TRAKCJA
CAPITAL GROUP

CONSOLIDTED QUARTERLY REPORT

FOR THE 3-MONTH PERIOD ENDED MARCH 31, 2019

published in accordance with § 60 para. 1 point 1 of the Ordinance of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

This document is a translation
The Polish original should be referred to in matters of interpretation

CONTENTS OF THE CONSOLIDATED QUARTERLY REPORT

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKiI S.A. has approved the consolidated financial statements of Trakcja Capital Group for the period of 3 months ended March 31, 2019.

The condensed consolidated financial statements for the I quarter of 2019 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union for interim reporting purposes (IAS 34). Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2019 to March 31, 2019, which shows a net loss of PLN **16,149** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2019 to March 31, 2019, which shows the negative total comprehensive income of PLN 1**6,622** thousand.
3. Consolidated balance sheet as at March 31, 2019, which shows the total assets and total equity and liabilities of PLN **1,541,175** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2019 to March 31, 2019, which shows a decrease in the total net cash flows by PLN **67 036** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2019 to March 31, 2019, which shows a decrease in equity by PLN **16,527** thousand.
6. Notes. The condensed consolidated financial statements have been drawn in thousands of Polish zlotys, unless explicitly stated otherwise.

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Warsaw, May 30, 2019

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I. SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

The average PLN/EUR exchange rates in the period covered by the consolidated financial statements:

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.03.2019	4,2978	4,2706	4,3402	4,3013
31.12.2018	4,2669	4,1423	4,3978	4,3000
31.03.2018	4,1784	4,1423	4,2416	4,2085

** The average of the exchange rates applicable on the last day of each month in the reporting period concerned.*

Key items of the consolidated income statement translated into the euro:

	3 month period ended 31.03.2019		3 month period ended 31.03.2018	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	228 504	53 168	205 096	49 085
Cost of goods sold	(231 321)	(53 823)	(213 089)	(50 998)
Gross profit (loss) on sales	**(2 817)**	**(655)**	**(7 993)**	**(1 913)**
Operating profit (loss)	(20 673)	(4 810)	(23 767)	(5 688)
Gross profit (loss)	**(22 454)**	**(5 225)**	**(25 684)**	**(6 147)**
Net profit (loss) from continued operations	(16 149)	(3 758)	(22 532)	(5 392)
Net profit for the period	**(16 149)**	**(3 758)**	**(22 532)**	**(5 392)**

The consolidated income statement data was converted at the average exchange rate of the euro, calculated as the average of the exchange rates applicable on the last day of each month in a given reporting period, established by the National Bank of Poland for that day.

Key items of the consolidated statement of financial position translated into the euro:

	31.03.2019		31.12.2018	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	734 397	170 738	720 882	167 647
Current assets	806 778	187 566	822 054	191 175
Total assets	**1 541 175**	**358 304**	**1 542 936**	**358 822**
Equity	637 853	148 293	654 380	152 181
Long-term liabilities	105 503	24 528	93 112	21 654
Short-term liabilities	797 819	185 483	795 444	184 987
Total equity and liabilities	**1 541 175**	**358 304**	**1 542 936**	**358 822**

The consolidated balance sheet data was converted at the exchange rate established by the National Bank of Poland on the last day of a given reporting period.

Key items of the consolidated statement of cash flows translated into the euro:

	3 month period ended 31.03.2019		3 month period ended 31.03.2018	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(133 718)	(31 113)	(146 239)	(34 999)
Cash flows from investment activities	391	91	(10 855)	(2 598)
Cash flows from financial activities	66 535	15 481	70 395	16 847
Total net cash flows	**(66 792)**	**(15 541)**	**(86 699)**	**(20 750)**

The data of the consolidated statement of cash flows was converted at the average exchange rate of the euro, calculated as the average of the exchange rates applicable on the last day of each month in a given reporting period, established by the National Bank of Poland for that day.

	31.03.2019		31.03.2018	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	116 675	27 134	112 172	26 894
Cash at end of period	**49 639**	**11 541**	**25 473**	**6 053**

Exchange rates adopted for the purpose of calculating the above data of the consolidated statement of cash flows were as follows:

- for the ”cash at end of period” – the exchange rate established by the National Bank of Poland on the last day of the reporting period concerned,

- for the "cash at start of period" – the exchange rate established by the National Bank of Poland on the last day of the reporting period preceding the reporting period concerned.

The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2017 was PLN 4.1709.

(data in PLN thousand, unless indicated otherwide)

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	01.01.2019 - 31.03.2019	01.01.2018 - 31.03.2018
	Unaudited	*Unaudited*
Continued operations		
Sales revenue	228 504	205 096
Cost of goods sold	(231 321)	(213 089)
Gross profit on sales	**(2 817)**	**(7 993)**
Cost of sales, marketing and distribution	(1 737)	(1 338)
General and administrative costs	(15 547)	(14 256)
Other operating revenues	1 006	828
Other operating costs	(1 578)	(1 008)
Operating profit	**(20 673)**	**(23 767)**
Financial revenues	1 391	1 196
Financial costs	(3 172)	(3 113)
Gross profit	**(22 454)**	**(25 684)**
Income tax	6 305	3 152
Net profit from continued operation	**(16 149)**	**(22 532)**
Net profit (loss) from discontinued operations	-	-
Net profit for the period	**(16 149)**	**(22 532)**
Attributable to:		
Shareholders of parent entity	(15 487)	(22 409)
Non-controlling interests	(662)	(123)

Profit per share attributable to shareholders in the period (PLN per share)

- basic	(0,30)	(0,44)
- diluted	(0,30)	(0,44)

(data in PLN thousand, unless indicated otherwide)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.01.2019 - 31.03.2019 *Unaudited*	01.01.2018 - 31.03.2018 *Unaudited*
Net profit for the period	**(16 149)**	**(22 532)**
Other comprehensive income:		
Other comprehensive income that will be reclassified to profit or loss:	**(473)**	**2 504**
Foreign exchange differences on translation of foreign operations	111	2 263
Cash flow hedging instruments	(584)	241
Total other comprehensive income	**(473)**	**2 504**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(16 622)**	**(20 028)**
Attributable to:		
Shareholders of Parent entity	(16 118)	(19 888)
Non-controlling interests	(504)	(140)

(data in PLN thousand, unless indicated otherwide)

CONSOLIDATED BALANCE SHEET

	Note	31.03.2019 Unaudited	31.12.2018 Audited
ASSETS			
Non-current assets		**734 397**	**720 882**
Tangible non-current assets		307 024	297 285
Intangible assets		51 946	52 348
Goodwill from consolidation		308 832	308 782
Investment properties		22 673	20 445
Investments in other units		24	25
Other financial assets		6 431	4 511
Deferred tax assets		29 885	28 416
Accruals		7 582	9 070
Current assets		**806 778**	**822 054**
Inventory		110 209	86 854
Trade and other receivables		340 908	328 890
Income tax receivables		4 313	3 900
Other financial assets		10 577	13 773
Cash and cash equivalents		49 651	116 687
Accruals		15 515	13 313
Contracts with customers assets		223 138	206 887
Assets held for sale		52 467	51 750
TOTAL ASSETS		**1 541 175**	**1 542 936**
Equity and liabilities			
Equity (attributable to shareholders of parent entity)		**629 516**	**645 539**
Share capital		41 120	41 120
Share premium account		309 984	309 984
Revaluation reserve		5 768	5 768
Other capital reserves		383 355	383 833
Retained earnings		(126 493)	(111 006)
Foreign exchange differences on translation of foreign operations		15 782	15 840
Non-controlling interests		**8 337**	**8 841**
Total equity		**637 853**	**654 380**
Long-term liabilities		**105 503**	**93 112**
Interest-bearing loans and borrowings		82 148	66 371
Provisions	23	12 127	13 004
Liabilities due to employee benefits		4 598	4 810
Provision for deferred tax		6 556	8 858
Derivative financial instruments		8	8
Other financial liabilities		66	61
Short-term liabilities		**797 819**	**795 444**
Interest-bearing loans and borrowings		202 520	132 559
Trade and other liabilities		351 879	407 341
Provisions	23	56 001	59 101
Liabilities due to employee benefits		13 881	16 572
Accruals		495	711
Liabilities from contracts with customers		134 741	141 258
Liabilities of group to be classified as held for sale		38 302	37 902
Total equity and liabilities		**1 541 175**	**1 542 936**

(data in PLN thousand, unless indicated otherwide)

CONSOLIDATED STATEMENT OF CASH-FLOWS

	01.01.2019 - 31.03.2019 Unaudited	01.01.2018 - 31.03.2018 Unaudited
Cash flows from operating activities		
Gross profit from continued operations	**(22 454)**	**(25 684)**
Adjustments for:	**(111 264)**	**(120 555)**
Depreciation	9 336	7 395
FX differences	25	705
Net interest and dividends	2 475	1 555
Profit on investment activities	(597)	(1 186)
Change in receivables	(8 487)	95 507
Change in inventory	(23 339)	(22 213)
Change in liabilities, excluding loans and borrowings	(63 007)	(126 240)
Change in prepayments and accruals	(587)	5 423
Change in provisions	(3 989)	(2 118)
Change in settlements from contracts	(22 941)	-
Change in construction contracts	-	(74 562)
Change in financial derivatives	674	(288)
Income tax paid	(323)	(2 345)
Other	(593)	(2 128)
Foreign exchange differences on translation of foreign operations	89	(60)
Net cash flows from operating activities	**(133 718)**	**(146 239)**
Cash flows from investment activities		
Sale (purchase) of intangible assets and tangible non-current assets	(2 015)	(10 151)
- acquisition	(2 335)	(10 672)
- sale	320	521
Sale (purchase) of shares	-	(2 084)
- acquisition	-	(2 084)
Financial assets	2 289	1 103
- sold or repaid	4 865	2 480
- granted or acquired	(2 576)	(1 377)
Loans	-	211
- repaid	-	211
Interest received	117	66
Net cash flows from investment activities	**391**	**(10 855)**
Cash flows from financial activities		
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest	713	-
Proceeds on account of taken borrowings and loans	76 936	78 907
Repayment of borrowings and loans	(3 445)	(3 843)
Interest paid	(2 799)	(1 663)
Payment of liabilities under financial lease agreements	(4 888)	(2 982)
Other	18	(24)
Net cash flows from financial activities	**66 535**	**70 395**
Total net cash flows	**(66 792)**	**(86 699)**
Cash at start of period	**116 675**	**112 172**
Assets held for sale - transfer	(244)	-
Cash at end of period	**49 639**	**25 473**

Cash excluded from the statement of cash flows at as March 31, 2019 comprises cash blocked on the property development project accounts in the amount of PLN 12 thousand.

(data in PLN thousand, unless indicated otherwide)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of parent entity										
	Share capital	Share premium account	Revalua-tion reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
As at 01.01.2019 Audited	**41 120**	**309 984**	**5 768**	**(3 159)**	**(1 244)**	**388 236**	**15 840**	**(111 006)**	**645 539**	**8 841**	**654 380**
Net profit for the period	-	-	-	-	-	-	-	(15 487)	(15 487)	(662)	(16 149)
Other comprehensive income	-	-	-	(573)	-	-	(58)	-	(631)	158	(473)
Total other comprehensive income	**-**	**-**	**-**	**(573)**	**-**	**-**	**(58)**	**(15 487)**	**(16 118)**	**(504)**	**(16 622)**
Other changes	-	-	-	-	-	95	-	-	95	-	95
As at 31.03.2019 Unaudited	**41 120**	**309 984**	**5 768**	**(3 732)**	**(1 244)**	**388 331**	**15 782**	**(126 493)**	**629 516**	**8 337**	**637 853**
As at 01.01.2018 Audited	**41 120**	**309 984**	**5 765**	**(3 340)**	**(975)**	**365 903**	**7 093**	**31 429**	**756 979**	**5 055**	**762 034**
IFRS 9 implementation	-	-	-	-	-	(3 418)	-	-	(3 418)	-	(3 418)
As at 1.01.2018 after adjustments	**41 120**	**309 984**	**5 765**	**(3 340)**	**(975)**	**362 485**	**7 093**	**31 429**	**753 561**	**5 055**	**758 616**
Net profit for the period	-	-	-	-	-	-	-	(22 409)	(22 409)	(123)	(22 532)
Other comprehensive income	-	-	-	178	-	-	2 343	-	2 521	(17)	2 504
Other changes	-	-	-	-	-	835	-	-	835	41	876
As at 31.03.2018 Unaudited	**41 120**	**309 984**	**5 765**	**(3 162)**	**(975)**	**363 320**	**9 436**	**9 020**	**734 508**	**4 956**	**739 464**

(data in PLN thousand, unless indicated otherwide)

	Equity attributable to shareholders of Parent entity										
	Share capital	Share premium	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interest	Total equity
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2018 Audited	**41 120**	**309 984**	**5 765**	**(3 340)**	**(975)**	**365 903**	**7 093**	**31 429**	**756 979**	**5 055**	**762 034**
IFRS 9 implementation	-	-	-	-	-	(3 418)	-	-	(3 418)	-	(3 418)
As at 1.01.2018 after adjustments	**41 120**	**309 984**	**5 765**	**(3 340)**	**(975)**	**362 485**	**7 093**	**31 429**	**753 561**	**5 055**	**758 616**
Net profit for the period	-	-	-	-	-	-	-	(111 006)	(111 006)	834	(110 172)
Other comprehensive income	-	-	-	181	(269)	-	8 747	-	8 659	(53)	8 606
Total comprehensive income	**-**	**-**	**-**	**181**	**(269)**	**-**	**8 747**	**(111 006)**	**(102 347)**	**781**	**(101 566)**
Distribution of profit	-	-	-	-	-	26 289	-	(26 289)	-	-	-
Payment of dividends to parent undertaking shareholders	-	-	-	-	-	-	-	(5 140)	(5 140)	-	(5 140)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(220)	(220)
Acquisition of shares in a subsidiary	-	-	-	-	-	(625)	-	-	(625)	(1 202)	(1 827)
Acquisition of shares in a subsidiary	-	-	-	-	-	-	-	-	-	4 274	4 274
Other	-	-	3	-	-	87	-	-	90	153	243
As at 31.12.2018 Audited	**41 120**	**309 984**	**5 768**	**(3 159)**	**(1 244)**	**388 236**	**15 840**	**(111 006)**	**645 539**	**8 841**	**654 380**

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These condensed consolidated financial statements of Trakcja Group cover the period of 3 months ended March 31, 2019.

Trakcja Capital Group ("Group" or "Trakcja Group") consists of the parent company, namely Trakcja PRKiI S.A. ("Trakcja PRKiI", "Parent Company" or "Company"), its subsidiaries (see Note 2).

Trakcja PRKiI S.A. in its present form was established on November 30, 2004 as a result of the acquisition of Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. ("PKRE S.A."). The name of the Company at the time was Trakcja Polska S.A. and was changed by Resolution No. 2 adopted by the Extraordinary General Meeting on November 22, 2007. The change was entered in the National Court Register on December 10, 2007. The prior business name of the Company was Trakcja Polska - PKRE S.A. The Company operates under the Articles of Association in the form of a notarial deed of January 26, 1995 (Rep. A No. 863/95), as amended.

On September 1, 2009 the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the merger of Trakcja Polska S.A. as the overtaking company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. as the overtaken company. The merger was settled and recognised in the accounting books of the company to which the assets of the merged companies were transferred, i.e. Trakcja Polska S.A., under the pooling of interest method, as at August 31, 2009. The companies were effectively merged at the acquisition of control, i.e. on September 1, 2007, in accordance with IFRS 3.

On June 22, 2011 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the company name from Trakcja Polska S.A. to Trakcja – Tiltra S.A. The above change was registered pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting on June 15, 2011.

On December 21, 2012 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the Company's business name from Trakcja – Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting on December 12, 2012.

On December 19, 2013 the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the merger of Trakcja S.A. as the overtaking company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. as the overtaken company. The merger was settled and recognised in the accounting books of the company to which the assets of the merged companies were transferred, i.e. Trakcja S.A., according to the pooling of interest method, as at December 31, 2013.

On December 19, 2013 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the Company's business name from Trakcja S.A. to Trakcja PRKiI S.A. The above change was registered pursuant to Resolution No. 4 adopted by the Extraordinary General Meeting of Shareholders on November 27, 2013.

On January 29, 2002 the Company was entered in the National Court Register by the District Court in Warsaw, 19th Commercial Division, under KRS 0000084266. The Company was assigned the statistical number REGON 010952900, the tax identification number NIP 525-000-24-39 and the PKD code 4212Z.

The registered office of the Parent Company is located at Złota 59 Street in Warsaw. Both the Parent Company and other entities that are members of the Group are established for an indefinite period of time.

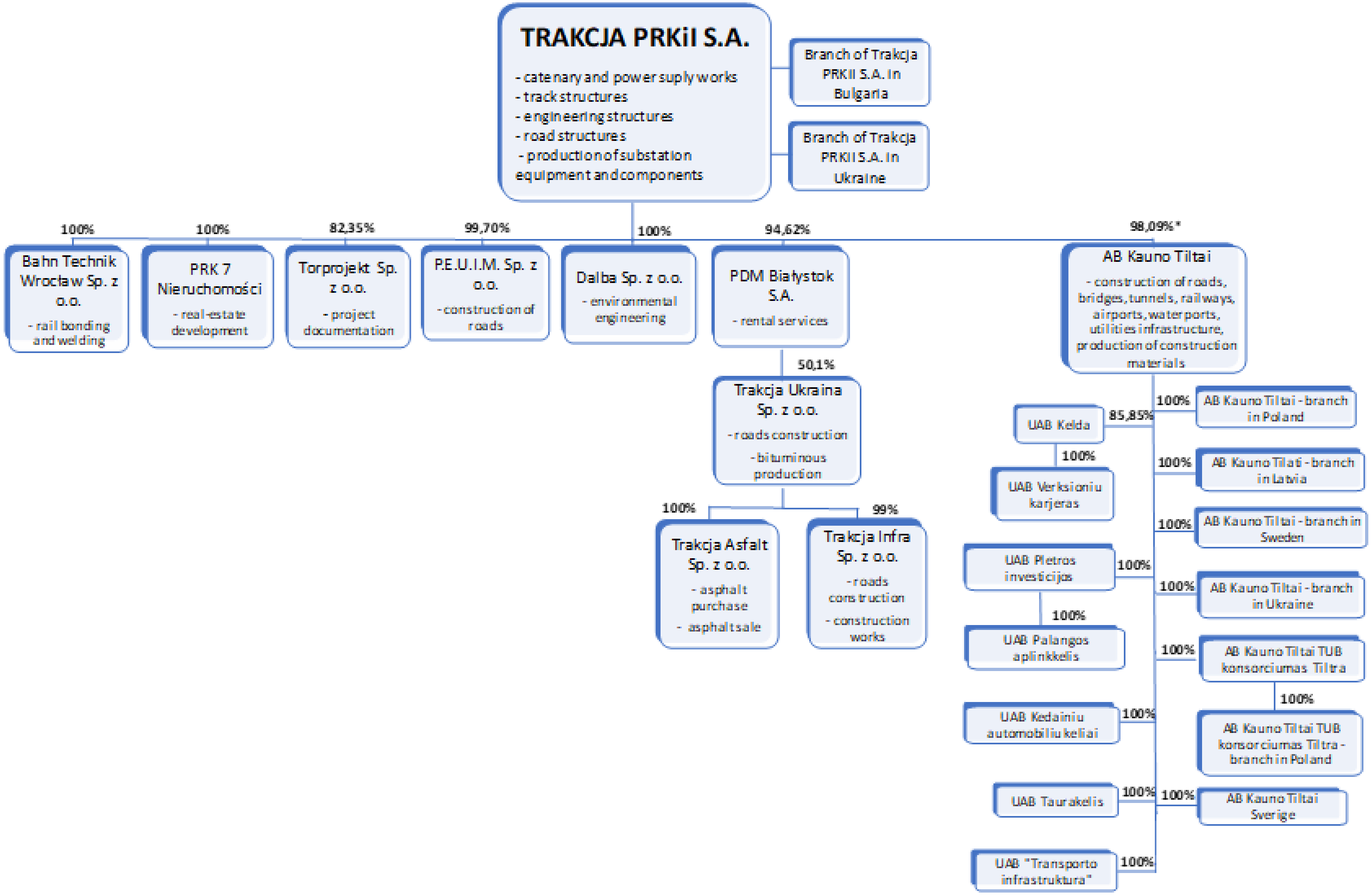
According to the Articles of Association, the Parent Company renders specialist construction and installation services within the scope of railway and tram lines electrification. The Company specialises in the following types of activity:

- foundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,

- installation of local supply and control cables,
- manufacturing of products (high, medium and low voltage switching stations, traction network equipment and local control devices),
- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure.

2. Group structure

As at March 31, 2019 the Group consists of the Parent Company (Trakcja PRKiI S.A.) and its subsidiaries. The Group's organisational structure is presented in the diagram below:



**) Trakcja PRKiI S.A. holds a total of 98.09% (96.84% directly and 1.25% indirectly) of the share capital of its subsidiary AB Kauno Tiltai. The indirect shareholding results from the acquisition of own shares by the subsidiary.*

3. Changes in the Group structure and their consequences

In the first quarter of 2019, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred.

4. Parent Company's Management Board

As at March 31, 2019 the Company's Management Board was composed of the following members:

- Marcin Lewandowski - President of the Management Board;
- Marek Kacprzak - Vice-President of the Management Board;
- Paweł Nogalski - Vice-President of the Management Board;
- Maciej Sobczyk - Vice-President of the Management Board;
- Aldas Rusevičius - Vice-President of the Management Board.

During the first quarter of 2019 and after the balance sheet date, no changes occurred in the composition of the Management Board.

5. Parent Company's Supervisory board

As at March 31, 2019 the Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Łukasz Rozdeiczer-Kryszkowski - Member of the Supervisory Board;
- Michał Hulbój - Member of the Supervisory Board;
- Wojciech Napiórkowski - Member of the Supervisory Board;
- Miquel Llevat Vallespinosa - Member of the Supervisory Board;
- Jorge Miarnau Montserrat - Member of the Supervisory Board;
- Fernando Perea Samarra - Member of the Supervisory Board;

Both in the discussed period and after the balance sheet date there were no changes in the composition of the Supervisory Board.

6. Parent Company's Shareholdership

As at March 31, 2019 and as at the preparation hereof, the Parent Company's share capital, in accordance with the entry in the National Court Register, was PLN 41,119,638.40 and was divided into 51,399,548 ordinary shares with a nominal value of PLN 0.80 per share. Each share constitutes one vote at the General Meeting of Shareholders.

To the best knowledge of the Issuer's Management Board and in accordance with the notifications referred to Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, shareholders that hold directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders as at the approval hereof were as follows:

(data in PLN thousand, unless indicated otherwide)

Shareholders	Number of shares	% in share capital	Number of votes	% in votes at GSM
COMSA S.A.	16 156 193	31,43%	16 156 193	31,43%
OFE PZU "Złota Jesień"*	5 732 694	11,15%	5 732 694	11,15%
Pozostali akcjonariusze	29 510 661	57,41%	29 510 661	57,41%
Total	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

**represented by the Powszechne Towarzystwo Emerytalne PZU S.A.*

From the date of submission of the last periodic report, ie 30 April 2019, until the day of publication of this report, the Parent Company did not receive notifications about changes in the ownership structure of significant blocks of shares in the Company.

7. Number of shares in the Parent Company held by members of its management and supervision bodies

Since the publication of the most recent periodic report, i.e. since April 30, 2019 there have been no changes in the number of shares in the parent company held by members of the management and supervision bodies.

The Company's Management Board and Supervision Board members do not hold any shares in the parent company or any of the related entities being members of Trakcja Group.

8. Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on May 30, 2019.

9. Significant values based on professional judgement and estimates

Significant values based on professional judgement and estimates are described in detail in Note 7 to the consolidated annual financial statements of Trakcja Group for 2018. During the 3 months ended on March 31, 2019 no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at March 31, 2019.

Please find below the professional judgement of the management and the assumptions concerning the future and also other key sources of uncertainties present at the balance sheet date, which bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

9.1. Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 47 of the Notes to the consolidated financial statements for 2018.

In the first quarter of 2019, the Group has not changed the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Investment properties

The Group classifies a property as a tangible non-current asset or an investment property depending on its intended use.

Allocation of goodwill to cash generating units

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Group performs tests related to the allocation of goodwill to the appropriate cash generating units.

Classification of joint contractual arrangements

The Group verifies whether it exercises joint control and determines the type of joint arrangement in which it is involved by considering its rights and obligations under a given arrangement and the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement.

Control over related entities

The parent company exercises control over its subsidiaries if, due to its involvement in this entity, it is subject to exposure to variable returns, or when it has the right to variable returns, and has the ability to influence those returns by exercising power over the entity. The Management Board of the Company determines that it exercises control over individual units based on the following elements:

Trakcja PRKiI is the owner of 100% of the share capital of PRK 7 Nieruchomości Sp. z o.o. and controls this subsidiary. Trakcja PRKiI became the owner of PRK 7 Nieruchomości by merging Trakcja with PRK 7 S.A., which was the owner of PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI is the owner of 100% of the share capital of Bahn Technik Wrocław Sp. z o.o. and exercises full control over this subsidiary. Trakcja PRKiI S.A. became the owner of the company through the acquisition and taking control of the remaining 50% of shares on December 30, 2016.

Trakcja PRKiI is the owner of 82.35% of the share capital of Torprojekt Sp. z o.o. and exercises full control over this subsidiary. Trakcja PRKiI became the owner of Torprojekt Sp. z o.o. through the purchase of shares.

Trakcja PRKiI is the owner of 99.70% of the share capital of PEUiM Sp. z o.o. and exercises full control over this subsidiary. Trakcja PRKiI became the owner of PEUiM through the purchase of shares.

Trakcja PRKiI is the owner of 100% of the share capital of Dalba Sp. z o.o. and exercises full control over this subsidiary. Trakcja PRKiI became the owner of Dalba through purchase of shares.

Trakcja PRKiI is the owner of 94.62% of the share capital of PDM Białystok S.A. and exercises full control over this subsidiary. Trakcja PRKiI became the owner of PDM Białystok through the purchase of shares.

Trakcja PRKiI is the owner of 98.09% of the share capital of AB Kauno Tiltai and exercises control over this subsidiary. Trakcja PRKiI became the owner of AB Kauno Tiltai by purchasing shares of AB Kauno Tiltai, which is also the parent in the AB Kauno Tiltai Group.

The composition of the Group and the percentage of shares held are presented in note 2 of Additional information and explanations of this report.

9.2. Uncertainty of estimates and assumptions

Determining the timing of satisfaction of performance obligations

Sale of goods

In order to indicate the precise moment of transfer of control, the Group considers each time whether:

a. the Group has a present right to payment for the asset,

b. the customer has legal title to the asset,

c. the Group has transferred physical possession of the asset,

d. the customer has the significant risks and rewards of ownership of the asset,

e. the customer has accepted the asset.

The moment of the transfer of control is the same as the moment when the significant risk and rewards of ownership have been transferred. In the absence of specific terms and conditions between the parties (e.g. by means of Incoterms), the revenue from the sale is recognised at the moment of delivery to the customer, in which case the customer is in physical possession of the goods and thus the legal title is transferred.

Sale of construction services

Performance obligations related to the implementation of long-term construction contracts are satisfied over time in connection with the fact that the customer controls an asset which is created or enhanced by the entity throughout the implementation period. In the opinion of the Group, execution of construction work on land owned by the principal indicates that it controls the asset being created on an ongoing basis. In the analysed case, there are specific provisions concerning acceptance of the work performed and if no acceptance is obtained, the contract is terminated and the ownership title to the work performed and the related land is transferred to the Group, however, in the Group's opinion, based on experience in the implementation of previous similar projects as well as the assessment of the progress of work, it is unlikely that the agreed parameters will not be reached, which would result in termination of the contract and transfer of title to the land.

Determining the transaction price and the amounts allocated to performance obligations

Variable consideration

Contracts for long-term construction services provide for variable consideration that depends on the completion dates and parameters achieved. In order to determine the transaction price, the Group evaluates facts and circumstances determining the probability of occurrence of each scenario. In the case of contracts for which the probability of one scenario is significantly higher than others, then the consideration determined according to the scenario in question is reflected in the transaction price. If the most likely scenario cannot be determined, the transaction price is set based on the expected value, i.e. determined as an average value weighted by the probabilities of all the scenarios under consideration. The estimate of variable consideration is not constrained.

Facts and circumstances determining the probability of occurrence of individual scenarios are reviewed at least at the end of each reporting period. Changes in the transaction price, if any, are recognised prospectively.

Significant financing component

The Group has decided to use the practical expedient and does not adjust the transaction price by the impact of a change in the time value of money in the case of contracts for which the Group expects, at contract inception, that the period between the moment when the Group transfers the good or service and the moment of payment will not exceed one year.

The transaction price of contracts for which the Group expects at contract inception that the period between the moment when the Group transfers goods or services and the moment of payment will be longer than one year is adjusted by a significant financing component. For advance payments, the Group recognises interest expense, whereas for payment terms longer than 12 months, the Group recognises interest income.

In order to estimate the significant financing component, it is necessary to determine the discount rate. The Group uses rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception. In order to reflect the credit characteristics of the party that receives financing, various discount rates are applied to transactions in which the Group acts as the party that provides financing and the party that receives financing.

Discount rates are reviewed at least as at the date of preparation of the financial statements and are applied to contracts concluded after the date on which the rate was updated.

Separation of non-lease components

The Group assesses whether the contract includes lease and non-lease components. Non-lease components, such as maintenance fees in contracts for lease of premises, or service maintenance of components of assets constituting the subject of the contract, are then separated from contracts that included lease and non-lease components.

However if the contract covers non-lease elements which the Group deems insignificant in the light of the entire contract, the Group shall apply a simplification consisting in joint treatment of lease and non-lease elements as one lease element.

Defining the lease term

In defining the lease term, the Group assesses all material facts and events which affect the existence of economic triggers to use the option of prolongation, or not using the option of termination. The assessment is made in case of a significant event or a significant change in circumstances affecting the assessment.

Useful lives of asset components due to usage rights

The estimated useful life of assets under usage rights is determined in the same way as in the case of property, plant and equipment.

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The largest companies that are members of Trakcja Group are obliged to grant warranty for their services. The provision for additional works depends on the segment in which the companies operate and is based on the Group's historical data. This value is assessed on an individual basis and may be increased or decreased as appropriate. Any changes in these assumptions will affect the amount of the provisions.

Provisions for contractual penalties

The Group recognises provisions for contractual penalties in relation to any contracts under completion in the amounts in which they may and are likely to be imposed. Provisions are recognised based on the documentation regarding the contract completion and on the opinion of lawyers who participate in the ongoing negotiations and estimate the Group's potential future liabilities on the basis of their course. The carrying amount of the provisions for contractual penalties as at 31 March 2019 is presented in Note 23 of the Notes.

Measurement of employee benefit liabilities

Employee benefit liabilities for retirement benefits and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account amendments to the remuneration regulations made on 3 June 2017. The amount of liability depends on various factors which are used as assumptions in the actuarial method. Key assumptions for determining the amount of liability are the discount rate and the average expected increase in wages.

Deferred tax asset

The Group recognises deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. If taxable income deteriorates in the future, this assumption may prove invalid. The Parent Company's Management Board reviews its estimates regarding the likelihood of recovering deferred tax assets taking into account changes in the factors on which such estimates were based, new information and past experience. The likelihood that deferred tax assets will be utilised against future taxable profits is based on budgets of the Group companies. Deferred tax assets are recognised by the Group companies to the extent that it is probable that taxable profit will be generated which will enable the deductible temporary differences to be offset. The Group’s companies, which generated losses in the past and whose financial forecast does not project future taxable profits that would allow for negative temporary differences to be deducted, do not recognise any deferred tax assets in their books.

Amortisation and depreciation rates

Depreciation/amortisation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates. During the 3 months ended 31 March 2019, no significant changes were made to the depreciation rates applied by the Group.

Investment property

Investment property is measured at fair value. The value of investment properties is determined by independent appraisers who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Company followed the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property appraisal and rules and method for preparing appraisal reports. Fair value of investment property was measured by way of applying measurement techniques that require a maximum use of observable data. As at 31 March 2019, there were no indications that the value of investment property could change, and therefore the Group did not make a valuation as at that date.

Impairment of goodwill

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company’s Management Board. The tests carried out require estimation of the value in use of the cash-generating units (“CGU”) based on their future cash flows, which were subsequently discounted to their present value using a discount rate. As at March 31, 2019, there were no indications of impairment of cash-generating units, therefore the Group did not perform the test as at that date. Details regarding the write-off revaluating the company's value are presented in note 22.

Impairment of financial assets

In assessing *whether financial assets did not lose their value, available and commonly used valuation methods were used, taking into account the future cash flows of the Group in relation to the assets held.*

Impairment of inventories

The Management Board assesses whether there are any premises indicating the possibility of impairment of inventories in accordance with note 9.12 of additional information and explanations in the consolidated financial statements for 2018. Determining the impairment requires estimating the net value possible to obtain for inventories that have lost their useful or useful features. The change in the inventory revaluation write-down has been presented in note 22.

Expected credit loss and impairment of trade and other receivables

Pursuant to IFRS 9, the Group recognises a loss allowance for expected credit losses on trade and other receivables. For trade receivables, the Group applies a simplified approach for receivables analysed on a collective basis – for these receivables, an allowance for lifetime expected credit losses is calculated, regardless of the analysis of changes in credit risk. For other receivables and financial instruments held, the Group recognises an allowance for 12-month expected credit losses if the credit risk is low or has not increased significantly since initial recognition of receivables in the balance sheet and at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. The change in the impairment allowance for trade and other receivables is presented in Note 22.

Fair value measurement and measurement procedures

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Group measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. Detailed information on items measured at fair value is presented in notes 25 and 27. Information on valuation techniques and batch data used to measure the fair value of individual assets and liabilities is disclosed in notes 23, 41, 47 Additional information and explanations in the consolidated financial statements for 2018.

10. Basis for preparing the condensed consolidated financial statement

The condensed consolidated financial statements were prepared according to the historical cost principle, except for the financial derivatives, investment property and available-for-sale financial assets which are measured at fair value.

These condensed consolidated financial statements are presented in Polish zlotys (“PLN”) and all amounts are expressed in thousands of Polish zlotys, unless stated otherwise.

The consolidated annual financial statements are prepared on the assumption that the Group remains a going concern in the foreseeable future. As at the approval hereof, there are no circumstances that could indicate that any threats exist to the Group as a going concern.

Certain financial data provided herein have been rounded. Therefore, the sum of the amounts in a given column or row in certain tables provided herein may differ slightly from the total amount given for such a column or row.

The subsidiaries of AB Kauno Tiltai Group and the following subsidiaries: PRK 7 Nieruchomości Sp. z o.o. i Torprojekt Sp. z o.o., PEUIM Sp. z o.o., Dalba Sp. z o.o., PDM Białystok S.A., Bahn Technik Wrocław Sp. z o.o., Trakcja Ukraina Sp. z o.o., Trakcja Asfalt Sp. z o.o. and Trakcja Infra Sp. z o.o. are consolidated using the full consolidation method.

All intra-group transactions and balances, including unrealised profits on intra-group transactions, have been completely eliminated. Unrealised losses are eliminated unless they are an impairment indicator.

Non-controlling interests are that portion of the profit or loss and net assets which are not owned by the Group. Non-controlling interests are presented as a separate item in the consolidated income statement and the consolidated statement of comprehensive income and also the consolidated balance sheet (within equity), separately from the equity of the owners of the Parent Company. At the acquisition of non-controlling interests, any difference between the acquisition price and the carrying amount thereof is recognised in the equity.

11. Statement of compliance

These condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. At the approval hereof, as far as the accounting principles adopted by the Group are concerned, there are no significant differences between the IFRS standards and the IFRS standards approved by the EU.

The IFRS include standards and interpretations approved by the International Accounting Standards Board and the IFRS Interpretations Committee.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and the majority of the companies within the Group, as well as the reporting currency in these condensed consolidated financial statements for the third quarter of 2018. The euro is the measurement currency of the companies with their registered offices in Lithuania and the AB Kayno Tiltai branch in Latvia, whereas the Swedish crown (SEK) is the currency of AB Kauno Tiltai Sverige and the Ab Kauno Tiltai branch in Sweden; the Belarusian rouble (BYN) is the currency of AB Kauno Tiltai Branch in Belarus, the Bulgarian lev (BGN) is the currency of the establishment of Trakcja PRKiI S.A. in Bulgaria , and the Ukrainian hryvnia (UAH) is the currency of Trakcja Ukraina Sp. z o.o., Trakcja Infra Sp. z o.o., Trakcja Asfalt Sp. z o.o. and the establishment of Trakcja PRKiI S.A. in Ukraine.

12. Significant accounting principles

Except for the changes specified below, the accounting principles (policy) applied to these condensed consolidated financial statements for the first quarter of 2019 are consistent with those applied to the annual consolidated financial statements for 2018, except for the changes described below. The same principles apply to both the current and comparable period, unless a given standard or interpretation is to be applied only prospectively.

The effect of applying new accounting standards and changes in accounting policy

- **IFRS 16 „Leases"**

Selected accounting principles

IFRS 16 "Leases" was published on 13 January 2016 and endorsed by the European Union on 31 October 2017.

As of 1 January 2019, the Group applied the new Standard in the recognition, measurement, and presentation of leases, as required by IFRSs. The application of the new Standard was made in accordance with the transitional provisions contained in IFRS 16. Implementation of IFRS 16 within the Group carried out using the modified retrospective approach, and therefore, comparative data for 2018 was not converted and any cumulative effect of the first application of the new standard was included as an adjustment to the opening balance of retained earnings on the initial application date.

Definition of a lease

As of 1 January 2019, the Group assessed whether a contract is or contains a lease based on the definition of lease set forth in IFRS 16.

In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the following:

a) the right to obtain substantially all of the economic benefits from use of the identified asset; and

b) the right to direct the use of the identified asset.

The Group applies the new guidelines on identification of leases only to contracts entered into (or changed) on or after the date of initial application, i.e. on or after 1 January 2019. Thereby, for all contracts concluded before 1 January 2019, the Group applied the practical exemption provided for in IFRS 16, according to which the entity is not required to reassess whether the contract is a lease or contains a lease on the date of initial application. Instead, the Group applies IFRS 16 only to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4.

The Group as a lessee

In accordance with IFRS 16, the Group recognises in the statement of financial position the right-of-use asset and lease liability for all leases, except where IFRS 16 provides for exemptions concerning recognition.

For leases not terminated as at 1 January 2019, currently classified as operating leases, the Group recognises right-of-use assets and lease liabilities as follows:

- lease liabilities are measured at the present value of the lease payments remaining to be made, discounted at the marginal interest rate for the contract at the date of initial application,

- the right of use of the underlying assets for individual leases (separately for each lease) is measured at the amount of the lease liability. The Group used the practical expedient described in paragraph C10b of IFRS 16 in relation to such leases.

Using the modified retrospective implementation method for IFRS 16, the Group used the following practical expedients for lease contracts previously classified as operating leases in accordance with IAS 17 and therefore includes the following types of contracts as costs:

- lease agreements, the period of which ends up to 12 months from the date of the initial application of the Standard;

- lease agreements for which the underlying leased asset is of low value, i.e. not higher than USD 5 thousand for example: small items of equipment.

After the initial recognition, the Group measures the right-of-use asset similar to other non-financial non-current assets and the lease liability similar to financial liabilities. Consequently, following initial recognition, the Group separately recognises amortisation/depreciation of the right-of-use asset (except where right meets the definition of an investment property) and interest on lease liabilities.

In the case of the right-of-use assets classified as investment property measured at fair value, the Group grossed up the value of investment property, the measurement of which was increased by the value of the liability recognised on account of IFRS 16. The principles and frequency of remeasurement of investment property are described in Note 9.4. for Additional information and explanations of the consolidated annual group report for 2018.

The initial measurement of both assets and liabilities is significantly affected by the determination of the lease period. According to the definition of the lease period set out in IFRS 16, this period includes the non-cancellable period and periods resulting from the extension or termination options, if there is reasonable certainty that the Group will extend the contract or will not use the termination option.

In addition, the Group made other subjective assessments when making estimates and assumptions that affect the measurement of lease liabilities and right-of-use assets as regards:

- determination of incremental interest rates used in discounting future cash flows;

- indication of the useful lives of rights-of-use assets, recognised as at 1 January 2019;

- structure of fixed and variable payments in the contract.

(data in PLN thousand, unless indicated otherwide)

Incremental interest rates were specified as the sum of:

a) the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant base rate for the given currency, as well as

b) the Group's credit risk premium based on the credit margin.

The Group uses compound interest to calculate monthly discounting of cash flows.

For leases that were unfinished at 1 January 2019 and have previously been classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability as at 1 January 2019 is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

The weighted average incremental borrowing rate of the Group, as a lessee, applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 (for individual lease periods) was as follows:

Lease term in years	annual discount rate	monthly discount rate
from 1 to 3	3,55%	0,29%
from 3 to 5	3,92%	0,32%
from 5 to 10	4,55%	0,37%
over 10	4,97%	0,41%

The impact on the financial statements as at the date of initial application is as follows.

As at January 1, 2019, the Group recognized assets due to the right of use equal to liabilities under leasing in the amount equal to PLN 14,896,000. PLN, which did not give rise to a difference in value to be recognized in retained earnings.

The effect of the amendment on the financial statements is presented below:

Comparison of lease assets and liabilities according to IFRS 16

Before change IAS 17	After change from 01.01.2019 IFRS 16						
Third-party services for 12 months	Depreciation for 12 months	Interest for 12 months	Total	Liabilities under lease agreements	Assets used on the grounds of lease agreements		
					as at 01.01.2019		
					long-term	short-term	total
4 339	3 904	602	4 506	14 896	10 652	4 244	14 896

The Group is a party to various financing agreements. The entry of IFRS 16 into force may affect the calculation of covenants contained these agreements and may adversely affect debt-based ratios.

The main assets recognised as right-of-use assets include rights to perpetual usufruct of land, office premises and production premises.

13. Description of factors and events that have a significant impact on the financial performance of Trakcja Group in the first quarter of 2019

As at March 31, 2019 the Trakcja Group's portfolio of construction contracts was PLN 2,701 million (excluding any revenues allocated to consortium members). In the first quarter of 2019, the companies within Trakcja Group signed construction contracts with the total value of PLN 250 million (excluding the value of works allocated to consortium members). As of 31 March 2019, the contract portfolio of the Trakcja Group provided for the full capacity utilisation in the next financial year. The participation in new tenders in 2019 will allow the Group to secure, to an even greater extent, its portfolio of contracts for future periods.

The Trakcja Group's sales revenues for the third quarter of 2019 were PLN 228,504 thousand, that is they increased by PLN 23,408 thousand as compared to the analogous period of 2018. The cost of goods sold increased by PLN 18,232 thousand and amounted to PLN 231,321 thousand.

Gross loss on sales amounted to PLN 2,817 thousand. The gross result on sales increased by PLN 5,176 thousand as compared to the corresponding period of the previous year. In the first quarter of 2019, the gross profit margin was -1.2%, while in the corresponding period of 2018 it was at -3.9%. The factors with the most significant effect on sales revenue and the results for Q1 2019 included sales seasonality, characteristic for entities in the building industry, which is linked with a substantially lower level of revenues in quarter one and generating a significant amount of sales revenues in the second half of a calendar year.

The general and administrative costs were at PLN 15,547 thousand and increased by 9.1%, i.e. by PLN 1,291 thousand, in comparison with the comparable period. The profit on other operating activities of the Group was at minus PLN 572 thousand and decreased by PLN 392 thousand as compared to the comparable period. The Group's operating loss for the first quarter of 2019 was at PLN 20,673 thousand. The loss on operating activity decreased by PLN 3,094 thousand as compared to the first quarter of 2018, when the loss was at PLN 23,767 thousand.

The Group's loss on financial activities for the first quarter of 2019 was at minus PLN 1,781 thousand and increased by PLN 136 thousand in relation to the loss on financial activities for the first quarter of the preceding year.

The Group's gross loss for the period from 01 January 2019 to 31 March 2019 amounted to PLN 22,454 thousand. The gross loss for the first quarter 2019 decreased by PLN 3,230 thousand as compared to the first quarter of 2018, when it amounted to PLN 25,684 thousand. The income tax for the first quarter of 2019 increased the net result by PLN 6,305 thousand. The growth of the net result by income tax increased by PLN 3,153 thousand as compared to the corresponding period of the previous year. The Group's net result for the period from 01 January 2019 to 31 March 2019 was at PLN -16,149 thousand. The net loss decreased by PLN 6,383 thousand in comparison to the loss for the first quarter of 2018.

At the end of the first quarter of 2019, the Group's balance sheet total was at PLN 1,541,175 thousand and was lower by 0.1% than the balance sheet total at the end of 2018.

The non-current assets increased by PLN 13,515 thousand (i.e. by 1.9% of the non-current assets as at December 31, 2018 and were at PLN 734,397 thousand, while the current assets decreased by PLN 15,276 thousand, i.e. by 1.9% in comparison with their value as at December 31, 2018 and amounted to PLN 806,778 thousand.

The increase in the non-current assets was mainly caused by an increase in the tangible non-current assets by PLN 9,739 thousand, which as at March, 31 2019 were at PLN 307,024 thousand.

The decrease in current assets mainly resulted from the decrease of the balance of cash and cash equivalents by PLN 67,036 thousand, i.e. by 57.4%, as compared to December 31, 2018. This results from a significant growth of the number of contracts performed in the first quarter 2019 (including the road market), which was related to high engagement of the Company's working capital, including, in particular, cash. On the other hand, assets due to contracts with clients increased by PLN 16,251 thousand (7.9%), reaching PLN 223,138 thousand. The value of inventory has also increased in comparison to the balance as at the end of the previous year, from PLN 86,854 thousand to PLN 110,209 thousand, i.e. by PLN 23,355 thousand.

As of 31 March 2019, the equity of the Group decreased by PLN 16,527 thousand in comparison with its balance as of 31 December 2018.

As at March 31, 2019 the long-term liabilities were at PLN 105,503 thousand and decreased by PLN 12,391 thousand, i.e. by 13.3%, in comparison to December 31, 2018. Credits and loans against interest increased by PLN 15,777 thousand and amounted to PLN 82,148 thousand.

Short-term liabilities were at PLN 797,819 thousand and increased by 0.3%, i.e. by PLN 2,375 thousand, as compared to December 31, 2018. This increase was mainly related with the growth of interest on credits and loans by PLN 69,961 thousand. In turn, trade liabilities and other liabilities dropped by PLN 55,462 thousand, reaching PLN 351,879 thousand.

At the beginning of 2019, the Group's cash presented in the consolidated cash flow statement was at PLN 116,675 thousand, while at the end of the 3-month period it amounted to PLN 49,639 thousand. Net cash flows for the first 3 months of 2019 were negative and amounted to PLN -66,792 thousand, which means an increase by PLN 19,907 thousand in comparison with the corresponding period of 2018.

14. Seasonality and cyclicality

The sale of the construction and installation, renovation, as well as road and rail services in Poland is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated in the third and fourth quarters and the lowest in the first quarter.

15. Informacje Information on issue, redemption and repayment of debt or equity securities

In the third first of 2019, the Group did not issue, redeem or repay any debt or equity securities.

16. Amounts that have had a significant impact on assets, liabilities, equity, net profit/loss or cash flows which are atypical due to their type, size, impact or frequency

In the opinion of the Management Board, in the 3-month period ended March 31, 2019, except for the factors described in other notes hereto, no other significant events occurred, which could have had an impact on the assessment of the Trakcja Group's financial condition. The main impact on the results achieved during the year was primarily affected by the contracts completed by the Group.

17. Description of factors which, in the Group's opinion, will have an impact on the Group's performance at least in the next quarter.

The most important factors that will have an essential impact on the future financial performance of the Group include the following:

- the ability to win new construction contracts, which on account of the profile of the Group's activities is determined by expenditures on the railway, energy road and tramway infrastructure in Poland and Lithuania, as well as on new markets;
- Efficiency of opening and signing contracts by the Ordering Party;
- Competition from other entities;
- Lack of market barriers;
- Formation of prices of raw materials, building materials and transport costs;
- The situation on the labor market in Poland and Lithuania;
- Exchange rate developments, in particular the euro exchange rate;
- Monetary policy of the Central Bank, translating into changes in interest rates on loans. In order to finance planned acquisitions, the Group may take out bank loans, which is why it may incur financial costs shaped by the level of interest rates;
- The timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity,
- Decrease in the number of bidders on the Polish railway market;
- The level of valorisation of construction contracts;
- Results of court cases.

Moreover, in the future, the Group's financial performance may be affected by changes in the legal regulations designating the scope of the Group's activities, including tax regulations and any regulations regarding other encumbrances of a public-law nature, as well as regulations:

- the procedure for awarding public procurements, in particular, an amendment to the Public Procurement Law,
- the public and private partnership,
- the financing of railway infrastructure,
- the environmental protection in the scope of the implementation of individual projects, in particular, the Environmental Protection Law,
- the property development activities of PRK 7 Nieruchomości Sp. z o.o.

The most important internal factors having a significant impact on the Group's financial results include:

- The accuracy of estimating the costs of implemented projects, having a direct impact on decisions on the strategy of participating in tenders, the valuation of contracts for tenders and, as a result, the margins achieved on contracts. The accuracy of estimating budgets for contract costs is in turn related to both methodological and external factors, such as changes in prices of materials and prices for subcontractors, Ability to acquire new construction contracts.

- Number of contracts won under the "National Railway Program until 2023" program.
- Number of contracts won under the "National Road Construction Program for 2014-2023, with a prospect until 2025".
- Ability to acquire highly qualified staff.
- Ability to implement the development strategy of the Issuer's Group.
- Ability to further diversify operations.
- Ability to obtain external financing.

18. Risk factors

Factors that may significantly deteriorate the financial condition of the Group include the following:

- risk of growing competition,
- risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years,
- risk of being dependent on key customers,
- risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors,
- risk of subcontractors bunkruptcy,
- risk associated with the lack of qualified employees,
- risk of loss of management and engineering staff,
- currency risk,
- risk related to the volatility of prices for materials,
- risk of interest rate fluctuations,
- risk associated with the joint and several liability of members of construction consortia and with the liability for improper performance of construction works by subcontractors,
- risk of potential penalties for failure to complete contracts,
- risk of underestimating the project costs,
- risk of increase in materials' prices
- risk concerning completing the construction contracts,
- risk connected with acquiring new contracts,
- risk related to supply logistics,
- risk associated with the conditions and procedures for awarding tenders and with the completion of projects,
- risk of growing a portfolio of overdue receivables,
- risk related to financial agreements,

- liquidity risk (described in Note 5 to the Additional Information and Explanations to the Condensed Separate Financial Statements),
- risk of implementing the strategy,
- the risk related to the approach of the financial sector to companies in the construction industry,
- the risk related to obtaining financing for the implementation of construction contracts and obtaining contract guarantees,
- risk related to weather conditions,
- risk connected with changes in law, including tax law.

19. Opinion of the Management Board on the published forecast

The Management Board of Trakcja PRKiI S.A. did not publish any financial forecast for 2019.

20. Brief description of significant accomplishments or failures in the first quarter of 2019

In the first quarter of 2019, the Trakcja Group recorded a net loss of PLN 15 147 thousand. PLN, which was lower than in the corresponding period of the previous year by PLN 7,385 thousand. zł.

The Group's significant accomplishments in the 3-month period ended March 31, 2019 include the following:

- Signing new contracts valued at PLN 250 million (exluding the part assigned to consortium partners);
- Further reconstruction of the order portfolio;
- Ensuring the availability of loan financing: as at March 31, 2019, Trakcja Group companies had a free limit on overdrafts and a revolving credit limit up to the total amount PLN 18 107 thousand PLN 16 943 thousand PLN from contract financing.

21. Information material for the assessment of the Group's and the Parent Company' employment, assets, financial condition and performance and changes therein, as well as information material for the assessment of the Group's and Parent Company's ability to meet their obligations

Information material for the assessment of the Group's and the Parent Company' employment, assets, financial condition and performance and changes therein, as well as information material for the assessment of the Parent Company's ability to meet its obligations are described in Note 5 of Additional Information and Explanations at the end of the short individual financial statements.

No information material for the assessment of the Group's and the Parent's Company's employment, assets, financial condition and performance and changes therein or for the assessment of the Group's and the Parent Company's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the 3-month period ended on Mach 31, 2019.

(data in PLN thousand, unless indicated otherwide)

22. Change in impairment losses and estimated credit losses

	Tangible non-current assets	Goodwill	Receivables	Other	Total
As at 1.01.2019	**792**	**85 775**	**634**	**72 524**	**159 725**
Audited					
Creation	-	-	-	1 064	1 064
Variances due to currency translation	-	-	8	-	8
Used	-	-	-	(235)	(235)
Reversed	-	-	-	(1 344)	(1 344)
Transfer	-	-	-	-	-
As at 31.03.2019	**792**	**85 775**	**642**	**72 009**	**159 218**
Unaudited					

23. Provisions

As at 01.01.2019	**72 105**
Audited	
Recognized	2 738
Foreign exchanges due to currency translation	(2)
Used	(6 532)
Reversed	(181)
As at 31.03.2019	**68 128**
Unaudited	
including	
- long-term	12 127
- short-term	56 001

24. Acquisitions and disposals of tangible non-current assets and other intangible assets

From January 1, 2019 to March 31, 2019, the Group purchased tangible non-current assets and intangible assets in the amount of PLN 6,746 thousand (as compared to PLN 12,434 thousand in the comparable period of 2018).
From January 1, 2019 to March 31, 2019, the Group disposed of tangible non-current assets and intangible assets in the total book value of PLN 1,797 thousand (as compared to PLN 100 thousand in the comparable period of 2018).

25. Information on changes in the measurement method for financial instruments measured at fair value

In the first quarter of 2019, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual consolidated financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

(data in PLN thousand, unless indicated otherwide)

Due to a short-term nature of trade and other receivables and trade and other liabilities, as well as cash and cash equivalents, the carrying amounts of these financial instruments are close to their fair value.

Any borrowings granted and any loans and borrowings incurred are based on the variable market rates linked to WIBOR and EURIBOR, and therefore their fair values are close to their carrying amounts.

The fair value of the IRS contracts (classified as financial derivatives) is calculated as the present value of future cash flows estimated using the yield curves.

In the first quarter of 2019, no fair value was reallocated to level 1, 2 or 3.

26. Information on reclassification of financial assets due to changes in their purpose or use

In the first quarter of 2019, the Group did not change the classification of financial assets as a result of changing their purpose or use.

27. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment property and financial derivatives. In the period of 3 months ended March 31, 2019 the measurement method for the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Group's consolidated annual financial statements for 2018.

Balance sheet elements accounted in fair value	Level 1		Level 2		Level 3	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Derivatives (liability)	-	-	8	8	-	-
Investment property	-	-	-	-	20 445	20 445
Office properties	-	-	-	-	15 785	15 785
Land properties	-	-	-	-	2 048	2 048
Deposits of natural resources	-	-	-	-	2 612	2 612

In the period of 3 months ended March 31, 2019 no reallocations were made to level 1, 2 or 3.

In connection with the entry into IFRS 16, the Group reclassified the value of investment properties whose valuation was increased by the value of the introduced liability under IFRS 16. As at March 31, 2019, this value was PLN 2,228 thousand. PLN and increased the value of investment properties presented in the consolidated balance sheet of the Group as at 31 March 2019.

28. Information on segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2018.

Key customers:

In the period of 3 months of 2019, revenues from transactions with external single customers constituted respectively 10% or more of the total revenues of the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below:

The total amount of income obtained in 3 months ended 31.03.2019 from a single customer (thousand PLN)	Operation segment containing the revenues
136 205	Civil construction - Poland

The Group does not present its revenues from external customers by revenues from goods and revenues from services, because the performance of segments is analysed in terms of the construction contracts completed by individual segments.

(data in PLN thousand, unless indicated otherwide)

Operating segments:

For the period from 1.01.2019 to 31.03.2019 *Unaudited*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession agreements segment - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	200 285	20 507	7 712	228 504	-	-	228 504
Sales between segments	303	7	32	342	-	(342)	-
Total segment revenues	**200 588**	**20 514**	**7 744**	**228 846**	**-**	**(342)**	**228 504**
Results							
Depreciation	6 138	2 910	288	9 336	-	-	9 336
Financial income - interests	336	980	101	1 417	-	(139)	1 278
Financial expenses - interests	2 143	612	29	2 784	-	(139)	2 645
Gross profit	**(7 525)**	**(13 789)**	**(1 146)**	**(22 460)**	**-**	**6**	**(22 454)**

For the period from 1.01.2018 to 31.03.2018 *Unaudited*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession agreements segment - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales between segments	179 216	25 880	-	205 096	-	-	205 096
Total segment revenues	1 264	-	2	1 266	-	(1 266)	-
Total segment revenues	**180 480**	**25 880**	**2**	**206 362**	**-**	**(1 266)**	**205 096**
Results							
Share of profit (losses) of joint venture	4 758	2 611	26	7 395	-	-	7 395
Financial expenses - interests	38	847	22	907	-	-	907
-	826	584	3	1 413	-	-	1 413
Gross profit	**(13 159)**	**(11 794)**	**(731)**	**(25 684)**	**-**	**-**	**(25 684)**

(data in PLN thousand, unless indicated otherwide)

As at 31.03.2019 *Unaudited*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession agreements segment - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**1 102 054**	**600 561**	**60 440**	**1 763 055**	**-**	**(251 765)**	**1 511 290**
Assets not allocated to segments							29 885
Total assests							**1 541 175**
Segment liabilities*	**692 109**	**192 958**	**13 480**	**898 547**	**-**	**(100 728)**	**797 819**
Udział w jednostce stowarzyszonej							
Impairment of non-financial assets	(937)	(1 283)	(115)	(2 335)	-	-	(2 335)
Investments in joint ventures	-	-	-	-	-	-	-

** short-term liabilities were allocated to assess segment*

As at 31.12.2018 *Audited*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession agreements segment - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**1 100 925**	**617 070**	**57 751**	**1 775 746**	**-**	**(261 226)**	**1 514 520**
Assets not allocated to segments					-		28 416
Total assests					-		**1 542 936**
Segment liabilities*	**686 440**	**198 216**	**10 040**	**894 696**	**-**	**(99 252)**	**795 444**
Capital expenditure							
Impairment of non-financial assets	(20 289)	(8 931)	(4 010)	(33 230)	-	955	(32 275)
* short-term liabilities were allocated to assess segment	(444)	(24 243)	-	(24 687)	-	-	(24 687)

** short-term liabilities were allocated to assess segment*

(data in PLN thousand, unless indicated otherwide)

Geographical segments:

For the period from 1.01.2019 to 31.03.2019	**Continued operations**					
Unaudited	**Domestic**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	206 061	22 443	228 504	-	-	228 504
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	290	7	297	-	(297)	-
Total segment revenues	**206 351**	**22 450**	**228 801**	**-**	**(297)**	**228 504**

For the period from 1.01.2018 to 31.03.2018	**Continued operations**					
Unaudited	**Domestic**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	180 478	24 618	205 096	-	-	205 096
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	**180 478**	**24 618**	**205 096**	**-**	**-**	**205 096**

As at 31.03.2019	**Continued operations**					
Unaudited	**Domestic**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	1 144 070	618 985	1 763 055	-	(251 765)	1 511 290
Segment liabilities*	718 620	179 927	898 547	-	(100 728)	797 819

** short-term liabilities were allocated to assess segment*

Operating assets	**Continued operations**					
Audited	**Domestic**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	1 142 103	633 643	1 775 746	-	(261 226)	1 514 520
Segment liabilities*	712 148	182 548	894 696	-	(99 252)	795 444

** short-term liabilities were allocated to assess segment*

(data in PLN thousand, unless indicated otherwide)

29. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2019 *Unaudited*	31.12.2018 *Audited*
Contingent receivables		
From related entities due to:	**80 914**	**89 206**
Received guarantees and sureties	79 623	88 366
Bills of exchange received as collateral	1 291	840
Total contingent receivables	**80 914**	**89 206**
From related entities due to:		
From other entities due to:	**3 032 177**	**2 513 844**
Provided guarantees and sureties	831 594	897 239
Promissory notes	673 868	449 589
Mortgages	181 995	181 979
Assignment of receivables	1 250 486	887 692
Assignment of rights under insurance policy	40 484	40 483
Security deposits	21 500	24 612
Other liabilities	32 250	32 250
Total contingent liabilities	**3 032 177**	**2 513 844**

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Group members as collateral for their claims against the Group arising out of the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Group. Promissory notes are a different form of collateral for the aforementioned bank guarantees.

As at March 31, 2019, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 1,245 thousand (December 31, 2018: PLN 1,306 thousand) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. Contingent liabilities arising from the employment contracts signed with employees. As at March 31, 2019 - amounted to PLN 7,712 thousand (as compared to PLN 8,072 thousand as at December 31, 2018).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, the provisions recognised as at March 31, 2019 are sufficient to mitigate the recognised and measurable tax risk.

The Group recognises the right of perpetual usufruct of land acquired free of charge as operating lease (off- balance sheet item) in the amount of PLN 1,234 thousand.

30. Information on sureties for loans or borrowings and on guarantees granted by the Parent Company or its subsidiary

In the first quarter of 2019, neither the Parent Company nor its subsidiaries did grant any sureties for credits or loans or any guarantees to any entity or its subsidiary, whose total value of existing sureties and guarantees is significant.

31. Significant court cases and disputes

Below, the Parent Company presents significant proceedings pending before a court or other authority concerning its liabilities or claims and its subsidiaries.

Proceedings concerning the Parent Company:

The case concerning claims against Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej with its registered office in Warsaw

The Parent Company merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja PRKiI S.A. with its registered office in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. ("PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. with its registered office in Wrocław provided a submission of claims of 20 November 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

To the Parent Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja PRKiI S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for unpaid invoices and PLN 294,632.29 for interest on late payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Parent Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Parent Company filed a complaint which was overruled. On 8 June 2015, the Parent Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

Case against Leonhard Weiss International GmbH

As Leonhard Weiss International failed to respond to the statement including a debit note and a request for payment dated 31 October 2017, of which the Group informed in the consolidated report for the 9-month period ended 30 September 2017 in Note 25 "Interests in joint ventures", the Parent Company decided to take the case to court.
The case against Leonhard Weiss International GmbH ("LWI") for payment due under the sale agreement of 50 % of shares in Bahn Technik Wrocław Sp. z o.o. The Parent Company has responded to the lawsuit. At present, it is not possible to precisely indicate the expected date of completion of the case. The Parent Company expects that an enforceable solution may be issued in the second half of 2019 or in the first half of 2020.

The value of the Parent Company's claim is PLN 20,551,495.00, including the statutory interest calculated as follows:

1) on PLN 7,500,000.00 from 17 November 2017 to the payment date,
2) on PLN 12,756,000.00 from 8 December 2017 to the payment date,
3) on PLN 295,495.00 from 8 December 2017 to the payment date.

The Parent Company requested also that the defendant reimburse the Company with the costs of the proceedings, including the costs of legal representation, in accordance with the cost records. At this stage, it is impossible to objectively at least estimate the amount of interest and costs of the proceedings which could be ordered to be paid for the benefit of the Company.

Proceedings against PKP PLK S.A.

On 31 October 2017, the Parent Company filed a case against PKP PLK S.A. for the payment of PLN 46,747,276.90 (including, interest of PLN 4,913,969.34), requesting that compensation be paid to it in connection with extension of the completion date of the agreement entitled: “Design and completion of construction works on the railway line Kraków – Medyka – State border, at the section Podłęże – Bochnia, km 16.000 – 39.000 as part of the project “Modernisation of railway line E 30/C-E30, section Kraków – Rzeszów, phase III” and a part of the lump-sum fee due to the Parent Company and unpaid by PKP PLK S.A. due to the submission of an unjustified statement on the withdrawal from the Agreement in part. On 12 December 2017, the Parent Company extended the claim whose current value is PLN 50,517,012.38 (including, interest of PLN 5,336,177.01). The extension pertained to the Parent Company’s claims against PKP PLK S.A. in relation to the groundless enforcement of the contractual penalties accrued and the part of remuneration for the performance of the contract and agreements for additional works, which PKP PLK S.A. unreasonably refuses to pay. On October 18, 2018, the Parent Company extended the claim to PLN 51,767,012.38. The damage of the Parent Company includes PLN 1,250,000.00, which the Parent Company was obliged to pay to the Bocheński Poviat in order to satisfy the request of PKP PLK S.A. concerning the earlier – than it resulted from the Work Schedule – launching of track 1 on the Bochnia route - Brzesko Okocim. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 31 October 2017, the Company along with Przedsiębiorstwo Budowlane “FILAR” Spółka z ograniczoną odpowiedzialnością with its registered office in Wrocław, and Berger Bau Polska Spółka z ograniczoną odpowiedzialnością with its registered office in Wrocław, has filed a case against PKP PLK S.A. for reimbursement of additional costs related with the extension of the completion date of the Contract No 90/116/0006/11/Z/I for basic linear construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Province within the scope of the project entitled “Modernisation of railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Province”. The Parent Company's portion of the claim is PLN 11,640,113.77 (including, interest of PLN 1,415,797.02). The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 31 October 2017, the Parent Company filed a case in the payment order proceedings against PKP PLK S.A. for the payment of PLN 12,221,007.10 (including, interest of PLN 1,821,726.10), requesting that unjust enrichment in the form of unpaid remuneration be refunded for the completion of:

a) additional works in connection with Contract No 90/132/121/00/17000031/10/I/I dated 16 December 2010 for the “Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Dębica – Sędziszów Małopolski (111.500 km – 133.600 km) under the project POIiŚ 7.1-30 “Modernisation of railway line E30/C-E 30, section Kraków – Rzeszów, phase III” Tender proceedings 2.2” in the total amount of PLN 7,570,281.00,
b) additional works in connection with Contract No. 90/132/336/00/17000031/10/I/I dated 29 November 2010 for the “Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Sędziszów Małopolski – Rzeszów Zachodni under the project “Modernisation of railway line E3/C-E 30, section Kraków – Rzeszów, phase III” Tender proceedings 2.3” in the total amount of PLN 2,829,000.00.

The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 27 August 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 6,675,193.36 PLN (in words: six million six hundred seventy five thousand one hundred ninety three zlotys and thirty six groszy) along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement

No 90/132/121/00/17000031/10/I/I of 16 December 2010 for “Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 111,500 - 133,600 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2 "specified in the Contractor's Applications No. 72 (gas pipeline) and No. 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,283.547.59 and capitalized interest on the principal for the period from 6 October 2017 to 27 August 2018.The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 22 October 2018, the Company filed a lawsuit for payment against PKP PLK S.A., seeking the amount of PLN 632,459.66 (in words: six hundred thirty-two thousand four hundred fifty-nine zlotys and sixty-six grosz) along with statutory interest for delay, for additional works not provided for in the Agreement No 90/107/0086/17/Z/I of 14 March 2017 for the preparation of design documentation and performance of construction works on the Poznań Wschód - Mogilno section from km 0.265 to km 73.000, as a part of the project: “Works on the railway line No 353 Poznań Wschód-Dziarnowo”, i.e. works on the construction of additional access ways to platforms at the Wydartowo station, additional suspension of the overhead contact line on the Wydartowo - Trzemeszno route and preparation of maps for design purposes, as well as incurring additional costs related to the unpredictable increase in prices of services provided by PKP Energetyka on the overhead contact line. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 29 November 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 20,934,758.14 PLN (in words: twenty million nine hundred thirty-four thousand seven hundred fifty-eight zlotys and fourteen grosz) along with statutory interest for delay, as reimbursement for the costs of extension of the implementation of Agreement No 90/132/336/00/17000031/10/I/I of 29 November 2010 for “Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 133.600 - 154.900 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III” Tender 2.2”, due to circumstances within the scope of responsibility of PKP PLK S.A., both under the provisions of the Contract, as a public procurement contract, as well as general liability for damages specified in the provisions of the Civil Code. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 17 January 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 12,296,388.86 PLN (in words: twelve million two hundred ninety-six thousand three hundred eighty-eight zloty and eighty-six grosz) along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0085/15/Z/I for “Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section” due to circumstances within the scope of responsibility of PKP PLK S.A. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 3 April 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 1,320,495.25 PLN (in words: one million three hundred twenty thousand four hundred ninety-five zloty and twenty-five grosz) along with statutory interest for delay, as:

a) reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0090/15/Z/I for Construction of civil engineering structures on km 160,857; km 155.170 and km 145.650 of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section” – as regards the Partial Contract A – railway viaduct on km 145.650 in Mosina, due to circumstances within the scope of responsibility of PKP PLK S.A.,
b) reimbursement for the costs of additional works performed by the Company, not provided for in the Contractor's Bid for the contract in question.

The case is at the early stage of proceedings and its resolution date is difficult to predict.

(data in PLN thousand, unless indicated otherwide)

On 2 April 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 489,147.29 PLN (in words: four hundred eighty-nine thousand one hundred forty-seven zloty and twenty-nine grosz) along with statutory interest for delay, as a reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0092/15/Z/I for Construction of civil engineering structures on km 160,857; km 155.170 and km 145.650 of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section" – as regards the Partial Contract C – railway viaduct on km 160.857 in Mosina, due to circumstances within the scope of responsibility of PKP PLK S.A., The case is at the early stage of proceedings and its resolution date is difficult to predict.

Proceedings concerning subsidiaries:

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 63,353,359.83 (EUR 14,989,556.33). The share of Trakcja Group in liabilities (if any) that may arise from these proceedings is 65%. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37. According to the Management Board of The Parent Entity those disclosures may reveal information to parties of court proceedings, which can be used in the ongoing proceedings against the interests of the subsidiary AB Kauno tiltai.

32. Information on dividends paid and declared

In the first quarter of 2019, the Parent Company did not declare and pay dividends.

33. Information on related entities

In the third quarter of 2018, the Group companies did not make any significant transactions with their related entities on terms other than at arm's length. Transactions made by the Parent Company and its subsidiaries (related entities) are the arm's length transactions and their nature is a result of the current operations conducted by the Parent Company and its subsidiaries.

Please find below the totals of transactions made with related entities from January 1, 2019 to March 31, 2019:

Related entities	Financial year	Sale to related entities	Purchases from related entities
Shareholders of parent company:			
COMSA S.A.	01.01.2019 - 31.03.2019	45	461
	01.01.2018 - 31.03.2018	3 538	461
Total	**01.01.2019 - 31.03.2019**	**45**	**461**
	01.01.2018 - 31.03.2018	**3 538**	**461**

(data in PLN thousand, unless indicated otherwide)

Please find below information on any receivables from and liabilities towards related entities as at March 31, 2019:

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities
Shareholders of parent company:			
COMSA S.A.	31.03.2019	3 831	2 118
	31.12.2018	4 038	2 117
Total	**31.03.2019**	**3 831**	**2 118**
	31.12.2018	**4 038**	**2 117**

The Parent Company and its shareholder, COMSA S.A., have signed an agreement for granting to Trakcja PRKiI S.A. a licence for the entire technical know-how and trademark, as well as for providing non-material goods in the form of competences, industry knowledge and expert knowledge in terms of organization, operations, sales and technology of COMSA S.A. The agreement has been concluded at arm's length.

34. Significant events in the first quarter of 2019 and after the balance sheet date

Please find below a summary of significant events that took place in the first quarter of 2019.

Significant construction contracts	CR
07.02.2019 The Management Board of Trakcja PRKiI S.A. ("Company", "Issuer") informs that the Company, acting as the Leader of the Consortium with COMSA S.A.U. - as the Consortium Partner - has signed a contract with Municipality of Krakow, which covers conduction of construction works: 'The renovation of tramway track on Krakowska Street at the section Rollego Street – Dietla Street along with renovation of current road system, sidewalks, paths, technical infrastructure, turnout node on Krakowska-Dietla-Stradomska as well as renovation of Dietla Street at the section Bożego Ciała Street – Augustiańska Street and renovation of existing Piłsudski Bridge across the Vistula River'. The net value of the contact is PLN 76,592,220.49. The works are to be finished within 10 months after the date of handing over the construction site, as well as the possibility of using tramway tracks for tram traffic within 8 months after the date of handing over the construction site.	2/2019

Other	CR
18.01.2019 The Management Board of Trakcja PRKiI S.A. (the Company) hereby makes public the dates of publication of periodic reports in 2019.	1/2019
18.02.2019 The Management Board of Trakcja PRKiI S.A. (the Company) publishes the financial results for the period of 12 months ended on 31 December 2018.	3/2019
18.02.2019 The Management Board of Trakcja PRKiI S.A. (the Company) adopted a resolution on the commencement of actions aimed at refinancing the Company's existing banking financing and recapitalizing the Company by way of issue of new shares.	4/2019
29.03.2019 The Management Board of Trakcja PRKiI S.A. (the Company) changed terms of periodic reports publication.	5/2019

(data in PLN thousand, unless indicated otherwide)

Please find below a summary of significant events that took place after the balance sheet date:

Other	CR
23.04.2019 29.03.2019 The Management Board of Trakcja PRKiI S.A. (the Company) has decided to recognize write-off of the value of investments in subsidiaries in Trakcja PRKiI's balance sheet in the amount of PLN 10.746 thousand and the value of goodwill in Trakcja Group's consolidated balance sheet in the amount of PLN 24.243 thousand.	6/2019
26.04.2019 AB Kauno tiltai has concluded a sales agreement for companies in UAB Pletros investicijos with its registered office in Lithuania and transfer of rights and obligations, including legally for claims arising from the loan agreement concluded between AB Kauno Tiltai and the company being sold	7/2019
06.05.2019 The Management Board of Trakcja PRKiI S.A. hereby informs that in published „Standalone annual report of Trakcja PRKiI for the financial year 2018" and „Consolidated annual report of Trakcja Group for the financial year 2018", as a result of mistake the Issuer published an incorrect document	8/2019
22.05.2019 The Management Board of Trakcja PRKiI S.A. ("Company") informed that on 22 May 2019, the Company as the leader and representative of the consortium, which also includes Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. Z o.o. and AB Kauno Tiltai (together with the "Contractor" company) made a statement on the withdrawal, for reasons attributable to the ordering party, from the contract concluded on 19 April 2017 by the Contractor from the Kujawsko-Pomorskie Voivodeship	9/2019
23.05.2019 The Management Board of Trakcja PRKiI convened the Ordinary General Meeting of Trakcja PRKiI S.A. as at June 19, 2019 at 9:00.	10/2019

(data in PLN thousand, unless indicated otherwide)

IV. QUARTERLY FINANCIAL INFORMATION

STANDALONE INCOME STATEMENT

	01.01.2019 - 31.03.2019 *Unaudited*	01.01.2018 - 31.03.2018 *Unaudited*
Continued operations		
Sales revenue	186 455	170 222
Cost of goods sold	(180 083)	(172 983)
Gross profit (loss) on sales	**6 372**	**(2 761)**
Cost of sales, marketing and distribution	(640)	(499)
General and administrative costs	(7 728)	(6 674)
Other operating revenues	903	345
Other operating costs	(1 506)	(486)
Operating profit (loss)	**(2 599)**	**(10 075)**
Financial revenues	326	276
Financial costs	(2 286)	(1 241)
Gross profit (loss)	**(4 559)**	**(11 040)**
Income tax	1 232	1 469
Net profit from continued operation	**(3 327)**	**(9 571)**
Net profit for the period	**(3 327)**	**(9 571)**

(data in PLN thousand, unless indicated otherwide)

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	01.01.2019 - 31.03.2019 *Unaudited*	01.01.2018 - 31.03.2018 *Unaudited*
Net profit for the period	**(3 327)**	**(9 571)**
Other comprehensive income:		
Other net comprehensive income that will not be reclassified into profit or loss:	**-**	**(16)**
Foreign exchange differences on translation of foreign operations	-	(16)
Total other comprehensive income	**-**	**(16)**
Total comprehensive income for the period	**(3 327)**	**(9 587)**

(data in PLN thousand, unless indicated otherwide)

STANDALONE BALANCE SHEET

	31.03.2019 *Unaudited*	31.12.2018 *Audited*
ASSETS		
Non-current assets	**714 299**	**703 516**
Tangible non-current assets	177 368	170 144
Intangible assets	51 217	51 608
Investment properties	19 841	17 613
Investments in subsidiaries	425 495	425 495
Other financial assets	6 432	4 511
Deferred tax assets	26 796	25 562
Accruals	7 150	8 583
Current assets	**562 208**	**553 301**
Inventory	59 720	50 361
Trade and other receivables	271 058	253 130
Other financial assets	11 149	14 596
Cash and cash equivalents	28 501	61 451
Accruals	11 996	9 910
Contracts with customers assets	175 959	160 028
Assets held for sale	3 825	3 825
TOTAL ASSETS	**1 276 507**	**1 256 817**
Equity and liabilities		
Equity	**536 379**	**539 705**
Share capital	41 120	41 120
Share premium account	309 984	309 984
Revaluation reserve	5 809	5 808
Other capital reserves	269 508	269 508
Retained earnings	(90 014)	(86 687)
Foreign exchange differences on translation of foreign operations	(28)	(28)
Total equity	**536 379**	**539 705**
Long-term liabilities	**78 838**	**67 079**
Interest-bearing loans and borrowings	73 811	60 989
Provisions	3 091	3 955
Liabilities due to employee benefits	1 936	2 135
Short-term liabilities	**661 290**	**650 033**
Interest-bearing loans and borrowings	167 970	144 823
Trade and other liabilities	310 086	313 292
Provisions	49 631	52 575
Liabilities due to employee benefits	9 074	9 540
Accruals	443	574
Contracts with customers liabilities	124 086	129 229
TOTAL EQUITY AND LIABILITIES	**1 276 507**	**1 256 817**

(data in PLN thousand, unless indicated otherwide)

STANDALONE STATEMENT OF CASH FLOWS

	01.01.2019 - 31.03.2019 *Unaudited*	01.01.2018 - 31.03.2018 *Unaudited*
Cash flows from operating activities		
Gross profit from continued operations	**(4 559)**	**(11 040)**
Adjustments for:	**(51 619)**	**(59 178)**
Depreciation	4 870	3 467
FX differences	(8)	-
Net interest and dividends	1 853	912
Profit on investment activities	16	11
Change in receivables	(12 975)	71 956
Change in inventory	(9 359)	(17 123)
Change in liabilities, excluding loans and borrowings	(10 545)	(67 321)
Change in prepayments and accruals	(606)	(2 190)
Change in provisions	(3 808)	(2 507)
Change in construction contracts	-	(46 774)
Change in settlements from contracts	(21 074)	-
Other	17	400
Foreign exchange differences on translation of foreign operations	-	(9)
Net cash flows from operating activities	**(56 178)**	**(70 218)**
Cash flows from investment activities		
Sale (purchase) of intangible assets and tangible non-current assets	107	(6 991)
- acquisition	(174)	(7 014)
- sale	281	23
Financial assets	1 562	74
- granted or acquired	3 703	1 354
- repaid	(2 141)	(1 280)
Loans	-	(2 000)
- repaid	-	(2 000)
Net cash flows from investment activities	**1 669**	**(8 917)**
Cash flows from financial activities		
Proceeds on account of taken borrowings and loans	29 104	65 453
Repayment of borrowings and loans	(1 771)	(2 420)
Interests and commissions paid	(1 959)	(976)
Payment of liabilities under financial lease agreements	(3 815)	(2 032)
Inflows (outflows) due to other financial liabilities	-	(15)
Net cash flows from financial activities	**21 559**	**60 010**
Total net cash flows	**(32 950)**	**(19 125)**
Cash at start of period	**61 451**	**20 618**
Cash at end of period	**28 501**	**1 493**

(data in PLN thousand, unless indicated otherwide)

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Actuarial gains/ (losses)	Results from previous years			
As at 01.01.2019 Audited	**41 120**	**309 984**	**5 808**	**391**	**269 117**	**(28)**	**(86 687)**	**539 705**
Net profit for the period	-	-	-	-	-	-	(3 327)	(3 327)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(3 327)**	**(3 327)**
Other changes	-	-	1	-	-	-	-	1
As at 31.03.2019 Unaudited	**41 120**	**309 984**	**5 809**	**391**	**269 117**	**(28)**	**(90 014)**	**536 379**
As at 01.01.2018 Audited	**41 120**	**309 984**	**5 804**	**391**	**242 252**	**7**	**32 040**	**631 598**
IFRS 9 implementation	-	-	-	-	(401)	-	-	(401)
As at 1.01.2018 after adjustments	**41 120**	**309 984**	**5 804**	**391**	**241 851**	**7**	**32 040**	**631 197**
Net profit for the period	-	-	-	-	-	-	(9 571)	(9 571)
Other comprehensive income	-	-	-	-	-	(16)	-	(16)
Other changes	-	-	1	-	2	-	-	3
As at 31.03.2018 Unaudited	**41 120**	**309 984**	**5 805**	**391**	**241 853**	**(9)**	**22 469**	**621 613**

(data in PLN thousand, unless indicated otherwide)

	Share capital	Share premium account	Revalua-tion reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2018 Audited	**41 120**	**309 984**	**5 804**	**391**	**242 252**	**7**	**32 040**	**631 598**
Changes of accounting standards	-	-	-	-	(401)	-	-	(401)
As at 1.01.2017 after adjustments	**41 120**	**309 984**	**5 804**	**391**	**241 851**	**7**	**32 040**	**631 197**
Net profit for the period	-	-	-	-	-	-	(86 687)	(86 687)
Other comprehensive income	-	-	-	-	-	(35)	-	(35)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(35)**	**(86 687)**	**(86 722)**
Distribution of profit	-	-	-	-	26 900	-	(26 900)	-
Dividend payment	-	-	-	-	-	-	(5 140)	(5 140)
Other changes	-	-	4	-	366	-	-	370
As at 31.12.2018 Audited	**41 120**	**309 984**	**5 808**	**391**	**269 117**	**(28)**	**(86 687)**	**539 705**

V. NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

1. Analysis of the financial performance of Trakcja PRKiI S.A. in the first quarter of 2019

In the first quarter ended March 31, 2019 the Company's sales revenues were PLN 186,455 thousand, which is an increase by 9.5% as compared to the corresponding period of 2018. The factors with the most significant effect on sales revenue and the results for Q1 2019 included sales seasonality, characteristic for entities in the building industry, which is linked with a substantially lower level of revenues in quarter one and generating a significant amount of sales revenues in the second half of a calendar year. In the first quarter of 2019, the cost of goods sold increased by PLN 7,100 thousand, i.e. by 4.1%, and was at PLN 180,083 thousand. In the first quarter of 2019 the Company reported gross profit on sales in the amount of PLN 6,372 thousand, which constitutes an increase by PLN 9,133 thousand in comparison with the analogous period of the previous year when the Company recognized gross loss on sales in the amount of PLN 2,761 thousand. The increase of the gross margin on sales was the effect of the change in the structure of the Company' contracts portfolio, where high-margin increased substantially in the first quarter of 2019 in comparison to the previous year.

The gross margin on sales in the first quarter of 2019 reached 3.4%. The margin increased by 5.0 p.p. in comparison with the margin in the first quarter of 2018.

The general and administrative costs were at PLN 7,728 thousand and increased by 15.8%, i.e. by PLN 1,054 thousand, in comparison with the comparable period. The costs of sale, marketing and distribution in the discussed period reached PLN 640 thousand and increased by PLN 141 thousand in comparison to the analogical period of the previous year.

The loss on other operating activities was at PLN -603 thousand. It was higher by PLN 462 thousand than its amount for the corresponding period of the comparable year. The Company's operating profit for the period from January 1, 2019 to March 31, 2019 was at PLN 2,599 thousand. The result on operations increased by PLN 7,476 thousand in comparison with its level for the first quarter of 2018, when the Company recorded a loss of PLN -10,075 thousand.

The Company's financial revenues were at PLN 326 thousand and decreased in comparison with the financial revenues for the first quarter of 2018 by PLN 50 thousand. Financial expenses increased by PLN 1,045 thousand and were at PLN 2,286 thousand.

The Company's gross loss for the period from January 1, 2019 to March 31, 2019 amounted to PLN 4,559 thousand. Income tax for the first quarter of 2019 positively affected the net result on continued activities in the amount of PLN 1,232 thousand. This constitutes a decrease as compared to the corresponding period of the previous year by PLN 237 thousand. The Company's net loss for the period from January 1, 2019 to March 31, 2019 amounted to PLN 3,327 thousand and was higher by PLN 6,244 thousand in comparison to the same period of the previous year.

At the end of the first quarter of 2019, the Company's balance sheet total reached PLN 1,276,507 thousand and was higher by PLN 19,690 thousand than the balance sheet total at the end of 2018.

Non-current assets increased by PLN 10,783 thousand and reached PLN 714,299 thousand. As compared to December 31, 2019, current assets increased by PLN 8,907 thousand, i.e. a growth by 1.6%, and reached PLN 562,208 thousand. The increase resulted primarily from an increase in the trade and other receivables by PLN 17,928 thousand in comparison to the balance as at December 31, 2018. In addition, the balance of assets due to client contracts increased by PLN 15,931 thousand, which as at March 31, 2019 reached PLN 175,959 thousand. The Company's inventories also increased by PLN 9,359 thousand and were at PLN 59,720 thousand as at March 31, 2019. The Company's cash and cash equivalents dropped by PLN 32,950 thousand and were at PLN 28,501 thousand as at March 31, 2019.

(data in PLN thousand, unless indicated otherwide)

As at March 31, 2019 the Company's equity decreased by PLN 3,326 thousand as compared to the balance as at December 31, 2018.

The value of long-term liabilities increased by PLN 11,759 thousand in comparison to the period ended on December 31, 2018, reaching PLN 78,838 as at March 31, 2019. The main factor for this increase was the growth of the balance of credits and loans, as well as lease, by PLN 12,822 thousand, of which PLN 6,383 thousand resulted from the changes as per IFRS 16, as described in detail in note no. 4. Short-term liabilities were at PLN 661,290 thousand and increased by 1.7%, i.e. by PLN 11,257 thousand as compared to the end of the previous year. Among short-term liabilities, highest growth was noted among credit and loan liabilities, which reached PLN 167,970 thousand and increased by PLN 23,147 thousand, whereas the effect of IFRS 16 on this item amounted to PLN 3,463 thousand.

At the beginning of 2019, the Company's cash was at PLN 61,451 thousand, while at the end of the 3-month period it was at PLN 28,501 thousand. The net cash flow for the first 3 months of 2019 was negative and amounted to PLN 32,950 thousand, which means that it decreased by PLN 13,825 thousand in comparison with the corresponding period of 2018. The Company's cash flows from operating activities amounted to PLN 56,178 thousand, which means an increase by PLN 14,040 thousand. Net cash flow on investment activities showed a positive balance in the first quarter of 2019 in the amount of PLN 1,669 thousand, whereas in the comparable period in 2018 the negative balance of cash flows on investment activities was at PLN -8,917 thousand. In the first quarter of 2019, the net cash flows from financial activities were positive and amounted to PLN 21,559 thousand. This amount resulted mainly from inflows on incurred loans and credits in the amount of PLN 29,104 thousand.

2. Seasonality and cyclicality

The sale of the construction and installation, renovation, as well as road and rail services in Poland is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated in the third and fourth quarters and the lowest in the first quarter.

3. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2019 *Unaudited*	31.12.2018 *Audited*
Contingent receivables		
From related entities due to:	**78 530**	**87 022**
Received guarantees and sureties	77 239	86 182
Bills of exchange received as collateral	1 291	840
Total contingent receivables	**78 530**	**87 022**
Contingent liabilities		
From other entities due to:	**2 744 589**	**2 227 597**
Provided guarantees and sureties	728 079	794 910
Promissory notes	663 566	439 288
Mortgages	129 000	129 000
Assignment of receivables	1 136 183	773 423
Assignment of rights under insurance policy	37 000	37 000
Security deposits	18 511	21 726
Other liabilities	32 250	32 250
Total contingent liabilities	**2 744 589**	**2 227 597**

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Company as collateral for their claims against the Company arising out of the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Company. Promissory notes are a different form of collateral for the aforementioned bank guarantees referred to above.

As at March 31, 2019, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 1,245 thousand (as compared to PLN 1,306 thousand as at December 31, 2018) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues.

The contingent liabilities arising from employment contracts with employees were at PLN 4,034 thousand as at March 31, 2019 (PLN 4,501 thousand as at December 31, 2018).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, the provisions recognised as at March 31, 2019 are sufficient to mitigate the recognised and measurable tax risk.

The Company recognizes off-balance-sheet free-of-charge perpetual usufruct of land in the amount of PLN 1 234 thousand, based on an administrative decision.

4. Effect of application of the new accounting principles and changes to the accounting policy

- **IFRS 16 "Leases"**

Selected accounting principles

IFRS 16 "Leases" was published on 13 January 2016 and endorsed by the European Union on 31 October 2017.

As of 1 January 2019, the Company will apply the new Standard in the recognition, measurement, and presentation of leases, as required by IFRSs. The application of the new Standard will be made in accordance with the transitional provisions contained in IFRS 16. Implementation of IFRS 16 within the Company will be carried out using the modified retrospective approach, and therefore, comparative data for 2018 will not be converted and any cumulative effect of the first application of the new standard will be included as an adjustment to the opening balance of retained earnings on the initial application date.

Definition of a lease

At present, the Company applies the definition of a lease set forth in IAS 17 and IFRIC 4. As of 1 January 2019, the Company will assess whether a contract is or contains a lease based on the definition of lease set forth in IFRS 16.

In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the following:

a) the right to obtain substantially all of the economic benefits from use of the identified asset; and

b) the right to direct the use of the identified asset.

The Company applies the new guidelines on identification of leases only to contracts entered into (or changed) on or after the date of initial application, i.e. on or after 1 January 2019. Thereby, for all contracts concluded before 1 January 2019, the Company will apply the practical exemption provided for in IFRS 16, according to which the entity is not required to reassess whether the contract is a lease or contains a lease on the date of initial application. Instead, the Company will apply IFRS 16 only to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4.

The Company as a lessee

In accordance with the currently applied IAS 17 Leases, the Company classifies leases as either finance or operating leases based on an assessment of whether substantially all the risks and rewards of ownership of the leased asset have been transferred to the Company as a lessee. In accordance with IFRS 16, the Company recognises in the statement of financial position the right-of-use asset and lease liability for all leases, except where IFRS 16 provides for exemptions concerning recognition.

For leases not terminated as at 1 January 2019, currently classified as operating leases, the Company recognises right-of-use assets and lease liabilities as follows:

- lease liabilities are measured at the present value of the lease payments remaining to be made, discounted at the marginal interest rate for the contract at the date of initial application,
- the right of use of the underlying assets for individual leases (separately for each lease) is measured at the amount of the lease liability. The Company used the practical expedient described in paragraph C10b of IFRS 16 in relation to such leases.

Using the modified retrospective implementation method for IFRS 16, the Company used the following practical expedients for lease contracts previously classified as operating leases in accordance with IAS 17 and therefore includes the following types of contracts as costs:

- lease agreements, the period of which ends up to 12 months from the date of the initial application of the Standard;
- lease agreements for which the underlying leased asset is of low value, i.e. not higher than USD 5 thousand for example: small items of equipment.

After the initial recognition, the Company measures the right-of-use asset similar to other non-financial non-current assets and the lease liability similar to financial liabilities. Consequently, following initial recognition, the Company separately recognises amortisation/depreciation of the right-of-use asset (except where right meets the definition of an investment property) and interest on lease liabilities.

In the case of the right-of-use assets classified as investment property measured at fair value, the Company grossed up the value of investment property, the measurement of which was increased by the value of the liability recognised on account of IFRS 16. The principles and frequency of remeasurement of investment property are described in Note 8.4. of the Notes.

The initial measurement of both assets and liabilities is significantly affected by the determination of the lease period. According to the definition of the lease period set out in IFRS 16, this period includes the non-cancellable period and periods resulting from the extension or termination options, if there is reasonable certainty that the Company will extend the contract or will not use the termination option.

(data in PLN thousand, unless indicated otherwide)

In addition, the Company made other subjective assessments when making estimates and assumptions that affect the measurement of lease liabilities and right-of-use assets as regards:

- determination of incremental interest rates used in discounting future cash flows;
- indication of the useful lives of rights-of-use assets, recognised as at 1 January 2019;
- structure of fixed and variable payments in the contract.

Incremental interest rates were specified as the sum of:

- the risk free rate, based on the Interest Rate Swap (IRS) in accordance with the maturity of the discount rate, and the relevant base rate for the given currency, as well as
- the Company's credit risk premium based on the credit margin.

The Company uses compound interest to calculate monthly discounting of cash flows.

For leases that are active as at 1 January 2019 and have previously been classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability as at 1 January 2019 will be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

The weighted average incremental borrowing rate of the Company, as a lessee, applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 (for individual lease periods) was as follows:

Lease term in years	annual discount rate	monthly discount rate
from 1 to 3	3,55%	0,29%
from 3 to 5	3,92%	0,32%
from 5 to 10	4,55%	0,37%
over 10	4,97%	0,41%

The impact on the financial statements as at the date of initial application is as follows.

The Company has estimated the effect of IFRS 16 and concluded that as at 1 January 2019, the Company will recognise right-of-use assets equal to lease liabilities in the amount of PLN 10,730 thousand, which will not result in a difference in value to be recognised under retained earnings.

As a result of the above changes, in 2019 the Company's net cash flows from operating activities in the statement of cash flows will be higher by PLN 3,983 thousand and the net cash flows from financing activities will decrease by PLN 3,983 thousand.

(data in PLN thousand, unless indicated otherwide)

The effect of the amendment on the financial statements is presented below:

Comparison of lease assets and liabilities according to IFRS 16

Before change IAS 17	After change from 01.01.2019 IFRS 16						
Third-party services for 12 months	**Depreciation for 12 months**	**Interest for 12 months**	**Total**	**Liabilities under lease agreements**	**Assets used on the grounds of lease agreements**		
					as at 01.01.2019		
					long-term	**short-term**	**total**
3 983	3 689	401	4 090	10 730	6 829	3 901	10 730

The Company is a party to various financing agreements. The entry of IFRS 16 into force will affect the calculation of covenants contained these agreements and may adversely affect debt-based ratios. The liquidity situation of the Company is described in Note 10.

The main assets recognised as right-of-use assets include rights to perpetual usufruct of land, office premises and production premises.

Changes introduced independently by the Company

During 2018, the Company did not change the accounting policies and principles of preparation of the financial statements as compared to those disclosed in the Company's financial statements for 2017, published on 28 March 2018.

5. Update on the risk of going concern of the Parent Company, as well as undertaken and planned operations of the Management Board of the Parent Company.

In regard to note no. 10 to the annual individual financial statements of Trakcja PRKiI S.A. for the financial year ended on December 31, 2018 and note no. 64 to the annual consolidated financial statements of the Trakcja Group for the financial year ended on December 31, 2018, the Management Board of the Parent Company hereunder presents the update on issues discussed in the aforementioned notes to financial statements.

Going concern

The financial statement for the 3 months ended on March 31, 2019 was prepared in account of going concern, therefore it does not include any adjustments due to different rules of valuation and classification of assets and liabilities, which would be required if the assumption of the Company's going concern turned out unjustified.

The Company's Management Board below presents information about the current financial situation of the Company, indicating any risks to going concern within twelve months from the date of preparation of the financial statements.

Risk to going concern

In the period of 3 months ended on 31 March 2019, the Parent Company recorded net loss of PLN 3,327 thousand, and the net negative working capital amounted to PLN 98,639 thousand.

As at March 31, 2019, financial liabilities due to credits and lease of the Parent Company amounted to a total of PLN 241,781 thousand (long-term part PLN 73,811 thousand, short term part PLN 167,970 thousand).

As at March 31, 2019, trade liabilities were at PLN 247,975 thousand, including outdated at PLN 103,578 thousand, which the Company pays from current inflows to a possible extent.

Therefore, there is a risk of a threat to going concern.

General situation of the Company and action undertaken

The parent company recorded the following results for the 3 months ended on March 31, 2019:

- Gross result on sales: PLN 6,372 thousand (Q1 2018: PLN -2,761 thousand)
- EBITDA: PLN 2,271 thousand (Q1 2018: PLN -6,608 thousand)
- Net result: PLN -3,327 thousand (Q1 2018: PLN 9,571 thousand)

The factors with the most significant effect on sales revenue and the results for Q1 2019 included sales seasonality, characteristic for entities in the building industry, which is linked with a substantially lower level of revenues in quarter one and generating a significant amount of sales revenues in the second half of a calendar year.

The current contract portfolio in comparison to March 31, 2018 increased by approximately 32% and as at March 31, 2019 amounted to approximately PLN 2.1 billion net. in the period 01.01.2019 – 31.03.2019, the Parent Company signed agreements with the total value of above PLN 93 million net, of which most exceeded investor budgets.

In the first quarter of 2019, the Management Board of the Dominating Entity undertook negotiations with PKP PLK to amicably settle court disputes. The Company's Management Board is negotiation the receipt of payment due to contract claims proceeded in court from PKP PLK, the total amount of which as at the date of publication of this quarterly report amounts to approximately PLN 153,198 thousand (gross amount along with interest capitalized as at the date of filing the law suit). The Company is conducting negotiations with PKP PLK with the participation of State Treasury Solicitor's Office (Prokuratoria Generalna). The value of remaining contractual claims asserted by the Company out of court is at PLN 164,611 thousand. AT this stage, the Management Board of the Parent Company is not able to define the end date of negotiations or their effect on the financial result.

Moreover, the Management Board informs that on 22 May the Company, as the leader and proxy of the consortium, has filed a statement of withdrawal, for reasons attributable to the contracting party, from the agreement concluded on 19 April 2017 by the Contractor with the Kujawsko-Pomorskie Voivodeship, on behalf of which the Voivodeship Roads Directorate in Bydgoszcz has operated ("Ordering Party") no. ZDW.N4.363.02.2016, the subject of which was the execution of the task entitled "Development of the voivedship road no. 548 Stolno-Wąbrzeźno from km 0+005 to km 29+619, excluding the highway junction in Lisewo from km 14+144 to km 15+146" ("Agreement"), in regard to the unexecuted part of the Agreement. In connection with the withdrawal, the Contractor intends to submit claims to the Ordering Party, covering a payment of contractual penalties and unpaid remuneration for works conducted on the basis of the Agreement until the date of the withdrawal. of the Agreement was agreed by the Parties at PLN 83,796,445.61 gross. The Company assesses the value of claims to be asserted by the Contractor from the Ordering Party in connection with the withdrawal for reasons attributable to the Ordering Party at the amount of at least PLN 11 million due to settlements of performed and accepted works, and at PLN 8,379,644.56 due to contractual penalties. Other details are described in RB 9/2019.

Apart from activities affecting the improvement of future financial results, the Management Board of the Parent Company is also taking into consideration the Company's liquidity. The Parent Company is running an active policy in terms of liquidity management, monitoring liquidity in short and long term, and also conducts weekly monitoring of cash flow aiming at maintaining a stable level of available financing. To maintain liquidity, the Parent Company undertakes activities aiming at obtaining contracts foreseeing advance payments. Moreover, the Parent Company is running an active policy of maintaining a low level of receivables, inventory management, sale of key materials to ordering parties in the initial phase of contracts, and negotiates prolongation of payment terms with subcontractors. The Parent Company places emphasis on the optimization of invoicing processes through shortening the period between execution of works and invoicing completed works.

As at March 31, 2019 the Parent Company held cash and cash equivalents in the amount of PLN 28,501 thousand, as well as unused credit lines in the amount of PLN 1,175 thousand, and PLN 16,943 thousand of contractual financing.

As at the day preceding the preparation of these financial statements, the company held cash and cash equivalents in the amount of PLN 167 thousand, as well as unused credit lines in the amount of PLN 36 thousand, and PLN 22,635 thousand of contractual financing. The Company estimates that the demand for target additional financing will be at PLN 150 - 170 million, which it plans to obtain through increasing debt financing and an increase of capital.

Refinancing debt

In spite of an increased prudence of banks in relation with a growth of engagement in the construction sector, the Parent Company has prolonged the following credit agreements:

a) To finance the activity of subcontractors and suppliers in the amount of PLN 30,000 thousand in mBank S.A.; maturity date 27.06.2019;
b) To finance current activity in the amount of PLN 20,000 thousand in mBank S.A.; maturity date 27.06.2019.

To fill the financial gap described above, pursuant to the decision of the Management Board on undertaking activities to refinance the existing bank debt of the Company and its additional capitalization (rb no. 4/2019 of February 18, 2019), the Company is conducting negotiations with banks and insurance companies on credit and guarantee financing as well as the required additional capitalization. The Company is negotiation participation in credit financing and additional capitalization with the following financial institutions: mBank S.A., Credit Agricole Bank Polska S.A., Bank Pekao S.A., ING Bank Śląski S.A., shareholder of COMSA, and with two entities the names of which cannot be disclosed at this point. The Company is negotiation participation in guarantee financing with the following entities: STU Ergo HESTIA S.A., KUKE S.A., PZU S.A., Generali TU S.A., CREDENDO, AXA Ubezpieczenia TUiR S.A., InterRisk S.A., TUiR Allianz Polska S.A., Gothaer TU S.A., UNIQA TU S.A. Simultaneously, the Company is in the process of negotiating new bank guarantee limits. Further significant steps in the process will be notified in relevant reports.

The Company is planning to complete the process of obtaining new target financing and capital increase at the beginning of the third quarter of this year, and not in quarter two as informed earlier. The prolongation of this end date is a consequence of the complexity of the entire process. The Company received a letter of intent from the COMSA shareholder, with a confirmation of willingness to participate in both bridge financing and capital increase.

To ensure uninterrupted operation until obtaining long term financing, the Company is at an advanced stage of negotiating bridge financing up to 51,000 thousand and guarantee financing up to PLN 68,400 thousand with mBank S.A. And Credit Agricole Bank Polska S.A., the COMSA shareholder, and insurers.

After signing the termsheet on bridge financing on April 29, 2019 the Company is working with financial advisors and legal advisors on the final form of bridge financing documentation. In the Company's opinion, conclusion of agreements on bridge financing will occur in June 2019.

A termsheet document constitutes an exit point to further negotiations, it does not constitute a preliminary agreement or an offer and is not legally binding. The termsheet document signed by the Company includes a number of conditions, which must be met to conclude the bridge financing transaction, concerning, amongst others: collateral, submission of statements by the Company, the Company' Information obligations, general obligations, events of default, suspending clauses etc. (standard conditions for such transactions). In the Company's opinion, there is no substantial risk of inability to meet these conditions. Further significant steps in the process will be notified in relevant reports.

The Company makes all effort so that signing agreements and disbursement of funds within the scope of bridge financing occurs in June 2019. Signing mainly depends on obtaining consents of credit committees of banks and insurers participating in bridge financing.

It should be noted that bridge financing shall be replaced by target financing described above.

What is more, the Company, in parallel with efforts to obtain bridge financing, is working on signing a termsheet on long-term target financing.

New contracts

The Parent Company continues to actively participate in tender procedures on the railway and road market, which comprise of less participants at the moment. Less pressure on the part of competitors results from saturation of the market with investments in comparison to the performance potential of construction companies on the Polish market. The current market trend demonstrates that offers of contractors which substantially exceed investor budgets are more and more often accepted by ordering parties.

The Parent Company, as the consortium leader, has submitted most favourable offers in the following tenders:

a) "Reconstruction of the track system with accompanying infrastructure on the E59 railway line, Choszczno - Stargard section" (herefter: Choszczno – Stargard Contract) with the value of share in the consortium at PLN 244,975 thousand gross.
b) "Reconstruction of the track system with accompanying infrastructure on the E59 railway line, Stargard-Szczecin section" (herefter: Stargard-Szczecin Contract) with the value of share in the consortium at PLN 361,645 thousand gross.
c) "Renovation of railway lines no. 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleszów – Cieszyn/Wisła Głębce" with the value of PLN 429,531 thousand gross. The Parent Company has won the auction for the aforementioned tender and is awaiting offer selection. None of the companies participating in the auction has appealed against the result.

In the first two procedures, the ordering party foresees advance payments in the amount of 10% of the contract value, i.e. PLN 24,498 thousand and PLN 36,165 thousand respectively. The Company is awaiting contract conclusion. In connection with the Stargard – Szczecin Contract, the Company is awaiting the payment of the advance in June 2019. The advance payment in the Choszczno – Stargard Contract has not been paid in the foreseen date indicated in the annual report (first half of May 2019) – the Company has not ye signed an agreement with the ordering party. A condition of signing both contracts is obtaining a good performance bond; a condition of advance payment is presentation of a bank guarantee for repayment of the advance. Currently the Company does not hold the required guarantees, but they are being negotiated along with bridge financing.

Sales of non-operational assets

Within the scope of activities aiming at improving liquidity, the Company is actively seeking to sell the remaining Group's non-operational assets - mainly real estate.

The Company is planning to sell further non-operational assets including the property at ul. Oliwska in Warsaw for a price not lower than PLN 14,000 thousand, a leaseback of the Bieńkowice property in the amount not lower than PLN 40,000 thousand with own share at 20 - 40%, of which the Company has informed in the current report no. 23/2018, and a leaseback of machines and equipment in the Trakcja Group's subsidiaries in the total amount at approximately PLN 64,000 thousand in Q3 2019.

In this scope, the Company's Management Board is negotiating with a potential buyer of the property at ul. Oliwska, and potential lessors. The Company is in contact with lessors, who condition further discussions on the two latter transactions on obtaining bridge financing and further advanced long-term financing by the Company.

In the opinion of the Management Board, undertaken action as well as analyses of risk factors allow the Company to assume that the business will be continued, in particular within a term of at least twelve months as from the publication of these financial statements.

Risk of failure of undertaken activities

The Management Board of the Parent Company has prepared consolidated financial statements with the assumption of going concern. The Group's going concern depends on the effective conclusion of debt refinancing. Any failure in expected effects of undertaken refinancing activities may lead to a threat to the going concern of the Parent Company.

In case of a failure of the above mentioned activities related with additional capitalization and refinancing the Company's activity, the Management Board is considering an alternative action plan:

1. Operational restructuring, consisting in a sale of assets not used in operations, amongst others shares and stock in subsidiaries, tangible fixed assets, and continuation of activities described in the liquidity improvement note.
2. Limitation of the Company's scope of operations.
3. Negotiations with the Company's creditors on debt restructuring along with simultaneous actions admitted by law in terms of protecting the Company and the interest of creditors and shareholders.

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

The person responsible for preparing the report:

Sławomir Krysiński

Head of Financial Reporting Trakcja Group

Warsaw, March 31, 2019