

The types of security for the bank agreements concerning property, plant and equipment are discussed in the note 7.20.

#### Comparative information:

Property, plant and equipment		Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Gross value</b>	<b>1 January 2018</b>	<b>0</b>	<b>26,162</b>	<b>46,839</b>	<b>67,387</b>	<b>2,271</b>	<b>142,659</b>	<b>3,202</b>	<b>3,705</b>	<b>149,566</b>
Additions		0	47	7,389	19,539	116	27,091	10,747	945	38,783
Presentation adjustment		0	11	0	-11	0	0	0	0	0

Transfer to non-current assets	0	0	0	0	0	0	13,647	4,650	18,297
Sale/liquidation	0	0	2,167	1,180	96	3,443	0	0	3,443
<b>Balance at 31 December 2018</b>	<b>0</b>	<b>26,220</b>	<b>52,061</b>	<b>85,735</b>	<b>2,291</b>	<b>166,307</b>	<b>302</b>	<b>0</b>	<b>166,609</b>

Depreciation	Freehold land	Buildings	Plant and equipment	Vehicles	Other	Total non-current assets	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at 1 January 2018</b>	<b>0</b>	<b>7,768</b>	<b>21,513</b>	<b>23,408</b>	<b>1,854</b>	<b>54,543</b>	<b>0</b>	<b>0</b>	<b>54,543</b>
Elimination on disposal of assets	0	0	1,668	938	95	2,701	0	0	2,701
Depreciation expense	0	948	3,239	5,757	123	10,067	0	0	10,067
<b>Balance at 31 December 2018</b>	<b>0</b>	<b>8,716</b>	<b>23,084</b>	<b>28,227</b>	<b>1,882</b>	<b>61,909</b>	<b>0</b>	<b>0</b>	<b>61,909</b>

#### Carrying amount

<b>Balance at 1 January 2018</b>	<b>0</b>	<b>18,394</b>	<b>25,326</b>	<b>43,979</b>	<b>417</b>	<b>88,116</b>	<b>3,202</b>	<b>3,705</b>	<b>95,023</b>
<b>Balance at 31 December 2018</b>	<b>0</b>	<b>17,504</b>	<b>28,977</b>	<b>57,508</b>	<b>409</b>	<b>104,398</b>	<b>302</b>	<b>0</b>	<b>104,700</b>

## 7.2. Investment property

Gross value	Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL
<b>Balance at 1 January 2019</b>	<b>126</b>	<b>4,251</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,971</b>
Opening balance adjustment	0	992	0	0	0	0	992
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>
Additions	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0
Sale/liquidation	0	0	0	0	0	0	0

<b>Balance at 31 December 2019</b>	<b>126</b>	<b>5,243</b>	<b>4,594</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,963</b>
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<b>Depreciation</b>	<b>Freehold land</b>	<b>Leasehold</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>TOTAL</b>
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>1,656</b>	<b>2,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,706</b>
Opening balance adjustment	0	0	0	0	0	0	0
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>1,656</b>	<b>2,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,706</b>
Elimination on disposal of assets	0	0	0	0	0	0	0
Depreciation expense	0	87	293	0	0	0	380
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>1,743</b>	<b>2,343</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,086</b>
<b>Carrying amount</b>							
<b>Balance at 1 January 2019</b>	<b>126</b>	<b>2,595</b>	<b>2,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,265</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>126</b>	<b>3,587</b>	<b>2,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,257</b>
<b>Balance at 31 December 2019</b>	<b>126</b>	<b>3,500</b>	<b>2,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,877</b>

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

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

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

The item Opening balance adjustment results from the implementation of IFRS 16.

The investment property was measured at purchase price less impairment losses. No revenue from the lease of investment property was generated by the Group in 2019 or 2018. Operating expenses relating to the investment property amounted to PLN 459 thousand (PLN 528 thousand in 2018).

**Assets pledged as security**

The types of security for the bank agreements concerning investment property are discussed in the note 7.20.

**Comparative information:**

Gross value		Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at</b>	<b>1 January 2018</b>	126	4,251	4,582	0	0	0	8,959	0	0	8,959
Additions		0	0	12	0	0	0	12	0	0	12
Impairment		0	0	0	0	0	0	0	0	0	0
Sale/liquidation		0	0	0	0	0	0	0	0	0	0
<b>Balance at</b>	<b>31 December 2018</b>	126	4,251	4,594	0	0	0	8,971	0	0	8,971
Depreciation		Freehold land	Leasehold	Buildings	Plant and equipment	Vehicles	Other	TOTAL	Non-current assets under construction	Prepaid non-current assets under construction	TOTAL
<b>Balance at</b>	<b>1 January 2018</b>	0	1,490	1,878	0	0	0	3,368	0	0	3,368
Elimination on disposal of assets		0	0	0	0	0	0	0	0,00	0	0
Depreciation expense		0	166	172	0	0	0	338	0	0	338
<b>Balance at</b>	<b>31 December 2018</b>	0	1,656	2,050	0	0	0	3,706	0	0	3,706
<b>Carrying amount</b>											
<b>Balance at</b>	<b>1 January 2018</b>	126	2,761	2,704	0	0	0	5,591	0	0	5,591
<b>Balance at</b>	<b>31 December 2018</b>	126	2,595	2,544	0	0	0	5,265	0	0	5,265

### 7.3. Non-current assets held for sale

No non-current assets held for sale were held by the Group at 31 December 2019 or 31 December 2018.

### 7.4. Intangible assets

#### Structure of intangible assets

	Balance at 31-12-2019	Balance at 31-12-2018
<b>Acquired concessions, patents, licenses and similar assets, including:</b>	<b>1,521</b>	<b>224</b>
- Software	1,521	224
<b>Other intangible assets, including:</b>	<b>0</b>	<b>8,392</b>
- Leasehold	0	8,392
<b>Total</b>	<b>1,521</b>	<b>8,616</b>

#### Movements in intangible assets:

	Leasehold	Other intangible assets – software	Total
<b>Gross value</b>			
<b>Balance at 1 January 2019</b>	<b>9,341</b>	<b>4,566</b>	<b>13,907</b>
<b>OB adjustment</b>	<b>-9,341</b>	<b>0</b>	<b>-9,341</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>4,566</b>	<b>4,566</b>
Additions	0	1,427	1,427
Sale/liquidation	0	57	57
Adjustment	0	-131	-131
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>5,805</b>	<b>5,805</b>
<b>Amortisation and impairment</b>			
<b>Balance at 1 January 2019</b>	<b>949</b>	<b>4,342</b>	<b>5,291</b>
<b>OB adjustment</b>	<b>-949</b>	<b>0</b>	<b>-949</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>4,342</b>	<b>4,342</b>
Amortisation expense	0	122	122
Sale/liquidation	0	57	57
Adjustment	0	-123	-123
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>4,284</b>	<b>4,284</b>
<b>Carrying amount</b>			
<b>Balance at 1 January 2019</b>	<b>8,392</b>	<b>224</b>	<b>8,616</b>
<b>Balance at 1 January 2019 after OB adjustment</b>	<b>0</b>	<b>224</b>	<b>224</b>
<b>Balance at 31 December 2019</b>	<b>0</b>	<b>1,521</b>	<b>1,521</b>

**Comparative information:**

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

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

The item Opening balance adjustment results from the implementation of IFRS 16.

## 7.5. Right-of-use assets

Gross value	Freehold land	Leasehold land	Buildings	Plant and equipment	Vehicles	Other	Total right-of-use assets	Right-of-use assets under construction	Prepaid right-of-use assets under construction	TOTAL
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening balance adjustment	812	13,835	932	19,475	36,699	0	71,753	0	0	71,753
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>13,835</b>	<b>932</b>	<b>19,475</b>	<b>36,699</b>	<b>0</b>	<b>71,753</b>	<b>0</b>	<b>0</b>	<b>71,753</b>
Conclusion of new contracts	510	0	406	4	995	0	1,915	0	0	1,915
Changes resulting from the amendments to contracts	-17	0	0	0	-24	0	-41	0	0	-41
Reclassification – right of use*	0	0	0	-3,887	-3,813	0	-7,700	0	0	-7,700
Changes resulting from the shortening of contracts	-66	0	-181	0	0	0	-247	0	0	-247
Adjustment	0	9	0	0	0	0	9	0	0	9
<b>Balance at 31 December 2019</b>	<b>1,239</b>	<b>13,844</b>	<b>1,157</b>	<b>15,592</b>	<b>33,857</b>	<b>0</b>	<b>65,689</b>	<b>0</b>	<b>0</b>	<b>65,689</b>

<b>Depreciation</b>	<b>Freehold land</b>	<b>Leasehold land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total right-of-use assets</b>	<b>Right-of-use assets under construction</b>	<b>Prepaid right-of-use assets under construction</b>	<b>TOTAL</b>
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening balance adjustment	0	948	0	1,964	1,947	0	4,859	0	0	4,859
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>0</b>	<b>948</b>	<b>0</b>	<b>1,964</b>	<b>1,947</b>	<b>0</b>	<b>4,859</b>	<b>0</b>	<b>0</b>	<b>4,859</b>
Depreciation expense	570	180	674	917	2,430	0	4,771	0	0	4,771
Reclassification – right of use* - depreciation expense	0	0	0	-599	-343	0	-942	0	0	-942
Elimination on the shortening of contract	35	0	56	0	0	0	91	0	0	91
<b>Balance at 31 December 2019</b>	<b>535</b>	<b>1,128</b>	<b>618</b>	<b>2,282</b>	<b>4,034</b>	<b>0</b>	<b>8,597</b>	<b>0</b>	<b>0</b>	<b>8,597</b>
<b>Carrying amount</b>										
<b>Balance at 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance at 1 January 2019 after opening balance adjustment</b>	<b>812</b>	<b>12,887</b>	<b>932</b>	<b>17,511</b>	<b>34,752</b>	<b>0</b>	<b>66,894</b>	<b>0</b>	<b>0</b>	<b>66,894</b>
<b>Balance at 31 December 2019</b>	<b>704</b>	<b>12,716</b>	<b>539</b>	<b>13,310</b>	<b>29,823</b>	<b>0</b>	<b>57,092</b>	<b>0</b>	<b>0</b>	<b>57,092</b>

\*Purchase at the end of the lease.

The item Opening balance adjustment results from the implementation of IFRS 16.

#### **Assets pledged as security**

The Group's lease liabilities (note 6.2.) are secured with the lessor's title to the leased assets (vehicles, machines and equipment).

## 7.6. Goodwill

The goodwill of PRK is the result of the acquisition of 85% of PRK shares and the control gained in 2010. The acquisition of PRK was settled on the basis of the information contained in the separate financial statements of PRK as at 31 December 2009 and was recognised for the first time in the Financial Statements of the Capital Group in 2010.

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

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

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

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

<b>At cost</b>	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Goodwill of PRK	31,172	31,172
Goodwill of BPK Poznań	1,474	1,474
Impairment losses (BPK Poznań)	-1,474	-1,474
<b>Balance at the end of the reporting period</b>	<b>31,172</b>	<b>31,172</b>

### Annual goodwill impairment test

The test was carried out using the FCFF approach in a five-year time horizon. According to the Group's principles, the recoverable amount of an asset generating funds was measured at use value.

The recoverable amount was determined using the discounted future cash flows method. The rate of average weighted cost of capital including projected structure and the cost of financing, and the market risks were at 8.3%.

After it had considered external circumstances influencing a long-term market capitalization of the Company below the carrying amount, the Group carried out tests for the impairment of the Company's assets as at 31 December 2019.

The impairment tests carried out at 31 December 2019 according to *IAS 36 Impairment of Assets* revealed no risk to the loss of the carrying amount of the Company's assets.

### Sensitivity to changes in assumptions

If the useful value of an asset generating cash is estimated, the management personnel is convinced that no reasonably possible change to any key assumption will cause the carrying amount of the said asset to substantially exceed its recoverable value.

## 7.7. Investments in subordinates

At the end of the reporting period, ZUE holds 100% of shares in Railway Technology International Sp. z o.o. of Cracow. The subsidiary is not operating. RTI holds a 100% interest in Railway Technology International Germany GmbH of Görlitz, Germany, whose core business consists of winning and executing international projects. The scope of the companies' operation is limited.

Company name	Core business	Registered office and principal place of business	Interests %		Value at historical cost	
			Balance at 31-12-2019	Balance at 31-12-2018	Balance at 31-12-2019	Balance at 31-12-2018
Railway Technology International Sp. z o.o.	Holding activities	Cracow	100%	100%	211	176
<b>Total investments in subordinates</b>					<b>211</b>	<b>176</b>

Allowances for shares of RTI (cumulative)	211	176
<b>Total investments in subordinates net of allowances</b>	<b>0</b>	<b>0</b>

### 7.8. Other financial assets

No other financial assets were held by the Group at 31 December 2019 or 31 December 2018.

### 7.9. Other assets

	Current		Non-current	
	Balance at 31-12-2019	Balance at 31-12-2018	Balance at 31-12-2019	Balance at 31-12-2018
Prepayments	1,117	1,029	189	149
Other receivables	9	11	0	0
<b>Total</b>	<b>1,126</b>	<b>1,040</b>	<b>189</b>	<b>149</b>

Short-term prepayments mainly include such items as property insurance and defects liability bonds settled over time.

### 7.10. Advanced loans

	Balance at 31-12-2019	Balance at 31-12-2018
Loans advanced to related parties	76	80
Loans advanced to third parties	285	3,080
Impairment losses	-361	-347
<b>Total</b>	<b>0</b>	<b>2,813</b>

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

### 7.11. Inventories

	Balance at 31-12-2019	Balance at 31-12-2018
Goods, raw and other materials	29,542	47,987
Work-in-progress	612	534
Finished goods	199	199
<b>Total</b>	<b>30,353</b>	<b>48,720</b>

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

### 7.12. Other financial liabilities

	Current		Non-current	
	Balance at 31-12-2019	Balance at 31-12-2018	Balance at 31-12-2019	Balance at 31-12-2018
Financial liabilities to the State Treasury	70	280	0	70
Liabilities under dividends	36	36	0	0
<b>Total</b>	<b>106</b>	<b>316</b>	<b>0</b>	<b>70</b>

Financial liabilities to the State Treasury include the liability of BPK Poznań relating to the agreement for turning the company over for paid use.

### 7.13. Liabilities under employee benefits

#### Liabilities under employee benefits recognised in the statement of financial position:

	Balance at 31-12-2019	Balance at 31-12-2018
<b>Pension and retirement gratuities, including:</b>	<b>1,352</b>	<b>1,123</b>
– present amount of obligation at the end of the reporting period	1,352	1,123
– actuarial gains / (losses) unrecognised at the end of the reporting period	0	0
– past service cost unrecognised at the end of the reporting period	0	0
<b>Obligations to employees</b>	<b>968</b>	<b>925</b>
<b>Other employee benefits</b>	<b>29,269</b>	<b>23,401</b>
– provision for unused leaves	5,529	4,833
– provision for bonuses	13,840	9,453
– salaries and wages	5,158	4,559
– social security and other benefits	4,742	4,556
<b>Total obligation under retirement and other benefits</b>	<b>31,589</b>	<b>25,449</b>
including:		
– long-term	2,092	1,994
– short-term	29,497	23,455

Pension and retirement gratuities are paid to the employees who go to retirement or draw pension. The amount of the gratuity is the product of its base at the date of entitlement and the appropriate ratio progressing in proportion to the years of service.

Liabilities to employees contain the amount of long-term liability under the company social benefits fund.

#### Main actuarial assumptions for calculating liabilities under pension and retirement gratuities:

	Balance at 31-12-2019	Balance at 31-12-2018
Discount rate	2.01%	2.73%
Expected future rise in salaries and wages	2.5%	2.5%

#### Pension and retirement gratuities

	Period ended 31-12-2019	Period ended 31-12-2018
<b>Present amount of obligation at the beginning of the period</b>	<b>1,123</b>	<b>9902</b>
Interest expense	29	308
Current service cost	142	1108
Past service cost	0	-70
Benefits paid	-49	-925
Actuarial (gains) / losses	107	927
<b>Present amount of obligation at the end of the period</b>	<b>1,352</b>	<b>1,1230</b>

**Amounts recognised in the statement of comprehensive income in respect of future employee benefits:**

	<b>Period ended 31-12-2019</b>	<b>Period ended 31-12-2018</b>
Current service cost	142	110
Interest expense	29	30
Actuarial (gains) / losses to be recognised in the period	107	92
Past service cost	0	-7
<b>Costs recognised in statement of comprehensive income</b>	<b>278</b>	<b>225</b>
Amount recognised in profit or loss	172	133
Amount recognised in other comprehensive income (without deferred tax)	106	92
	<b>Period ended 31-12-2019</b>	<b>Period ended 31-12-2018</b>
Actuarial gains (losses) relating to specific benefit schemes	106	92
Deferred tax	-20	-17
<b>Amount recognised in other comprehensive income</b>	<b>86</b>	<b>75</b>

The Group has recognised actuarial gains and losses in the statement of comprehensive income since 1 January 2013 in connection with amendments made to IAS 19 *Employee Benefits*.

Provision for pension and retirement gratuities is created on the basis of actuarial valuation made by an independent actuarial consultancy company.

**Provision sensitivity analysis**

The table below presents the analysis of sensitivity of provisions for employee benefits as at 31 December 2019 to the key parameters of actuarial model. The first line presents initial provisions. The remaining lines show how the change in the actuarial model parameter influences the amount of provisions.

<b>PARAMETER / BENEFIT</b>	<b>Retirement gratuity</b>	<b>Pension gratuity</b>	<b>Total</b>
initial provision amounts	1,271	81	1,352
rotation rate -1.0%	1,312	83	1,395
rotation rate +1.0%	1,236	77	1,313
probability of drawing pensions -0.5	1,277	67	1,344
probability of drawing pensions +0.5	1,266	94	1,360
technical discount rate -1.00%	1,395	86	1,481
technical discount rate +1.00%	1,166	75	1,241
<i>rise in bases</i>	0	0	0
remuneration at the Company -1.0%	1,166	75	1,241
remuneration at the Company +1.0%	1,393	86	1,479

## 7.14. Financial instruments

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

### Balance at 31 December 2019

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	13,687	0	0	0	34,254
Trade receivables	200,544	0	0	0	0
Other financial liabilities	0	0	0	0	106
Advanced loans	0	0	0	0	0
Cash and cash equivalents	30,378	0	0	0	0
Loans and bank credits	0	0	0	0	29,316
Lease liabilities	0	0	0	0	22,466
Trade payables	0	0	0	0	148,615
<b>Total</b>	<b>244,609</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>234,757</b>

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

### Balance at 31 December 2018

Classes of financial instruments	Financial assets at amortised cost	Financial assets at fair value through:		Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost
		Profit or loss	Other comprehensive income		
Retentions on construction contracts (before discount)	14,100	0	0	0	21,177
Trade receivables	192,693	0	0	0	0
Other financial liabilities	0	0	0	0	386
Advanced loans	2,813	0	0	0	0
Cash and cash equivalents	81,723	0	0	0	0
Loans and bank credits	0	0	0	0	7,907
Lease liabilities	0	0	0	0	27,816
Trade payables	0	0	0	0	188,156
<b>Total</b>	<b>291,329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>245,442</b>

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

### Maturity profile of financial liabilities at fair value through profit or loss and at amortised cost (before discount)

	Balance at 31-12-2019	Balance at 31-12-2018
Age structure		
– less than 1 year	194,485	217,633

- 1 - 3 years	23,742	20,529
- 3 - 5 years	1,681	2,217
- 5 years +	14,849	5,063
<b>Total</b>	<b>234,757</b>	<b>245,442</b>

**Derivative instruments**

No derivative instrument transactions were entered into by the Group in 2019 or 2018.

## 7.15. Transactions with related parties

### Sales transactions

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

	<b>Receivables</b>		<b>Payables</b>	
	<b>Balance at</b>		<b>Balance at</b>	
	<b>31-12-2019</b>	<b>31-12-2018</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
RTI	0	0	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	<b>Revenue</b>		<b>Purchases</b>	
	<b>Period ended</b>		<b>Period ended</b>	
	<b>31-12-2019</b>	<b>31-12-2018</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
RTI	3	3	0	0
RTI Germany	0	0	0	0
Wiesław Nowak	48	0	0	0
<b>Total</b>	<b>51</b>	<b>3</b>	<b>0</b>	<b>0</b>

	<b>Advanced loans</b>		<b>Financial income (interest)</b>	
	<b>Balance at</b>		<b>Period ended</b>	
	<b>31-12-2019</b>	<b>31-12-2018</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
RTI	0	21	0	1
RTI Germany	76	59	0	1
Wiesław Nowak	0	0	0	0
<b>Total</b>	<b>76</b>	<b>80</b>	<b>0</b>	<b>2</b>

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

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

On 7 January 2019, ZUE and RTI Germany signed the loan agreement whereby RTI Germany was granted a special-purpose loan of EUR 4000 to be repaid by 20 December 2020. The loan was disbursed on 11 January 2019.

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

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

On 19 June 2019, ZUE and RTI Germany signed the annex no. 4 to the loan agreement of 31 May 2016 whereby the repayment date was extended until 20 December 2019. On 19 December 2019, ZUE and RTI Germany signed

the annex no. 5 to the abovementioned agreement whereby the repayment date was extended until 20 December 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 paid on the date of the agreement and the remaining amount of EUR 3000 would be paid at request.

#### Remuneration of key management personnel

	Period ended 31-12-2019	Period ended 31-12-2018
Management Board	4,776	4,111
Supervisory Board	371	394
<b>Total</b>	<b>5,147</b>	<b>4,505</b>

#### 7.16. 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:

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

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

The Court requested the Parties to mediate and all the Parties approved of the mediation.

As a result of the mediation, the Company and Elektrobudowa entered into the settlement agreement with MPK whereby they were obliged to pay, on a joint and several basis, PLN 2.2m out of which PLN 1m was attributable to ZUE.

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

The said settlement agreement was submitted to the Court for approval. The settlement agreement was approved of on the basis of the judgment delivered on 27 August 2019 by the District Court in Poznań. The proceedings were discontinued by the Court and the judgment became final.

##### Major pending court proceedings concerning claims:

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

On 14 August 2014, the Petitioner (BILFINGER INFRASTRUCTURE S.A., ZUE S.A., Przedsiębiorstwo Budowy Kopalń PEBEKA S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. and Kolejowe Zakłady Automatyki Katowice S.A.) filed a lawsuit against the Defendant (PKP Polskie Linie Kolejowe S.A.). The Petitioner sued the Defendant for the contractual penalty of PLN 72,835,010.99 plus interest from 18 August 2012 until payment (with PLN 18,521,943.30 plus interest from 18 August 2012 until payment attributable to the Company) for the Defendant's delay in the handover of the Construction Site. The lawsuit concerned the construction contract of 27 October 2009 between the Petitioner (the Contractor) and the Defendant (the Contracting Authority) for the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding.

Phase 3: construction work on the siding as part of the project no. POIiŚ 7.1-18: "Modernisation of the railway line no. 8, construction of the Okęcie Airport siding."

The Defendant questioned the claims made by the Petitioner both in terms of their amount and legitimacy and filed a motion to dismiss the action. The Defendant filed a claim that the contractual fee charged by the Petitioners was too high in case the said motion for the dismissal was rejected. On 11 December 2017, the District Court of Warsaw delivered the judgment whereby it ordered that PKP PLK S.A. pay ZUE S.A. PLN 1,852,194.33 plus statutory interest from 18 August 2012 to the date of payment and dismissed the remaining claims. ZUE S.A. appealed against the judgment and demanded that all claims be considered. The Defendant also appealed against the judgment and demanded that all claims of the Petitioner be dismissed. On 6 June 2019, the Warsaw Court of Appeals considered the Defendant's appeal and dismissed all the claims. ZUE S.A. decided not to revoke the sentence.

In addition, on 29 September 2016, the Petitioner (PORR Polska Infrastruktura; i.e. former BILFINGER INFRASTRUCTURE S.A., ZUE S.A., Przedsiębiorstwo Budowy Kopalń PEBEKA S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. and Kolejowe Zakłady Automatyki Katowice S.A.) sued the Defendant (PKP Polskie Linie Kolejowe S.A.) for PLN 11,506,921.00 (out of which PLN 2,926,209.77 plus statutory interest was payable to ZUE) after additional works had been carried out and expenses had been incurred during the extended completion time. The lawsuit concerned the construction contract of 27 October 2009 between the Petitioner (the Contractor) and the Defendant (the Contracting Authority) for the modernisation of the railway line no. 8. Stage I: the Warszawa Zachodnia – Warszawa Okęcie section and the construction of the Warszawa Służewiec – Okęcie Airport siding. Phase 3: construction work on the siding as part of the project no. POIiŚ 7.1-18: "Modernisation of the railway line no. 8, construction of the Okęcie Airport siding."

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

On 30 December 2016, the consortium of:

- 1) OHL ŽS, 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.

## 7.17. Tax settlements

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

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

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

Customs and tax inspection was carried out at ZUE in the reporting period in connection with the tax on income earned in 2014. Pursuant to Art. 82.3 of the Polish Act on National Tax Administration, the Company adjusted the previously submitted tax return and paid the tax of PLN 234 thousand plus interest. The adjustment concerned the acquisition of shares in exchange for claims. The inspection was finished.

### 7.18. Remuneration of key management personnel

Remuneration of the Management Board members and other members of key management personnel in the financial year:

	Term	Remuneration	Term	Remuneration
<b>Management Board</b>				
Wiesław Nowak	01.2019-12.2019	1,460	01.2018-12.2018	1,334
Anna Mroczek	01.2019-12.2019	746	01.2018-12.2018	637
Jerzy Czeremuga	01.2019-12.2019	680	01.2018-12.2018	568
Maciej Nowak	01.2019-12.2019	710	01.2018-12.2018	618
Marcin Wiśniewski	01.2019-12.2019	680	01.2018-12.2018	544
<b>Proxies</b>				
Magdalena Lis	01.2019-12.2019	500	01.2018-12.2018	410
<b>Supervisory Board</b>				
Mariusz Szubra	01.2019-12.2019	39	01.2018-12.2018	12
Barbara Nowak	01.2019-12.2019	31	01.2018-12.2018	204
Bogusław Lipiński	01.2019-12.2019	31	01.2018-12.2018	12
Piotr Korzeniowski	01.2019-12.2019	31	01.2018-12.2018	12
Michał Lis	01.2019-12.2019	239	01.2018-12.2018	154
<b>Total</b>		<b>5,147</b>		<b>4,505</b>

The remuneration of the Management Board members is determined by the Supervisory Board and the remuneration of the key management personnel is determined by the Management Board President (the main shareholder of the Company) having regard to the performance of individuals and market trends.

The remuneration of Mr. Michał Lis is the remuneration paid under the employment contract plus the remuneration for his service as the Supervisory Board member.

At the end of the reporting period, the Company has no liabilities under retirement or other benefits to any former members of the supervisory or managing personnel.

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

No capital expenditure agreements were concluded at 31 December 2019 or 31 December 2018.

### 7.20. Contingent assets and contingent liabilities

#### Contingent assets

	Balance at 31-12-2019	Balance at 31-12-2018
Bonds	77,381	74,700
Guarantees	55	55
Bills of exchange	1,772	2,140
Pledge	0	0
<b>Total</b>	<b>79,208</b>	<b>76,895</b>

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

## Contingent liabilities

	<b>Balance at 31-12-2019</b>	<b>Balance at 31-12-2018</b>
Bonds	518,569	597,356
Guarantees	24,530	24,951
Bills of exchange	407,825	364,811
Mortgages	30,000	54,259
Pledges	22,016	23,927
<b>Total</b>	<b>1,002,940</b>	<b>1,065,304</b>

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

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

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

Mortgages are additional security for the credit agreement with mBank S.A. and the insurance agreement with PZU S.A. and the agreements between the related parties and BNP Paribas Bank Polska S.A. A new mortgage was established in 2019 for the benefit of Agencja Rozwoju Przemysłu S.A. to secure the loan agreement.

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

The pledge for the benefit of Bank Gospodarstwa Krajowego was removed in the reporting period from the register of pledges.

In addition, a registered pledge was established in connection with the credit agreement with mBank entered into by a subsidiary. The pledge is on inventories.

On 15 January 2020, the Company and InterRisk Towarzystwo Ubezpieczeń S.A. signed the agreement for the provision of project-related bonding products. The Company was granted the limit of PLN 10m. The term of the agreement is 15 January 2020 - 9 December 2020.

### 7.21. Discontinued operations

No operations were discontinued within the meaning of IFRS 5 in 2019 or the comparative period.

### 7.22. Revisions to estimates

The following revisions to estimates occurred in 2019:

1/ Construction contracts accounted for using percentage-of-completion method – the revision was influenced by the review of the construction contract budgets; and  
2/ Useful economic lives of non-current assets – the revision was influenced by the annual review of useful economic lives. The estimates relate, *inter alia*, to:

1. Impairment of goodwill (note no. 7.6.)
2. Useful economic lives of non-current assets (note no. 8.2.11., note no. 8.2.13. and note no. 8.2.17.)
3. Loss allowances for receivables (note no. 4.1.)
4. Provisions (note no. 3.3.)
5. Measurement of long-term construction contracts (note no. 3.1.)
6. Deferred income tax (note no. 2.7.)
7. Contingent assets and contingent liabilities (note no. 7.20.)
8. Uncertainty over tax settlements (note no. 7.17.)

## 8. Other notes to the financial statements

### 8.1. Use of International Financial Reporting Standards

#### 8.1.1. Statement of compliance

The consolidated financial statements of the Capital Group for the year ended 31 December 2019 and the comparative information for the financial year ended 31 December 2018 have been drawn up in accordance with the requirements of the International Financial Reporting Standards as endorsed by the European Union (EU).

#### 8.1.2. Standards and interpretations used for the first time in the reporting period

The following amendments to the existing standards published by the International Accounting Standards Board and approved for use in the European Union come into force in 2019:

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

The Group believes that except for IFRS 16, the amendments to the standards or interpretations do not have any considerable influence on the Group's consolidated financial statements.

The implementation of IFRS 16 has been discussed in detail in the note 8.1.5.

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

When approving these consolidated financial statements, the Group did not use the following standards, amendments to the standards or interpretations which had been published and approved for use in the EU but had not come into force:

- **Amendments to IAS 1 and IAS 8: "Definition of Material"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

#### 8.1.4. 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 or amendments to the standards not yet approved for use in the EU at the date of preparation of this report:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 3 "Business Combinations"** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"** (the effective date has been deferred by the IASB indefinitely);
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform"** (effective for annual periods beginning on or after 1 January 2020).

## 8.1.5. Changes in applied accounting principles

### Implementation of IFRS 16

#### Application of IFRS 16 for the first time

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

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

#### Impact of IFRS 16 on the Group's financial statements

Implementing IFRS 16 with a modified retrospective approach.

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

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

#### Practical solutions used by the Group

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

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

#### Exemptions offered by practical solutions:

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

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

#### Impact on the Group's accounting

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

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

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

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

Lease of cars	682
Lease of apartments, land and office equipment	1,782
Leasehold land	4,495
<b>Total</b>	<b>6,959</b>

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

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

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

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

Contracts previously recognised as finance lease

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

Presentation at 1 January 2019:

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

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

Right-of-use assets – reclassified from intangible assets

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

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

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

	According to	Approved	Effect of changes
	IFRS 16		
	Balance at	Balance at	
	01-01-2019	31-12-2018	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	53,157	104,700	-51,543
Investment property	6,257	5,265	992
Intangible assets	224	8,616	-8,392
Right-of-use assets	66,894	0	66,894
<b>Total non-current assets</b>	<b>190,449</b>	<b>182,498</b>	<b>7,951</b>

	447,064	447,064	0
<b>Total current assets</b>			
<b>Total assets</b>	<b>637,513</b>	<b>629,562</b>	<b>7,951</b>
	<b>According to IFRS 16</b>	<b>Approved</b>	
	<b>Balance at</b>	<b>Balance at</b>	<b>Effect of changes</b>
	<b>01-01-2019</b>	<b>31-12-2018</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>146,748</b>	<b>146,748</b>	<b>0</b>
Long-term loans and bank credits and other financing sources	0	14,815	-14,815
Long-term loans and bank credits	0	0	0
Long-term lease liabilities	21,280	0	21,280
<b>Total non-current liabilities</b>	<b>42,867</b>	<b>36,402</b>	<b>6,465</b>
Short-term loans and bank credits and other financing sources	0	20,908	-20,908
Short-term loans and bank credits	7,907	0	7,907
Short-term lease liabilities	14,487	0	14,487
<b>Total current liabilities</b>	<b>447,898</b>	<b>446,412</b>	<b>1,486</b>
<b>Total liabilities</b>	<b>490,765</b>	<b>482,814</b>	<b>7,951</b>
<b>Total equity and liabilities</b>	<b>637,513</b>	<b>629,562</b>	<b>7,951</b>

## 8.2. Important accounting principles

### 8.2.1. Going concern

The consolidated financial statements have been prepared assuming that the companies within the Group will continue in operational existence for at least 12 months after the end of the reporting period.

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

In 2019, the Group recognised the sales revenue of PLN 996m (a year-on-year increase by 20%) and the gross profit of PLN 28m. As at 31 December 2019, the Group disclosed the current assets of PLN 372m, including the cash of PLN 30m. At the date of preparation of the financial statements, the Group had the backlog worth approx. PLN 1,909m and was in the process of winning new contracts.

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

### 8.2.2. Comparability of financial information

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

Following the implementation of IFRS 16, in these consolidated financial statements and the comparative information, the Group presented the separate item named "Lease liabilities" and disclosed the following items in equity and liabilities:

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

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

To make the consolidated financial statements and comparative information clearer, the Group separated "Advance payments" from "Trade and other receivables" and presented them as a separate item.

In addition, the Group separated "Accruals" and "Advance payments" from "Trade and other payables" and presented them as separate items.

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

	<b>Restated</b>	<b>Approved</b>	
	<b>Balance at</b>	<b>Balance at</b>	<b>Effect of</b>
	<b>31-12-2018</b>	<b>31-12-2018</b>	<b>changes</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Total non-current assets</b>	<b>182,498</b>	<b>182,498</b>	<b>0</b>
<b>Current assets</b>			
Trade and other receivables	179,562	194,837	-15,275
Advance payments	15,275	0	15,275
<b>Total current assets</b>	<b>447,064</b>	<b>447,064</b>	<b>0</b>
<b>Total assets</b>	<b>629,562</b>	<b>629,562</b>	<b>0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Total equity attributable to shareholders of the parent</b>	<b>146,622</b>	<b>146,622</b>	<b>0</b>
<b>Total equity</b>	<b>146,748</b>	<b>146,748</b>	<b>0</b>
<b>Non-current liabilities</b>			
Long-term loans and bank credits and other financing sources	0	14,815	-14,815
Long-term lease liabilities	14,815	0	14,815
<b>Total non-current liabilities</b>	<b>36,402</b>	<b>36,402</b>	<b>0</b>
<b>Current liabilities</b>			
Trade and other payables	219,194	356,631	-137,437
Accruals	62,428	0	62,428
Advance payments	75,009	0	75,009
Short-term loans and bank credits and other financing sources	0	20,908	-20,908
Short-term loans and bank credits	7,907	0	7,907
Short-term lease liabilities	13,001	0	13,001
<b>Total current liabilities</b>	<b>446,412</b>	<b>446,412</b>	<b>0</b>
<b>Total liabilities</b>	<b>482,814</b>	<b>482,814</b>	<b>0</b>
<b>Total equity and liabilities</b>	<b>629,562</b>	<b>629,562</b>	<b>0</b>

The following separate items have been presented by the Group in connection with the recognition of additional items and the Group's intention to make the statement of cash flows clearer:

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

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

	<b>Restated</b>	<b>Approved</b>	
	<b>12 months</b>	<b>12 months</b>	
	<b>ended</b>	<b>ended</b>	<b>Effect of</b>
	<b>31-12-2018</b>	<b>31-12-2018</b>	<b>changes</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit / (loss) before tax</b>	<b>-77,304</b>	<b>-77,304</b>	<b>0</b>
<b>Adjustments for:</b>			<b>0</b>
<b>Operating profit (loss) before changes in working capital</b>	<b>-65,628</b>	<b>-65,628</b>	<b>0</b>
Change in receivables, measurement of contracts and retentions	0	-116,596	116,596

on construction contracts			
Change in receivables and retentions on construction contracts	-70,876	0	-70,876
Change in payables, measurement of contracts and retentions on construction contracts, excluding loans and bank credits and other financing sources	0	146,105	-146,105
Change in payables and retentions on construction contracts	112,584	0	112,584
Change in measurement of construction contracts	-34,379	0	-34,379
Change in accruals	27,318	0	27,318
Change in advance payments	-5,138	0	-5,138
Change in other assets	56	56	0
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-22,180</b>	<b>-22,180</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			<b>0</b>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-17,467</b>	<b>-17,467</b>	<b>0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			<b>0</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>3,591</b>	<b>3,591</b>	<b>0</b>
<b>TOTAL NET CASH FLOWS</b>	<b>-36,056</b>	<b>-36,056</b>	<b>0</b>
Net foreign exchange gains / (losses)	31	31	0
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>117,748</b>	<b>117,748</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, including:</b>	<b>81,723</b>	<b>81,723</b>	<b>0</b>
- of limited availability			
	4	4	0

### 8.2.3. Preparation basis

The consolidated financial statements have been prepared in accordance with the historic cost convention, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair value according to the accounting policy below.

The accounting principles (policies) used in the preparation of these consolidated financial statements are consistent with the accounting principles (policies) used in the preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2018, except for the new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2019, which have been discussed below, and presentation changes discussed in the note 8.2.2.

The most important accounting principles applied by the Group are presented below.

### 8.2.4. Consolidation rules

#### Investments in subsidiaries

Subsidiaries are entities controlled by the parent (this includes SPVs). The control is exercised if the parent has the power to govern financial and operating policies of subsidiaries so as to obtain benefit from their activities.

The results of subsidiaries acquired or sold during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests are identified separately from the Group's equity. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquired net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequently, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive

income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in the Group's equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of assets (including goodwill), liabilities and non-controlling interests. Amounts recognized in other comprehensive income in relation to disposed subsidiary are reclassified to profit or loss. The fair value of any investment retained in the former subsidiary is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

### **Investments in associates**

An associate is an entity over which the Parent has a significant influence, but which is not a subsidiary or an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an associate without control or joint control.

The results, assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for in accordance with IFRS 5 – Noncurrent Assets Held for Sale and Discontinued Operations. Under the equity method of accounting, investments in associates are carried in the consolidated statement of financial position at historical cost as adjusted by post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value of individual investments. Losses of the associates in excess of the Group's interest in those associates (including any long-term shares which in fact are a part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Group transacts with an associate, profits and losses are eliminated to the extent of the Group's interest in the associate.

### **Loss of control**

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### **Transactions with minority shareholders not resulting in change of control**

Transactions with minority shareholders that do not result in a change of control are accounted for as equity transactions.

### **Goodwill**

Goodwill arising on acquisition represents the excess of the aggregate of transferred consideration, non-controlling interests and the fair value of interests previously held in the acquired unit over the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquired unit at the date of acquisition.

If negative goodwill arises, the fair values of acquired net assets are reassessed by the Group. If negative goodwill still arises, then it should be recognised immediately in profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is not subsequently reversed.

On disposal of a subsidiary or a jointly controlled unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **8.2.5. Segment reporting**

The Group's reporting is based on operating segments.

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

- Construction;
- Design; and
- Sales.

The Group is organised and managed within the abovementioned segments. The Group applies a uniform accounting policy for all operating areas within the segments.

### **8.2.6. Recognition of revenue from long-term construction contracts**

IFRS 15 has been applied by the Group since 1 January 2018 and superseded IAS 11 "Construction Contracts" and IAS 18 "Revenue." The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of goods or services to customers (contracting authorities) in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The Group's revenue:

- revenue from construction contracts;
- revenue from the provision of services; and
- revenue from the sale of goods, raw and other materials.

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

#### **Revenue from construction contracts**

A five-step model is applied under IFRS 15 to the recognition of revenue:

1. Identification of the contract.
2. Identification of performance obligations.
3. Determination of transaction price.
4. Allocation of the price.
5. Recognition of revenue.

Since 1 January 2018, the Group has recognised revenue from unfinished construction service according to the five-step model and has used an input method in compliance with a modified retrospective approach.

There is one performance obligation in construction services provided by the Group. Accordingly, the allocation of transaction price to performance obligation does not require any estimates.

#### **Input method**

Input method uses expenditures (costs) incurred by the Group relative to total expected expenditures (costs) to measure the extent of progress toward completion.

### Zero-profit method

If the Group is not able to reasonably measure the outcome of a performance obligation but expects to recover the costs incurred in satisfying the performance obligation, the Group applies a zero-profit method and recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

### Recognition of expected losses

When it is probable that total contract costs will exceed total contract revenue, a loss provision is recognised by the Group according to IAS 37.

### Practical use of progress toward completion measurement methods

An input method has been selected based on the type of the Group's operations.

Contract measurement stages:

- a) Determining of a change in contract status – contracts in progress and completed contracts;
- b) Determining of adjustments to the planned revenue;
- c) Revenue budget updates (twice a year);
- d) Cost budget updates (twice a year);
- e) Determining the amount of invoiced revenue;
- f) Determining the amount of direct and indirect costs relating to the performance of construction works;
- g) Determining the amount of general construction costs incurred (entity's general costs and general construction costs);
- h) Measurement of progress toward completion under a contract and recognition of revenue with an input method; and
- i) Measurement of payables and receivables where invoices for construction services contain prices lower or higher than agreed.

In an input method, the percentage of completion is defined as the ratio of actual costs to estimated (budgeted) costs required to perform the contract. Contract budgets are prepared for each construction contract. Budgets are updated twice a year on the basis of April- and October-end closings. The stage of completion of a contract is determined on the basis of contract budgets by calculating the ratio of the costs actually incurred for the work performed to date to the estimated total costs of the contract. Contracts, which have been signed but do not have approved budgets, are measured with a zero-profit method.

### 8.2.7. Foreign currencies

Transactions in currencies other than functional currency are recognised at the rate prevailing on the day preceding the transaction. At the end of each reporting period, financial assets and liabilities denominated in foreign currencies are translated at the rate quoted at that date by the National Bank of Poland. Assets and liabilities measured at fair value and denominated in foreign currencies are measured at the rate prevailing at the date when the fair value was determined. Non-monetary items are measured at historical cost.

Foreign exchange differences arising on translation are recognised in financial income (expenses) or, in circumstances defined by accounting principles (policy), capitalised in the value of assets.

### 8.2.8. Borrowing costs

Borrowing costs directly attributable to the acquisition or production of assets that take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs include exchange differences arising from foreign currency loans and borrowings to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are recognised, subject to item 8.2.6, in profit or loss in the period in which they are incurred. Borrowing costs relating to construction contracts are debited directly to the cost of the Group's operating activities.

These capitalisation rules do not apply to assets measured at fair value.

### 8.2.9. Employee benefits

Costs of employee benefits include short-term benefits and post-employment benefits.

Costs of wages and salaries include the wages and salaries under employment contracts entered into with individual employees. Costs of wages and salaries also include bonuses and incentive rewards paid according to the company's regulations.

Costs of social insurance financed by the employer include pension, social security and accident benefits and contributions to the Guaranteed Employee Benefits Fund and the Labour Fund. Costs of pension benefits include retirement and pension gratuities paid to employees according to the employment law.

The Group pays retirement gratuities according to the employment code and makes a provision for these benefits. The payments are recognised in profit or loss in a way enabling the spread of these costs over the entire term of employees' employment with the Group. The amount of the provision is determined by an independent actuary using the projected unit method according to the employment code.

The provisions for employee benefits also include the provisions for leaves and bonuses.

The Group companies may create the Company Social Benefits Fund. Contributions to this Fund are the Company's expenses and must be blocked on a separate bank account. The fund assets and liabilities are presented in the financial statements at their net value.

Other employee benefits are paid under the law and the corporate regulations. The Group also covers the costs of trainings in occupational health and safety and private medical care for its employees.

The Group recognises actuarial gains and losses in the period in which they arise. Actuarial gains and losses are recognised in the statement of comprehensive income.

### 8.2.10. Income tax (including deferred tax)

Income tax expense represents the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is calculated based on taxable profit for the year. Taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and items of income or expense that are never taxable. The Group's liability for current tax is calculated using tax rates applicable in the year.

#### Deferred tax

Deferred tax is accounted for using the balance sheet liability method as the tax payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

A deferred tax liability is recognised for all taxable temporary differences and a deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, tax losses or tax credit can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised or the liability becomes due. Income tax is presented in the statement of financial position after the offset against liability payable to the same taxation authority.

#### Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is recognised directly in equity.

### 8.2.11. Property, plant and equipment

Property, plant and equipment include non-current assets and expenditures on non-current assets under construction the entity intends to use in its operation and for administrative purposes for more than 1 year from which future economic benefits are expected to flow to the entity. Expenditure on non-current assets includes capital expenditure and expenses incurred in connection with future deliveries of plant and equipment and services related to the production of non-current assets (prepayments). Non-current assets also include essential specialist spare parts, which function as elements of non-current assets.

Non-current assets and non-current assets under construction are initially recognised at purchase price or production cost, including financing costs less impairment losses.

Non-current assets are depreciated according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. Non-current assets are depreciated on a straight-line basis. The following useful lives are used for non-current assets:

Item	Useful lives
Buildings and structures	10 – 50 years
Plant and equipment	3 – 30 years
Vehicles	5 – 30 years
Other non-current assets	4 – 15 years

Freehold land is not depreciated.

According to the principle of prudence, low-value non-current assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred. Prudence is analysed in terms of accumulated value of low-value non-current assets.

Non-current assets and non-current assets under construction are tested for impairment if there are indications of impairment at least at the end of each reporting period. Rules governing the determining of impairment are set out in note 8.2.14. Effects of the impairment of non-current assets and non-current assets under construction are recognised in other operating expenses.

Gains or losses from the sale/liquidation or discontinued use of non-current assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

Each part of an item of property, plant and equipment with a purchase price or production cost that is significant in relation to the total price or cost of the item is depreciated separately.

### 8.2.12. Investment property

Investment properties are initially recognised at purchase price, including associated transaction costs. Subsequent to initial recognition, investment properties, except for land, are depreciated on a straight-line basis less impairment losses.

Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are carried at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment properties, which meet the criteria of being classified as held for sale or disclosed in a pool held for sale, are measured according to the rules set forth in note 8.2.15.

Gains or losses arising from the sale/liquidation or discontinued use of properties are determined as a difference between sales revenue and the carrying amounts of these items and recognised in profit or loss.

### 8.2.13. Intangible assets

Intangible assets are the Group's assets which are without physical substance and identifiable, can be reliably measured and from which future economic benefits are expected.

Intangible assets are initially recognised at purchase price or production cost.

Intangible assets are amortised according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. The Group does not own any intangible assets whose useful lives

are indefinite. Intangible assets with definite useful lives are amortised on a straight-line basis. The following useful lives are used for particular intangible assets:

Item	Useful lives
Licences for software	2 – 10 years
Leasehold	25 – 99 years

Intangible assets are tested for impairment if there are indications of impairment and any impairment is determined at the end of each reporting period. Rules governing the determining of impairment are set out in note 8.2.14. Effects of the impairment of intangible assets and their amortisation are carried to other operating expenses.

According to the principle of prudence, low value intangible assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred.

Gains or losses from the sale/liquidation or discontinued use of intangible assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

At the end of the reporting period, intangible assets are measured at cost less amortisation and impairment losses, if any.

#### 8.2.14. Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are substantially independent from cash flows generated by other assets, the Group analyses the group of cash-generating assets to which the asset belongs. If it is possible to identify a reliable and uniform allocation basis, non-current assets held by the Group are allocated to specific cash-generating units or to the smallest groups of cash-generating units for which reliable and uniform allocation bases can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. The latter is equivalent to the present value of estimated future cash flows discounted at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to an asset.

If the recoverable amount is less than the carrying amount of an assets (or a cash-generating unit), the carrying amount of the asset or the unit is reduced to the recoverable amount. An impairment loss is immediately recognised as an expense of the period in which it occurred, unless the asset is carried at revalued amount (in which case, such impairment loss is treated as a revaluation decrease).

If the impairment loss is subsequently reversed, the net value of the asset (or the cash-generating unit) is increased to the new estimated recoverable value, however not higher than the carrying amount of the asset as it would have been established had impairment not been identified in the past years. Any reversal of impairment is recognised immediately in the profit or loss, unless the asset is carried at a revalued amount – in this case, the reversal will be treated as a revaluation increase.

#### 8.2.15. Non-current assets held for sale

Non-current assets held for sale are the assets that meet all the following criteria:

- An appropriate level of management must be committed to sell the asset;
- Assets are available for immediate sale in their present condition;
- An active programme to locate a buyer must have been initiated;
- The completion of the sale is highly probable within 12 months of classification as held for sale;
- Sales price is reasonable in relation to its present fair value; and
- It is unlikely that plan will be significantly changed.

The classification change is reflected in the reporting period in which the aforementioned criteria have been satisfied. If the abovementioned criteria are satisfied after the end of the reporting period, an asset is not reclassified at the end of the financial year preceding the event.

No further depreciation will be recorded once an asset is classified as held-for-sale. Assets held for sale (excluding, inter alia, financial assets and investment property) are measured at the lower of carrying amount and fair value less costs to sell.

In the case of any subsequent increase in the fair value less costs to sell, a gain is recognised to the extent this does not exceed the cumulative impairment loss.

#### **8.2.16. Long-term financial assets, including investments in related parties**

Non-current financial assets are measured at historical cost net of impairment, if any. The carrying amount of such assets is reviewed each time to find out whether it does not exceed the amount of future economic benefits. If the carrying amount exceeds the amount of anticipated economic benefits it is reduced to the amount of net sales price. Impairment losses are recognised in financial expenses. The rise in the value of an investment directly associated with a previous decrease in the value included in financial expenses is recognised up to the amount of these expenses as financial income.

#### **8.2.17. Leases – accounting policy applied since 1 January 2019**

IFRS 16 introduces a single lessee accounting model by eliminating the classification of leases as either operating leases or finance leases. As such, the lessee is required to recognise a right-of-use asset and a lease liability, unless the lease term is short (up to 12 months) or the underlying asset is of low value.

The lessee is also required to recognise the depreciation of a right-of-use asset and interest on lease liability in profit and loss account (according to IAS 17, expenditures relating to the use of leased assets were recognised in general administrative expenses). Right-of-use assets are depreciated on a straight-line basis and lease liabilities are measured at amortised cost.

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

Right-of-use assets are initially measured by the Group at cost which includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement of the lease (less any lease incentives received);
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If the lessee applies the fair value model, price or cost model in IAS 40 Investment property to its investment property then the same model should be applied to right-of-use assets (the land) which meet the definition of investment property contained in IAS 40.

After initial recognition, a right-of-use asset is measured by the Group at cost less depreciation (on a straight line basis) and impairment losses, adjusted for any remeasurement of the lease liability.

Lease liabilities are measured by the Group at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined. If the rate cannot be readily determined, the Group's incremental borrowing rate can be used. The rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;

- b) Variable lease payments that depend on an index or a rate initially measured with the index or the rate at the commencement date;
- c) Amounts expected to be payable by the lessee under residual value guarantees;
- d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the lease liability is measured by:

- f) Increasing the carrying amount to reflect interest on the lease liability;
- g) Reducing the carrying amount to reflect the lease payments made; and
- h) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

After initial recognition, a lease liability is measured by the Group at amortised cost.

Remeasurement of lease liability is recognised by the Group as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount as profit or loss.

The amount of incremental borrowing rate for leases is remeasured by the Group annually.

The Group applies the same discount rates to the portfolio of leased cars and rentals. The Group applies a separate discount rate to the leasehold land.

In the case of short-term leases and leases of low-value assets, lease payments are recognised by the Group as an expense on a straight-line basis over the lease term.

Non-current assets are depreciated according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. Non-current assets are depreciated on a straight-line basis. The following useful lives are used for non-current assets:

<b><u>Item</u></b>	<b><u>Useful lives</u></b>
Land and buildings	1 - 5 years
Plant and equipment	10 - 25 years
Vehicles	1 - 25 years
Leasehold land	30 - 89 years

The lease information is presented by the Group in the note 6.2. Leases.

The disclosure requirements set out in IAS 40 apply to the leasehold land which meets the definition of investment property.

#### **8.2.18. Inventories**

Inventories are the assets held for sale in the ordinary course of business, assets in the production process for sale and materials that are consumed in the production process or service provision. Inventories include materials, merchandise, finished goods and work in progress.

Materials and merchandise are initially measured at purchase price. At the end of the reporting period, materials and merchandise are measured on a prudent basis; i.e. these categories are measured at purchase price or achievable sales price, depending on which is lower.

Work in progress is initially measured at actual production cost. At the end of the reporting period, work in progress and finished goods are measured on a prudent basis.

Materials, merchandise and finished goods are written down at the discretion of the Group.

Inventory disbursement is recorded in accordance with the principles of specific identification and is recognised in the cost of sales. Write-downs of inventories resulting from prudent valuation and write-downs of items in excess of anticipated demand are recognised as an expense of the period and the reversal of write-downs is recognised as a decrease in the expense of the period.

### 8.2.19. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for expected credit losses. Where the effect of the time value of money is material, the balance of receivables is determined by discounting projected future cash flows to their present value using the discount rate, which reflects current market assessments of the time value of money. If a discounting approach is used, the increase in receivables as a result of the passage of time is recognised as financial income.

Trade and other receivables are classified by the Group in the following manner:

- a) Trade receivables;
- b) Receivables from the state budget other than corporate income tax;
- c) Other receivables.

Other receivables include advance payments for remuneration, purchases, other(accommodation), accounting for: business trips(overall), mileage compensation limits, credit cards, shortages or damage, shortages charged on employees, treatment of surpluses, other accounts payable-bid bond and determining the Company Social Benefits Fund.

The Group recognises allowances on the basis expected credit losses likely to occur over the life of an instrument at an amount equal to 12-month expected credit losses.

If a credit risk related to the instrument increases significantly at the end of the reporting period, an allowance is measured by the Group at an amount equal to expected credit losses over the entire lifetime.

### 8.2.20. Cash and cash equivalents

Cash and short-term bank deposits recognised in the balance sheet include cash at bank and in hand and short-term bank deposits which have a maturity of three months or less.

### 8.2.21. Trade and other payables

Short-term trade and other payables are recognised at an amount due.

Trade and other payables are classified by the Group in the following manner:

- a) Trade payables;
- b) Liabilities to the state budget other than corporate income tax;
- c) Other payables.

Other payables include employees' life insurance premiums, court seizures, train tickets, contributions to organisations, contributions to trade unions, contributions to the Employee Mutual Assistance Fund, sports and recreation cards, medical care for employees, medical care for the company, contributions to the Employees Capital Pension Scheme, etc.

Other non-financial liabilities include, in particular, liabilities to revenue office relating to VAT. Other non-financial liabilities are recognised at an amount due.

### 8.2.22. Accruals

Accruals include provisions for the costs of contracts.

In the course of performance of construction contracts, the Group enters into agreements with subcontractors whereby the works performed by subcontractors are accepted at later dates. Accordingly, there may be the works of significant value already performed at the end of the reporting period for which no invoice has been issued to the Group. In such cases, the Group recognises accruals relating to the works uninvoiced by the subcontractors.

Provisions for the works performed by subcontractors are charged to contract costs. Provisions are created at the Group with a breakdown into particular contracts.

After it has been used, the provision is released by reducing the cost of sales.

### 8.2.23. Advance payments

There are the following types of advance payments at the Group: Advance payments made/received in connection with performed contracts and Other advance payments.

The Group presents the advance payments transferred to counterparties in the Advance payments item excluding Advance payments for the purchase of property, plant and equipment, investment property and intangible assets which are presented according to the nature of the assets they relate to.

The amounts transferred to subcontractors to ensure the timely performance of construction contracts are presented in the item of Advance payments made in connection with performed contracts.

The item of Advance payments received in connection with performed contracts presents the obligation under the contracts in respect of which the advance payment has been made and the remuneration has been paid in advance for the construction works which have not yet been performed by the Group. Advance payments for performed contracts are settled during the contract performance as part of the ordinary course of the Group's operations.

### 8.2.24. Financial assets

#### Classification and measurement

The classification of financial assets depends on the business model for managing financial assets and characteristics of contractual cash flows.

A financial asset is measured at amortised cost if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is to hold the assets in order to collect the contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or fair value through other comprehensive income.

The following items are included by the Group into the category of financial assets measured at amortised cost:

- Trade receivables;
- Retentions on supplies and services;
- Advanced loans; and
- Cash and cash equivalents.

Under IFRS 9 financial instruments are initially measured at fair value. The fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration paid or received). Given a diverse range of financial instruments as a result of the classification, in the case of a financial asset or financial liability not at fair value through profit or loss, the initial value includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade receivables under IFRS 15 without a significant financing component (i.e. the measurement of long-term construction contracts) are initially recognised at their transaction price.

#### Impairment

IFRS 9 introduces new impairment requirements – the expected credit loss model. Unlike the model applied under IAS 39 according to which credit losses are recognised once there has been an incurred loss event, the expected credit loss model is based on the calculation of expected losses. The expected credit losses are weighted by the probability that the obligation will not be performed.

The Group measures allowances on the basis of expected credit losses likely to occur over the life of an instrument at an amount equal to 12-month expected credit losses.

If a credit risk related to the instrument increases significantly at the end of the reporting period, an allowance is measured by the Group at an amount equal to expected credit losses over the entire lifetime.

Trade receivables are the most important item of financial assets in the Group's financial statements, which is governed by the rules of calculating the expected credit losses.

The Group has applied a simplified model of recognising loss allowances for trade receivables based on historical data concerning credit losses adjusted, where appropriate, for the influence of information about the future.

In the case of trade receivables covered by IFRS 15 (i.e. the measurement of long-term construction contracts), a loss allowance is measured by the Group at an amount of expected credit losses for the entire expected lifetime of the financial asset.

The new impairment model introduced by the Group has not resulted in any material change in the amount of allowances for the Group's receivables at 1 January 2018 when compared with the amount following from the policy previously applied by the Group.

### Hedge accounting

No hedge accounting is applied by the Group.

## 8.2.25. Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or equity depending on the substance of contractual arrangements.

The Group classifies all financial liabilities into one of the following categories:

- a) financial liabilities measured at fair value through profit or loss; or
- b) financial liabilities measured at amortised cost.

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading or defined as measured at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term;
- it is part of a portfolio of identified financial instruments that are managed together by the Group according to a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial liability other than held for trading may be designated as measured at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms a part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it is a part of a contract containing one or more embedded derivatives and under IFRS 9, the entire contract (asset or liability) may be designated as an item as at fair value through profit or loss.

Financial derivative instruments are recognised in financial liabilities measured at fair value through profit or loss.

The following items are included by the Group into the category of financial liabilities measured at amortised cost:

- Retentions on construction contracts;
- Loans and bank credits and other financing sources; and
- Trade and other payables.

### 8.2.26. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation but the amount and timing are uncertain.

The amount recognised as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain the reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are charged to the cost of sales, general and administrative expenses or other operating expenses depending on the type of a provision and an organisational unit within the Group the provision relates to.

After it has been used, the provision is released by reducing the cost of sales, general and administrative expenses or other operating expenses.

A provision is used for what it has been initially created.

### 8.3. Sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board 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:

1. Impairment of goodwill
2. Useful economic lives of non-current assets
3. Loss allowances for receivables
4. Provisions
5. Measurement of long-term construction contracts
6. Deferred income tax
7. Contingent assets and contingent liabilities
8. Uncertainty over tax settlements

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant influence on the risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 8.3.1. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of all cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate required to calculate the present value.

#### 8.3.2. Useful economic lives of non-current assets

As set out in items 8.2.11 and 8.2.13, the Group verifies the expected useful economic lives of property, plant and equipment and intangible assets at the end of each annual reporting period.

Depreciation and amortisation rates are determined on the basis of the expected useful economic lives of property, plant and equipment and intangible assets. The Group verifies the useful economic lives every year based on current estimates.

### **8.3.3. Loss allowances for receivables**

The Group recognises loss allowances on the basis of expected credit losses likely to occur over the life of an instrument at an amount equal to 12-month expected credit losses.

If a credit risk related to the instrument increases significantly at the end of the reporting period, an allowance is measured by the Group at an amount equal to expected credit losses over the entire lifetime.

Trade receivables are the most important item of financial assets in the consolidated financial statements of the Group, which is governed by the rules of calculating the expected credit losses.

The Group has applied a simplified model of recognising loss allowances for trade receivables based on historical data concerning credit losses adjusted, where appropriate, for the influence of information about the future.

### **8.3.4. Provisions**

#### **Provisions for litigations**

The employees and the Management Board of the Company carry out detailed analyses of the number and content of litigations and the potential risks relating to them. Based on these analyses, they make decisions concerning the necessity to account for the effects of such proceedings in the consolidated financial statements of the Group, the amount of the provisions for litigations and the potential risks relating thereto.

#### **Provisions for employee benefits**

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

(Long-term) liabilities under employee benefits contain the amount of a long-term liability under the company social benefits fund.

#### **Provisions for warranty claims**

Provisions for warranty claims are charged to the cost of a contract based on the amount of direct expenses that have been involved. Provisions for warranty claims are created at the Group with a breakdown into individual contracts. They are maintained until the expiry date of warranty rights or claims taking account of the occurrence probability.

If a created provision is not utilised (after expiry date), the provision is released by reducing a cost of sales.

Depending on the date by which they are maintained, provisions are presented in the consolidated statement of financial position as long- or short-term provisions.

#### **Provisions for loss on contracts**

Provision for a loss on contracts is created if budgeted costs exceed the total revenue under the contract. The anticipated loss is immediately recognised as an expense.

A loss provision is created to bring profit or loss to the amount of a budgeted loss. Provisions for expected losses are charged to the cost of contract. If it is not used, the provision is released (after contract completion) by reducing the cost of sales. They are presented in the consolidated statement of financial position as short-term provisions.

### **8.3.5. Construction contracts accounted for using percentage-of-completion method**

Revenues from a construction service that has not been completed are recognised by the Group under the percentage-of-completion method. Contract budgets are prepared for each construction contract. Budgets are updated twice a year on the basis of month-end closes for April and October. The stage of completion of a contract is determined on the basis of contract budgets by calculating the proportion that contract costs incurred for the work performed to date bear to the estimated total costs of the contract. When contracts are signed but their budgets not approved, the contracts are measured using the zero-profit method.

Changed cost and revenue estimates are used to determine the amount of costs and revenues recognised in the profit or loss in the reporting period in which they occur and in subsequent periods.

### **8.3.6. Deferred tax assets**

The Company's Management Board decide about the recognition of deferred tax assets based on the forecasts for subsequent years.

### **8.3.7. Contingent assets and contingent liabilities**

Contingent assets are not recognised in financial statements since this may lead to the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial report of the period in which the change occurs.

Contingent liabilities are not recognised by the Group in the consolidated statement of financial position. The Group discloses information about a contingent liability in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

### **8.3.8. Uncertainty over tax settlements**

Regulations on VAT, corporate income tax and social security charges are frequently amended. Accordingly, there are no appropriate points of reference, there are few established precedents which could be used and interpretations are inconsistent. The applicable regulations are ambiguous and cause differences in opinions on legal interpretation of tax regulations both amongst state authorities and between state authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be inspected by the authorities authorised to impose harsh fines and penalties and all additional liabilities resulting from the inspection must be paid with interest. Accordingly, the tax risk in Poland is greater than that in countries with more mature tax systems.

Consequently, the amounts presented and disclosed in financial statements may change in the future as a result of the final decision of a fiscal control authority.

The amendments were introduced to the Tax Ordinance as of 15 July 2016 to include the provisions of the General Anti-Abuse Rules (GAAR). The GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid paying taxes in Poland. Under the GAAR, tax avoidance is defined as an activity carried out first of all to achieve a tax advantage which is contrary in the circumstances to the subject matter and objective of a tax act. According to the GAAR, the activity does not result in achieving a tax advantage if the course of action was artificial. Any (i) unjustified split of operations; (ii) involvement of intermediaries without any economic or business justification; (iii) elements that compensate or cancel each other; and (iv) other similar activities may be treated as an argument in favour of the existence of artificial activities governed by the GAAR. The new regulations will require a lot more judgement in assessing the tax implications of individual transactions.

The GAAR clause should be applied to the transactions carried out after it came into force and to the transactions carried out before it came into force in respect of which advantages were or still are being after the effective date. The implementation of the abovementioned regulations will enable the Polish fiscal control authorities to question the legal arrangements and schemes carried out by taxpayers, such as group restructuring and reorganization.

The Group recognizes and measures current and deferred income tax assets and liabilities by applying the requirements of IAS 12 *Income Taxes* based on the taxable profit (tax loss), tax base, tax losses carried forward and unused tax reliefs and tax rates taking into account the assessment of uncertainty over tax settlements.

## 9. Events after the end of the reporting period

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

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

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

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

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

On 14 February 2020, the Company learnt about the selection of the tender submitted by the consortium of: 1. ZUE (Leader), 2. FDO sp. z o.o. (Partner) as the most economically advantageous offer in the tender procedure for the project named: "Reconstruction of the road and the track in the Chrobrego Street and the Mieszka I Street as part of the project named: "The system of sustainable urban transport in Gorzów Wlkp." The Company informed about the submission of the most economically advantageous tender in the current report 41/2019. Net value of the tender submitted by the Consortium: PLN 56.1m out of which 95% is attributable to the Company. Gross value of the tender: PLN 69.0m. Project completion date: 18 months of the contract conclusion date. **(Current report 7/2020)**

## 10. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Management Board on 16 March 2020.

## 11. Signatures

The financial statements have been prepared by:

Ewa Bosak Chief Accountant

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Signatures of the management personnel:

Wiesław Nowak Management Board President

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Anna Mroczek Management Board Vice-President

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Jerzy Czeremuga Management Board Vice-President

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Maciej Nowak Management Board Vice-President

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Marcin Wiśniewski Management Board Vice-President

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Cracow, 16 March 2020