



TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30, 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

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

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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 9 months ended September 30, 2019.

The condensed consolidated financial statements for the third 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 September 30, 2019, which shows a net loss of PLN **80 883** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2019 to September 30, 2019, which shows the negative total comprehensive income of PLN **76 362** thousand.
3. Consolidated balance sheet as at September 30, 2019, which shows the total assets and total equity and liabilities of PLN **1 739 234** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2019 to September 30, 2019, which shows a decrease in the total net cash flows by PLN **74 014** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2019 to September 30, 2019, which shows a decrease in equity by PLN **76 666** 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

Arkadiusz Arciszewski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Warsaw, November 28, 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
30.09.2019	4,3086	4,2406	4,3891	4,3736
31.12.2018	4,2669	4,1423	4,3978	4,3000
30.09.2018	4,2535	4,1423	4,3978	4,2714

* 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:

	9 month period ended 30.09.2019		9 month period ended 30.09.2018	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	1 082 392	251 217	1 097 172	257 946
Cost of goods sold	(1 113 261)	(258 381)	(1 059 369)	(249 058)
Gross profit (loss) on sales	(30 869)	(7 164)	37 803	8 888
Operating profit (loss)	(83 723)	(19 432)	(7 184)	(1 689)
Gross profit (loss)	(100 826)	(23 401)	(13 745)	(3 231)
Net profit (loss) from continued operations	(80 883)	(18 772)	(13 461)	(3 165)
Net profit for the period	(80 883)	(18 772)	(13 461)	(3 165)

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:

	30.09.2019		31.12.2018	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	748 938	171 241	720 882	167 647
Current assets	990 296	226 426	822 054	191 175
Total assets	1 739 234	397 666	1 542 936	358 822
Equity	577 714	132 091	654 380	152 181
Long-term liabilities	117 244	26 807	93 112	21 654
Short-term liabilities	1 044 276	238 768	795 444	184 987
Total equity and liabilities	1 739 234	397 666	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:

	9 month period ended 30.09.2019		9 month period ended 30.09.2018	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(152 639)	(35 427)	(192 988)	(45 372)
Cash flows from investment activities	(3 416)	(793)	(28 772)	(6 764)
Cash flows from financial activities	82 041	19 041	138 480	32 557
Total net cash flows	(74 014)	(17 178)	(83 280)	(19 579)

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.

	TPLN	TEUR	TPLN	TEUR
Cash at start of period	116 675	27 134	112 172	26 894
Cash at end of period	42 120	9 631	28 892	6 764

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.

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	01.01.2019 - 01.07.2019- 30.09.2019 30.09.2019		01.01.2018 - 01.07.2018- 30.09.2018 30.09.2018	
	<i>Unaudited</i>		<i>Unaudited</i>	
Continued operations				
Sales revenue	1 082 392	426 970	1 097 172	518 321
Cost of goods sold	(1 113 261)	(457 385)	(1 059 369)	(491 386)
Gross profit on sales	(30 869)	(30 415)	37 803	26 935
Cost of sales, marketing and distribution	(4 399)	(1 312)	(4 424)	(1 365)
General and administrative costs	(48 383)	(15 579)	(40 369)	(14 170)
Other operating revenues	5 257	3 249	2 213	528
Other operating costs	(5 329)	(1 398)	(2 407)	(945)
Operating profit	(83 723)	(45 455)	(7 184)	10 983
Financial revenues	3 666	1 175	3 173	959
Financial costs	(20 769)	(11 543)	(9 734)	(2 751)
Gross profit	(100 826)	(55 823)	(13 745)	9 191
Income tax	19 943	10 761	284	(2 049)
Net profit from continued operation	(80 883)	(45 062)	(13 461)	7 142
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	(80 883)	(45 062)	(13 461)	7 142
Attributable to:				
Shareholders of parent entity	(81 502)	(45 755)	(14 181)	6 508
Non-controlling interests	619	693	720	634
Profit per share attributable to shareholders in the period (PLN per share)				
- basic	(1,59)	(0,90)	(0,28)	0,12
- diluted	(1,59)	(0,90)	(0,28)	0,12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.01.2019 - 01.07.2019- 30.09.2019 30.09.2019		01.01.2018 - 01.07.2018- 30.09.2018 30.09.2018	
	<i>Unaudited</i>		<i>Unaudited</i>	
Net profit for the period	(80 883)	(45 062)	(13 461)	7 142
Other comprehensive income:				
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	(23)	(10)	38	(18)
Actuarial gains/(losses)	(23)	(10)	38	(18)
Other comprehensive income that will be reclassified to profit or loss:	4 544	9 073	7 063	(6 637)
Foreign exchange differences on translation of foreign operations	6 049	10 001	6 546	(7 006)
Cash flow hedging instruments	(1 505)	(928)	517	369
Total other comprehensive income	4 521	9 063	7 101	(6 655)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(76 362)	(35 999)	(6 360)	487
Attributable to:				
Shareholders of Parent entity	(77 902)	(37 414)	(7 095)	(22)
Non-controlling interests	1 540	1 415	735	509

CONSOLIDATED BALANCE SHEET

	Note	30.09.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
ASSETS			
Non-current assets		748 938	720 882
Tangible non-current assets		302 885	297 285
Intangible assets		51 490	52 348
Goodwill from consolidation		311 649	308 782
Investment properties		22 658	20 445
Investments in other units		25	25
Other financial assets		6 276	4 511
Deferred tax assets		47 413	28 416
Long-term receivables		178	-
Accruals		6 364	9 070
Current assets		990 296	822 054
Inventory		139 416	86 854
Trade and other receivables		535 426	328 890
Income tax receivables		-	3 900
Other financial assets		11 114	13 773
Cash and cash equivalents		42 132	116 687
Accruals		15 762	13 313
Contracts with customers assets		242 621	206 887
Available-for-sale assets		3 825	51 750
TOTAL ASSETS		1 739 234	1 542 936
Equity and liabilities			
Equity (attributable to shareholders of parent entity)		567 426	645 539
Share capital		41 120	41 120
Share premium account		309 984	309 984
Revaluation reserve		5 771	5 768
Other capital reserves		271 535	383 833
Retained earnings		(81 502)	(111 006)
Foreign exchange differences on translation of foreign operations		20 518	15 840
Non-controlling interests		10 288	8 841
Total equity		577 714	654 380
Long-term liabilities		117 244	93 112
Interest-bearing loans and borrowings		93 471	66 371
Provisions	23	12 414	13 004
Liabilities due to employee benefits		4 355	4 810
Provision for deferred tax		6 954	8 858
Derivative financial instruments		8	8
Other financial liabilities		42	61
Short-term liabilities		1 044 276	795 444
Interest-bearing loans and borrowings		221 805	132 559
Trade and other liabilities		541 876	407 341
Provisions	23	81 609	59 101
Liabilities due to employee benefits		15 741	16 572
Income tax liabilities		2 704	-
Accruals		510	711
Contracts with customers liabilities		180 031	141 258
Liabilities of group to be classified as held for sale		-	37 902
Total equity and liabilities		1 739 234	1 542 936

CONSOLIDATED STATEMENT OF CASH-FLOWS

	01.01.2019 - 30.09.2019 <i>Unaudited</i>	01.01.2018 - 30.09.2018 <i>Unaudited</i>
<i>Cash flows from operating activities</i>		
Gross profit from continued operations	(100 826)	(13 745)
Adjustments for:	(51 813)	(179 243)
Depreciation	28 041	23 214
FX differences	1 193	891
Net interest and dividends	8 274	5 898
Profit on investment activities	(5 466)	(2 726)
Change in receivables	(192 222)	(103 525)
Change in inventory	(51 349)	(32 667)
Change in liabilities, excluding loans and borrowings	138 582	117 573
Change in prepayments and accruals	143	(5 057)
Change in provisions	21 799	(5 756)
Change in construction contracts	-	(176 106)
Change in settlements from contracts	3 077	-
Change in financial derivatives	1 735	(619)
Income tax paid	(1 376)	(2 270)
Other	(4 627)	882
Foreign exchange differences on translation of foreign operations	383	1 025
Net cash flows from operating activities	(152 639)	(192 988)
<i>Cash flows from investment activities</i>		
Sale (purchase) of intangible assets and tangible non-current assets	(7 697)	(29 934)
- acquisition	(9 229)	(31 063)
- sale	1 532	1 129
Sale (purchase) of shares	-	(1 806)
- acquisition	-	(1 806)
Financial assets	4 054	2 724
- sold or repaid	8 841	7 808
- granted or acquired	(4 787)	(5 084)
Interest received	227	244
Net cash flows from investment activities	(3 416)	(28 772)
<i>Cash flows from financial activities</i>		
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest	746	2 161
Proceeds on account of taken borrowings and loans	114 517	161 475
Repayment of borrowings and loans	(8 617)	(12 006)
Interest paid	(9 427)	(6 216)
Payment of liabilities under financial lease agreements	(15 156)	(6 762)
Dividends paid to non-controlling shareholders	(3)	(220)
Other	(19)	48
Net cash flows from financial activities	82 041	138 480
Total net cash flows	(74 014)	(83 280)
Cash at start of period	116 675	112 172
Deconsolidation of sold companies	(541)	-
Cash at end of period	42 120	28 892

Cash excluded from the statement of cash flows comprises cash blocked on the property development project accounts in the amount of PLN 12 thousand.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation 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 1.01.2019 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	-	-	-	-	-	-	-	(81 502)	(81 502)	619	(80 883)
Other comprehensive income	-	-	-	(1 476)	(23)	-	5 099	-	3 600	921	4 521
Total comprehensive income	-	-	-	(1 476)	(23)	-	5 099	(81 502)	(77 902)	1 540	(76 362)
Distribution of profit	-	-	-	-	-	(111 006)	-	111 006	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(93)	(93)
Deconsolidation of subsidiaries	-	-	-	-	-	-	(421)	-	(421)	-	(421)
Other changes	-	-	3	-	-	207	-	-	210	-	210
As at 30.09.2019 Unaudited	41 120	309 984	5 771	(4 635)	(1 267)	277 437	20 518	(81 502)	567 426	10 288	577 714
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	-	-	-	-	-	-	-	(14 181)	(14 181)	720	(13 461)
Other comprehensive income	-	-	-	471	35	-	6 580	-	7 086	15	7 101
Distribution of profit	-	-	-	-	-	26 289	-	(26 289)	-	-	-
Dividend payment	-	-	-	-	-	-	-	(5 140)	(5 140)	-	(5 140)
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(220)	(220)
Nabycie udziałów w jednostce zależnej	-	-	-	-	-	(625)	-	-	(625)	(1 194)	(1 819)
Acquisition of shares in a subsidiary	-	-	-	-	-	-	-	-	-	4 098	4 098
Other changes	-	-	3	-	-	745	-	-	748	130	878
As at 30.09.2018 Unaudited	41 120	309 984	5 768	(2 869)	(940)	388 894	13 673	(14 181)	741 449	8 604	750 053

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	-	-	-	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 1.01.2018 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 9 months ended September 30, 2018.

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

Trakcja PRKiL 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 PRKiL 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.

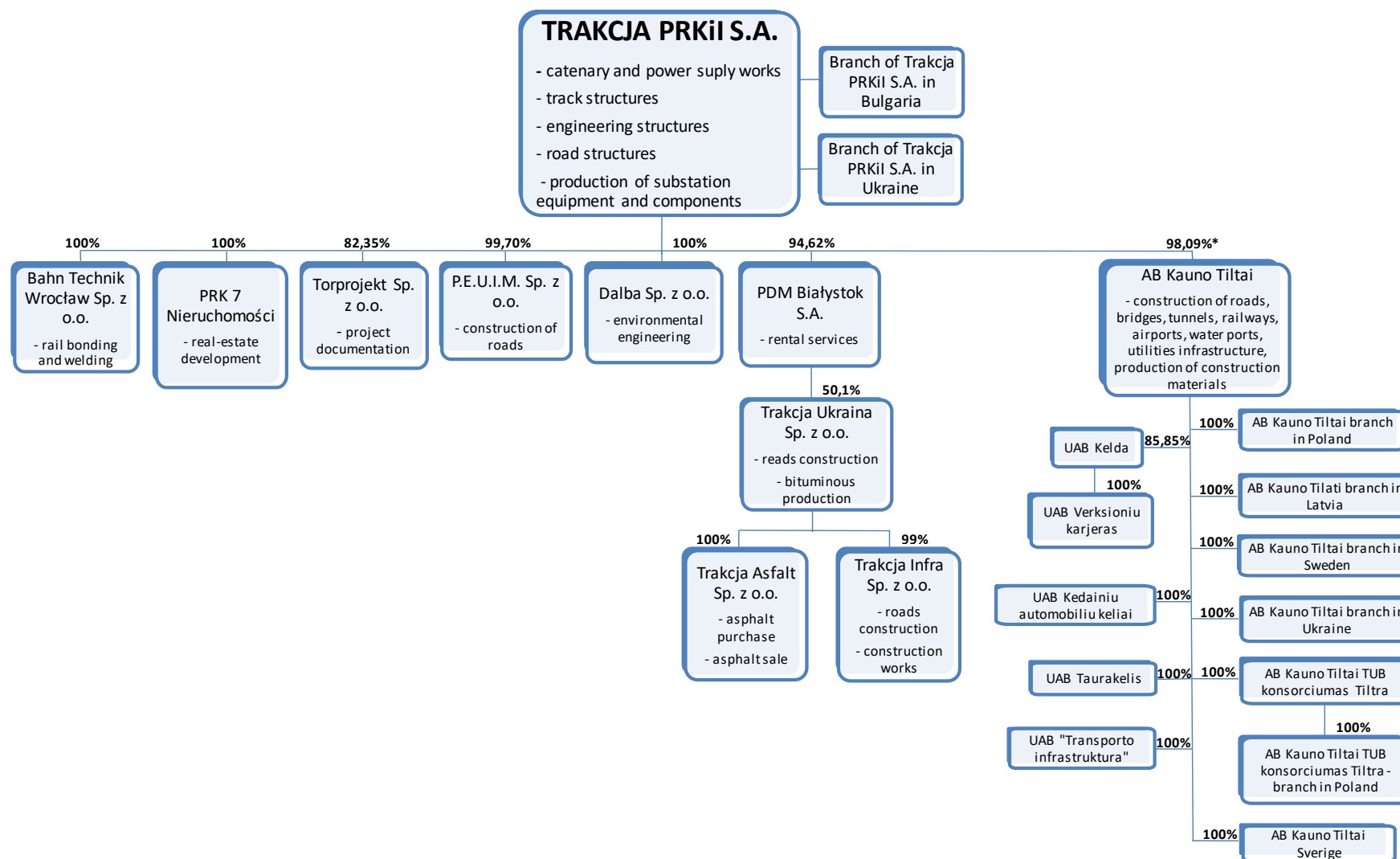
The registered office of the Parent Company is located at Żłota 59 Street in Warsaw. Both the Parent Company and other entities that are members of the Group are established for an indefinite period of time.

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 September 30, 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

On 30 September, the agreement concluded by AB Kauno Tiltai, a member of the Issuer's Capital Group, with its registered office in Lithuania, was implemented. The agreement concerns:

- sale of all shares in UAB Pletros investicijos with its registered office in Lithuania (the "Company"), wholly owned by AB Kauno Tiltai;
- transfer of rights and obligations, including the right to the receivables, of the Loan Agreement made between AB Kauno Tiltai and the Company.

Following this transaction, UAB Pletros investicijos and UAB Palangos aplinkkelis were deconsolidated.

Analysis of assets and liabilities of UAB Pletros investicijos and UAB Palangos aplinkkelis, over which control has been lost.

ASSETS

Non-current assets	40 217
Other financial assets	39 154
Deferred tax assets	1 063
Current assets	14 330
Trade and other receivables	584
Income tax receivables	5
Other financial assets	10 542
Cash and cash equivalents	3 168
Accruals	31

Equity and liabilities

Long-term liabilities	(37 324)
Interest-bearing loans and borrowings	(31 274)
Derivative financial instruments	(6 050)
Short-term liabilities	(7 260)
Interest-bearing loans and borrowings	(1 007)
Trade and other liabilities	(5 224)
Derivative financial instruments	(1 007)
Provisions	(22)
Net assets sold	9 963

Profit from the sale of a subsidiary

Selling price	12 990
Net Assets	(9 963)
Non-controlling shares	(66)
Reversal of exchange differences from the conversion of foreign entities	421
Profit from the sale of a subsidiary	3 382

Apart from the above, there were no changes in the structure of the Trakcja Group in the third quarter of 2019, including changes resulting from business combination, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations.

4. Parent Company's Management Board

As at September 30, 2019 the Company's Management Board was composed of the following members:

- Marcin Lewandowski - President of the Management Board;
- Paweł Nogalski - Vice-President of the Management Board;
- Aldas Rusevičius - Vice-President of the Management Board.

In the third quarter of 2019, the composition of the Management Board changed as follows:

On 27 September 2019, Mr Marek Kacprzak and Mr Maciej Sobczyk tendered their resignations as a Management Board Members, with effect as of 30 September 2019.

After the balance sheet date, the composition of the Management Board changed as follows:

On 10 October 2019, the Company's Supervisory Board adopted a resolution by which it appointed Mr Arkadiusz Arciszewski to the position of the Vice-President of the Management Board of the Company as of 10 October 2019.

As at the date of issue of this report, the composition of the Company's Management Board was as follows:

- Marcin Lewandowski - President of the Management Board;
- Paweł Nogalski - Vice-President of the Management Board;
- Arkadiusz Arciszewski - Vice-President of the Management Board;
- Aldas Rusevičius - Vice-President of the Management Board.

5. Parent Company's Supervisory board

As at September 30, 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 analysed period and after the balance sheet date, there have been no changes to the Supervisory Board's composition.

6. Parent Company's Shareholdership

As at September 30, 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 date of submitting the last periodic report, i.e. on 10 September 2019 and as at the date of publication of this report, it is as follows:

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%

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

On 27 September 2019, the Extraordinary General Meeting of the Company passed Resolution No 5 to increase the Company's share capital through the issue of series B ordinary bearer shares and series C ordinary registered shares by way of a private placement with the existing shareholders' pre-emptive rights waived in full, to convert Series B and Series C shares into book-entry form and introduce rights to series B shares, series B shares and series C shares to trading on the regulated market operated by the Warsaw Stock Exchange, and to amend the Company's Articles of Association.

Between 4 and 7 October 2019, the Company consummated the offering of 10,279,909 Series B ordinary bearer shares in the Company, with a par value of 0.80 PLN and no less than 13,014,209 and no more than 25,014,209 Series C ordinary registered shares in the Company, with a par value of 0.80 PLN, by way of a private placement within the meaning of Article 431 § 2(1) of the Commercial Companies Code, with the existing Company shareholders' pre-emptive rights waived, to no more than 149 selected investors.

On 10 October 2019, the Company concluded subscription agreement for 10,279,909 series B shares and 24,771,519 series C shares with the investors.

Pursuant to a resolution of the Management Board of the Warsaw Stock Exchange of 31 October 2019, 10,279,909 rights to series B shares in the Company were introduced to trading on the main market as of 6 November 2019.

In connection with the offering, the Company has received the following notifications pursuant to Article 69 in relation to Article 69b(1)(1) of the Act on Public Offering, concerning the subscription of the aforementioned rights to shares, i.e. transactions which have economic effects similar to the effects of acquisition of shares of the Issuer:

- on 6 November 2019, corrected on 13 November 2019 – a notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU"), on an increase in the shareholding above the threshold of 15% of the total vote at the Company. The change in voting rights resulted from the subscription of 2,600,000 rights to series B shares by OFE PZU;

- on 7 November 2019 – a notification from Agencja Rozwoju Przemysłu S.A. ("ARP"), on an increase in the shareholding above the threshold of 5% of the total vote at the Company. The change in voting rights resulted from the subscription of 3,589,080 rights to series B shares.

Moreover, on 11 October 2019 the Company was notified by COMSA S.A., pursuant to Article 19 of MAR, on the subscription of 12,242,952 series C ordinary registered shares on 10 October 2019.

As at the date of this report, the share capital increase effected under Resolution No 5 of the Extraordinary General Meeting of the Company of 27 September 2019 was not entered in the register of entrepreneurs of the National Court Register.

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 September 10, 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 November 28, 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 9 months ended on September 30, 2019 no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at September 30, 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 48 of the Notes to the consolidated financial statements for 2018.

In the third 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 related entities, if it is exposed or has rights to variable returns from its involvement and when it is in a position to use its powers over an entity to exert an effect on such returns. In the third quarter of 2019 the Parent Company did not take control over any significant entity.

9.2. Estimates uncertainty

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.

Sprzedaż usług budowlanych

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.

Period of use of asset components due to the right of use

The estimated period of use of assets related with the right of use is determined in the same manner as in the case of tangible fixed assets.

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. It is subject to individual review and may be increased or decreased when necessary. Any change in the estimates affects the value 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.

Measurement of employee benefit liabilities

Any employee benefit liabilities for retirement allowances and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account the amendments to the remuneration regulations made on June 3, 2017. The amount of liability depends on various factors which are applied 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 assets

The Group recognises a deferred tax asset assuming that in the future a taxable profit is generated that will allow for its use. Any deterioration in the future taxable profits may result in the assumption becoming unjustified. The Parent Company's Management Board verifies the estimated recoverability of deferred tax assets on the basis of changes in the factors taken into account, new information and past experiences. The likelihood that deferred tax assets will be utilised against future taxable profits is assumed in the Group's forecast. The Group's companies recognise deferred tax assets up to the amount corresponding to the likely amount of future taxable profit that will allow for negative temporary differences to be deducted. 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 and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Group reviews the adopted economic useful lives using current estimates. During the 9 months ended on September 30, 2019, no significant changes were made to the amortisation and depreciation rates applied by the Group.

Investment properties

Investment properties are measured at fair value. The value of investment properties is determined by independent experts who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows 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 valuation and rules and method for preparing valuation reports. Fair value of investment properties is measured by way of applying measurement techniques that require a maximum use of observable data. As at 30 September 2019 the Group did not perform any measurements, as no circumstances occurred which would indicate that the value of investment properties might have changed.

Goodwill impairment

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 performed consist in the estimation of the value in use of cash generating units ("CGU") on the basis of future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rate. As a result of goodwill impairment tests carried out as at 30 June 2019, no impairment was identified. As at 30 September 2019, there were no indications of impairment of cash generating units other than those identified in the consolidated semi-annual report of the Trakcja Group for the period of 6 months ended 30 June 2019. Therefore, the Group did not perform any tests as at 30 September 2019.

Write-downs of inventories

The Management Board assesses whether there are any indications that inventories may need to be written down in accordance with Note 9.12 of the Notes to the Consolidated Financial Statements for 2018. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. The goodwill impairment losses are described in detail in Note 22

Expected credit loss on trade receivables and other receivables

Pursuant to IFRS 9, the Group recognizes write-downs on the account of expected credit losses due to trade receivables and other receivables. In terms of trade receivables, the Group applies a simplified method for receivables recognized in the group dimension – for these receivables, a write-down is made for so-called lifelong credit losses, regardless of the analysis of credit risk changes. In terms of other receivables and held financial instruments, the Group defines the write-down to the 12-month expected credit losses if the credit risk is low or it has not increased significantly since the date of including the given component of receivables in the balance sheet, in the amount equivalent to the expected credit losses throughout the life, if the credit risk related with the given component of financial assets has increased significantly since the initial recognition. The change in expected credit losses is presented in Note 22.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 25 and 27. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, 40 and 47 of the Notes to 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. For details, see Note 5 of the Notes to the condensed separate financial statements.

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., 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 Asphalt 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 third 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 using new accounting standards and amendments 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 Group 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 Group 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

As of 1 January 2019, the Group 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 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 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 Group will apply 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. Additional information and explanations to the consolidated annual report of the group 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.

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 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 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 will 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 third quarter of 2019

As at September 30, 2019 the Trakcja Group's portfolio of construction contracts amounted to PLN 2,783 million (excluding any revenues allocated to consortium members). In the three quarters of 2019, the companies within Trakcja Group signed construction contracts with the total value of PLN 992 million (excluding the revenues allocated to consortium members). Striving to maximize the production potential, the Trakcja Group takes part in new tenders.

However, due to the fact that the order portfolio held on September 30, 2019 is significant, the Group selectively selects tenders in which it takes part.

The Trakcja Group's sales revenues for the third quarter of 2019 were PLN 426,970 thousand, that is they decreased by PLN 91,351 thousand as compared to the analogous period of 2018. The cost of goods sold decreased by PLN 34,001 thousand and amounted to PLN 457,385 thousand.

In the third quarter of 2019, the Group reported a gross loss on sales of PLN 30,415 thousand, which represents a decrease by PLN 57,350 thousand year-on-year. In the third quarter of 2019, the gross profit margin was -7.1%, whereas in the corresponding period of 2018 it reached 5.2%. The drop in gross profit margin was almost entirely attributable to the situation in the Group's parent company and resulted from the following factors: settlement of low-margin contracts secured in previous years with more difficult tendering conditions and a significant increase in production costs; the prolonged process of refinancing the Company's operating activity causing a drop in profitability on construction contracts, as well as more advanced stage of completion of contracts (mainly road contracts), on which decreases in margins were reported due to the prior increase in contract cost factors.

In the third quarter of 2019, general and administrative costs reached PLN 15,579 thousand and increased by 9.9%, i.e. by PLN 1,409 thousand year-on-year. The increase in costs was driven mainly by the costs of consulting and legal services in the Group's Parent Company in connection with the process of restructuring the company's financing completed in October (as announced by the Company in CR 4/2019) in the amount of PLN 842 thousand and reclassification of the costs of the State Fund for Rehabilitation of the Disabled (PFRON) in the amount of PLN 345 thousand at the Parent Company to administrative costs. Selling, marketing and distribution expenses reached PLN 1,312 thousand, down by PLN 53 thousand. The profit on other operating activities of the Group was at PLN 1,851 thousand and increased by PLN 2,268 thousand year-on-year. The increase in profit on other operating activities resulted from the sale of all shares in UAB Pletros investicijos seated in Lithuania by AB Kauno Tiltai, which resulted in the amount of PLN 3,382 thousand. In the third quarter of 2019, the Group incurred operating loss of PLN 45,455 thousand. The operating profit decreased by PLN 56,438 thousand compared to the third quarter of 2018, when it stood at PLN 10,983 thousand.

In the third quarter of 2019, the Group reported net finance costs of PLN 10,368 thousand. These costs increased by PLN 8,576 thousand year-on-year reflecting the costs of fees and commissions related to bridge financing and guarantee limits granted to the Group's Parent Company in the total amount of PLN 3,692 thousand. In addition, the increase in net finance costs was driven by an increase in interest expenses.

For the period from 1 July 2019 to 30 September 2019, the Group incurred a loss before tax of PLN 55,823 thousand. Profit/loss for the third quarter of 2019 decreased by PLN 65,014 thousand as compared to the third quarter of 2018, when the profit before tax stood at PLN 9,191 thousand. The income tax for the third quarter of 2019 increased the net profit/loss by PLN 10,761 thousand and declined by PLN 12,810 thousand year-on-year. In the period from 1 July 2019 to 30 September 2019, the Group reported a net loss of PLN 45,062 thousand. The net profit declined by PLN 52,204 thousand year-on-year.

At the end of the third quarter of 2019, the Group's balance sheet total was PLN 1,739,234 thousand and was higher by 12.7% than the balance sheet total at the end of 2018.

The non-current assets increased by PLN 28,056 thousand i.e. by 3.9% of the non-current assets as at December 31, 2018 and amounted to PLN 748,938 thousand, while the current assets grew by PLN 168,242 thousand, i.e. by 20.5% in comparison with their value as at December 31, 2018 and reached PLN 990,296 thousand.

The increase in non-current assets resulted chiefly from the increase in deferred tax assets by PLN 18,997 thousand to PLN 47,413 thousand as at 30 September 2019. The increase in non-current assets in the period under review is also attributable to an increase in property, plant and equipment by PLN 5,600 thousand as compared to 31 December 2018.

The increase in current assets resulted primarily from the increase in trade and other receivables by PLN 206,536 thousand, i.e. by 62.8%. As at 30 September 2019, trade and other receivables amounted to PLN 535,426 thousand. As compared to the balance as at the end of the previous year, there was also an increase in inventories – by PLN 52,562 thousand, and in assets under contracts with customers – by PLN 35,734 thousand. As at 30 September 2019, cash and cash equivalents dropped by PLN 74,555 thousand, i.e. by 63.9% as compared to 31 December 2018. This resulted from a significant increase in the number of contracts performed during 9 months of 2019 which entailed significant commitment of the Group's working capital.

As at 30 September 2019, the Group's total equity decreased by 76,666 thousand PLN, i. e. by 11.7% as compared to 31 December 2018.

As at September 30, 2019 the long-term liabilities amounted to PLN 117,244 thousand and increased by PLN 24,132 thousand, i.e. by 25.9%, in comparison with their balance as at December 31, 2018. As at 30 September 2019, interest-bearing long-term loans and borrowings stood at PLN 93,471 thousand, having increased by PLN 27,100 thousand, i.e. by 40.8% as compared to 31 December 2018. Other long-term liabilities declined.

The short-term liabilities amounted to PLN 1,044,276 thousand and rose by 31.3%, i.e. by PLN 248,832 thousand, as compared to December 31, 2018. The increase was mainly related with an increase in the value of trade payables and other liabilities by PLN 134,535 thousand and with an increase in short-term interest-bearing loans and borrowings by PLN 89,246 thousand.

At the beginning of 2019, the Group's cash presented in the consolidated cash flow statement was PLN 116,675 thousand, while at the end of the 9-month period it was PLN 42,120 thousand. The total net cash flows for the first 9 months of 2019 were negative and amounted to PLN 74,014 thousand, which constituted a decrease by PLN 9,266 thousand in comparison with the corresponding period of 2018.

14. Seasonality and cyclicity

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

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

At the same time, the Company announces that after the reporting period it carried out the placement of 10,279,909 series B ordinary bearer shares with a par value of PLN 0.80 per share and 24,771,519 series C ordinary registered shares with a par value of PLN 0.80 per share. The aforementioned shares were offered by way of a private placement within the meaning of Article 431 § 2(1) of the Commercial Companies Code, addressed to no more than 149 designated investors (the "Placement"). The Placement was consummated, as the subscription agreements for all shares were concluded on 10 October 2019. The placement of series B and C shares was effected pursuant to Resolution No 5 of the Extraordinary General Meeting of the Company of 27 September 2019 to increase the Company's share capital through the issue of series B ordinary bearer shares and series C ordinary registered shares by way of a private placement with the existing shareholders' pre-emptive rights waived in full, to convert Series B and Series C shares into book-entry form and introduce rights to series B shares, series B shares and series C shares to trading on the regulated market operated by the Warsaw Stock Exchange, and to amend the Company's Articles of Association.

The Company submitted requests for registration of the share capital increase in relation to the issue of series B and C shares to the registry court.

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 9-month period ended September 30, 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 Group's performance for the year was primarily affected by the contracts completed by the Group.

17. Factors which in the Group's opinion will affect its performance in the next quarter or in a longer term

The key external factors with a significant impact on the Group's financial performance include:

- 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 and tramway infrastructure in Poland and Lithuania, as well as on new markets;
- Efficient opening and signing of contracts by the Contracting Authorities;
- Competition from other entities;
- Absence of market barriers;
- Prices of raw materials and construction materials, costs of transport;
- Labour market situation in Poland and Lithuania;
- Changes in exchange rates, in particular of the euro;
- the Central Bank's monetary policy reflected in the interest rate changes. For the purpose of financing the acquisitions planned, the Group may take out bank loans, and therefore it may incur financial expenses determined by the interest rate levels;
- Timeliness of payment of liabilities by customers. If liabilities are not repaid on time, the Group's financial liquidity may deteriorate;
- a decrease in the number of entities participating in tenders on the Polish railway market;
- Level of adjustment of value 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 and legal nature, as well as any regulations regarding the following:

- 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 key internal factors with a significant impact on the Group's financial performance include:

- Accuracy of the project cost estimates, as it exerts a direct impact on decisions regarding the participation in tenders, valuation of contracts for tenders and as a result margins on contracts. The accuracy of the contract cost budget estimates which, in turn, depends on both methodological and external factors such as changes in prices for materials and services rendered by subcontractors; Ability to win new construction contracts.
- Contracts awarded under the National Railway Programme up to 2023.
- Contracts awarded under the National Road Construction Programme (2014-2023, with a perspective to 2025).
- Ability to attract highly qualified staff.
- Ability to implement the Issuer Group's development strategy.
- Ability to further diversify the activities.
- Ability to raise 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 bankruptcy;
- 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 (as described in Note 5 of the Notes to the condensed separate financial statements);
- risk of implementing the strategy;
- risk associated with obtaining financing for the implementation of construction contracts and obtaining contract guarantees;
- risk related to obtaining financing for the performance 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 PRKil S.A. did not publish any financial forecast for 2019.

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

In the third quarter of 2019, Trakcja Group reported a net loss of PLN 45,062 thousand, compared to a net profit of PLN 7,142 thousand in the corresponding period of the previous year.

The Group's significant achievements in the third quarter of 2019 include:

- Signing new contracts valued at PLN 528 million (excluding the part assigned to consortium partners);
- Further rebuilding of the order backlog;
- Execution of target long-term financing agreements (other components of the long-terms financing process are described in Note 5 of the Notes to the condensed separate financial statements).

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

For information relevant to the assessment of the staffing levels, assets, financial condition and financial performance of the Parent Company, or changes in any of the foregoing, and information relevant to the assessment of the Parent Company's ability to meet its obligations, see Note 5 of the Notes to the condensed separate financial statements.

No information material for the assessment of the Parent Company's and Group's employment, assets, financial condition and performance and changes therein or for the assessment of the Parent Company's and Group's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the 9-month period ended on September 30, 2019.

22. Change in impairment losses and expected credit loss

	Tangible non-current assets	Goodwill	Receivables	Other	Total
As at 1.01.2019	792	85 775	760	72 524	159 851
<i>Audited</i>					
Creation	-	-	200	9 900	10 100
Variances due to currency translation	-	-	8	-	8
Used	-	-	-	(274)	(274)
Reversed	-	-	(22)	(2 050)	(2 072)
As at 30.09.2019	792	85 775	946	80 100	167 613
<i>Unaudited</i>					

23. Provisions

As at 01.01.2019	72 105
<i>Audited</i>	
Recognized	36 809
Foreign exchanges due to currency translation	(76)
Used	(14 400)
Reversed	(415)
As at 30.09.2019	94 023
<i>Unaudited</i>	
including:	
- long-term	12 414
- short-term	81 609

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

From January 1, 2019 to September 30, 2019, the Group purchased tangible non-current assets and intangible assets in the amount of PLN 19,725 thousand (as compared to PLN 51,013 thousand in the comparable period of 2018). From January 1, 2019 to September 30, 2019, the Group disposed of tangible non-current assets and intangible assets in the total book value of PLN 1,061 thousand (as compared to PLN 491 thousand in the comparable period of 2018).

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

In the third 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.

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 third 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 third quarter of 2019, the Group did not change the classification of financial assets due to a change of 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 9 months ended September 30, 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	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018	30.09.2019	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 9 months ended September 30, 2019 no reallocations were made to level 1, 2 or 3.

Following the entry into force of IFRS 16, 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. As at 30 September 2019, this value amounted to 2,212 thousand PLN and was added to the carrying amount of investment properties presented in the Group's consolidated balance sheet as at 30 September 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 9 months of 2018, 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 9 months ended 30.09.2019 from a single customer (thousand PLN)	Operation segment containing the revenues
534 453	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.

Operating segments:

For the period from 1.01.2019 to 30.09.2019

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	709 653	308 922	63 817	1 082 392	-	-	1 082 392
Sales between segments	744	9	1 033	1 786	-	(1 786)	-
Total segment revenues	710 397	308 931	64 850	1 084 178	-	(1 786)	1 082 392
Results							
Depreciation	18 595	8 808	638	28 041	-	-	28 041
Financial income - interests	512	2 844	318	3 674	-	(483)	3 191
Financial expenses - interests	11 426	2 359	81	13 866	-	(483)	13 384
Gross profit	(95 553)	(7 131)	1 757	(100 927)	-	101	(100 826)

For the period from 1.01.2017 to 30.09.2018

Unaudited

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	803 861	260 495	32 816	1 097 172	-	-	1 097 172
Sales between segments	8 598	12	48	8 658	-	(8 658)	-
Total segment revenues	812 459	260 507	32 864	1 105 830	-	(8 658)	1 097 172
Results							
Depreciation	14 564	8 238	412	23 214	-	-	23 214
Financial revenues - interests	476	2 667	101	3 244	-	(86)	3 158
Financial expenses - interests	4 481	1 965	31	6 477	-	(86)	6 391
Gross profit	(3 199)	(1 120)	(40)	(4 359)	-	(9 386)	(13 745)

As at 30.09.2019

Unaudited

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	1 227 640	701 930	83 480	2 013 050	-	(312 518)	1 700 532
Assets not allocated to segments							38 702
Total assets							1 739 234
Segment liabilities*	888 945	233 991	29 144	1 152 080	-	(107 804)	1 044 276

Other disclosures:

Capital expenditure	(2 928)	(4 717)	(1 685)	(9 330)	-	101	(9 229)
Impairment of non-financial assets	(200)	-	-	(200)	-	-	(200)

* 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	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 assets					-		1 542 936
Segment liabilities*	686 440	198 216	10 040	894 696	-	(99 252)	795 444

Other disclosures:

Capital expenditure	(20 289)	(8 931)	(4 010)	(33 230)	-	955	(32 275)
Impairment of non-financial assets	(444)	(24 243)	-	(24 687)	-	-	(24 687)

* short-term liabilities were allocated to assess segment

Geographical segments:

For the period from 1.01.2019 to 30.09.2019

Unaudited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
Revenues						
Sales to external customers	732 582	349 810	1 082 392	-	-	1 082 392
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	871	9	880	-	(880)	-
Total segment revenues	733 453	349 819	1 083 272	-	(880)	1 082 392

For the period from 1.01.2018 to 30.09.2018

Unaudited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
Revenues						
Sales to external customers	818 459	278 713	1 097 172	-	-	1 097 172
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	737	2	739	-	(739)	-
Total segment revenues	819 196	278 715	1 097 911	-	(739)	1 097 172

As at 30.09.2019

Unaudited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
Operating assets	1 273 913	739 137	2 013 050	-	(312 518)	1 700 532
Segment liabilities*	915 940	236 140	1 152 080	-	(107 804)	1 044 276

* short-term liabilities were allocated to assess segment

As at 31.12.2018

Audited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
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

29. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	30.09.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Contingent receivables		
From related entities due to:	1 010 230	-
Received guarantees and sureties	1 010 230	-
From related entities due to:	61 053	89 206
Received guarantees and sureties	59 568	88 366
Bills of exchange received as collateral	1 485	840
Other		
Total contingent receivables	1 071 283	89 206
Contingent liabilities		
From related entities due to:	1 012 630	-
Provided guarantees and sureties	1 012 630	-
From other entities due to:	3 885 807	2 513 844
Provided guarantees and sureties	892 844	897 239
Promissory notes	567 271	449 589
Mortgages	182 885	181 979
Assignment of receivables	1 573 175	887 692
Assignment of rights under insurance policy	37 000	40 483
Security deposits	21 459	24 612
Other liabilities	611 173	32 250
Total contingent liabilities	4 898 437	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 30 September 2019 and 31 December 2018, other contingent liabilities relate to registered pledges.

As at September 30, 2019, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 1,055 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 September 30, 2019 - amounted to PLN 7,705 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 September 30, 2019 are sufficient to mitigate the recognised and measurable tax risk.

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

In the third 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

The Parent Company below indicates significant proceedings pending before a court or other body regarding its liabilities and receivables and its subsidiaries.

Proceedings concerning the Parent Company:

The case concerning reporting the liability from Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej in Warsaw

Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja PRKiI S.A. 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. (hereinafter referred to as the "PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. 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 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 the unpaid invoices and PLN 294,632.29 for the interest for delay in payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The 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 Company filed a complaint which was overruled. On June 8, 2015 the 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 October 31, 2017, of which the Group informed in the consolidated report for the 9-month period ended on September 30, 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 claim was served on the LWI, which sent a response to the statement of claim to the Company and the Court. 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 2020.

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

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

Case against ELTRANS sp. z o.o.

On May 30, 2019 the Company filed a lawsuit against ELTRANS sp. z o.o. based in Chorzow for the payment of PLN 2,768,004 plus interest as the payment of remuneration for delivery, assembly and training on operating two oil-less turbochargers.

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

Case against ALSTAL Grupa Budowlana sp. z o.o.

On May 22, 2019 the Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o. based in Jacewo for the payment of PLN 556,683.00 plus interest as the payment of remuneration for construction works performed as a contractor within the scope of the project ordered by Tauron Dystrybucja S.A. entitled "Network Management Development in Wrocław"

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

Proceedings against PKP PLK S.A.

On October 31, 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 December 12, 2017 the Parent Company expanded 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 Powiat 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. On 6 May 2019, the Parent Company extended the claim to PLN 84,121,127. The Parent Company extended the scope of the claims pursued also by the claims for damages against PKP PLK S.A., including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercor sp. z o.o. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On October 31, 2017 the Company along with Przedsiębiorstwo Budowlane "FILAR" Spółka z ograniczoną odpowiedzialnością based in Wrocław, and Berger Bau Polska Spółka z ograniczoną odpowiedzialnością based 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 October 31, 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:

- a) of additional works in connection with Contract No. 90/132/121/00/17000031/10/I/I dated December 16, 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) of additional works in connection with Contract No. 90/132/336/00/17000031/10/I/I dated November 29, 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 August 27, 2018, the Company filed a lawsuit for payment against PKP PLK S.A. requiring 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 December 16, 2010 for "Designing and execution of construction works on the Kraków - Medyka railway line - State border 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 stream), 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 October 6, 2017 to August 27, 2018. The case is at an early stage of the proceedings and its completion 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, Czempin-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, Czempin-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.

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, Czempin-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.

On 13 June 2019, the Company filed a suit against PKP PLK S.A. with the motion requesting security for the Company's claim, the subject of which being stipulating the contents of the Company's contractual obligations under agreements No. 90/132/121/00/17000031/10/I/I of 16 December 2010 on "Design and performance of construction works on the railway line Krakow – Medyka – state border on the section Dębica – Sędziszów Małopolski, in km 111,500–133,600 under the OPIE project 7.1-30 "Modernisation of the railway line E30/C-E 30, on the section Krakow–Rzeszów, Stage III" Tender 2.2 and No. 90/132/336/00/17000031/10/I/I of 29 November 2010 on "Design and performance of construction works on the railway line Krakow – Medyka – state border on the section Sędziszów Małopolski – Rzeszów Zachodni under the project "Modernisation of the railway line E3-/C-E 30, on the section Krakow – Rzeszów, stage III" Tender 2.3. Disputable circumstances in the case comprise the necessity of issuing the declaration of compliance of the fixtures or constructions with the type in compliance with the Act on Railway Transport, as well as the correctness of the design and performance of noise barriers. The amount claimed by the plaintiff is PLN 12,301,072. The case is at the early stage of proceedings and its resolution date is difficult to predict.

Proceedings regarding 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 64,083,535.19 (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

No dividends were declared or paid by the Parent Company in the third quarter of 2019.

33. Information on related-party transactions

In the third quarter of 2019, 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 September 30, 2019:

Related entities	Financial year	Sale to related entities	Purchases from related entities
Shareholders of parent company:			
COMSA S.A.	01.01.2019 - 30.09.2019	170	1 160
	01.01.2018 - 30.09.2018	4 222	1 711
<hr/>			
Total	01.01.2019 - 30.09.2019	170	1 160
	01.01.2018 - 30.09.2018	4 222	1 711

Please find below information on any receivables from and liabilities towards related entities as at September 30, 2019:

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities
Shareholders of parent company:			
COMSA S.A.	30.09.2019	5 723	24 261
	31.12.2018	4 038	2 117
<hr/>			
Total	30.09.2019	5 723	24 261
	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. On 25 September 2019, a memorandum of understanding on termination of the aforesaid agreement was signed with effect as of 10 October 2019.

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

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

Significant construction contracts		CR
04.07.2019 The Company as a Consortium Leader signed with PKP Polskie Linie Kolejowe S.A. with headquarters in Warsaw ('Ordering Party'), a contract for the execution of construction works: 'Reconstruction of track layouts along with accompanying infrastructure on the E59 railway line Stargard - Szczecin Dąbie section as part of the »Work on the E59 railway line on the Poznań Główny - Szczecin Dąbie section« project'.		28/2019
08.08.2019 The company announced that on August 8, 2019, a subsidiary AB Kauno tiltai has signed a contract for the performance of construction works 'Reconstruction of the trunk road of national importance A1 of Vilnius - Kaunas – Klaipėda section from 99.29 to 100.47 km'		34/2019
Refinancing process		CR
29.07.2019 The company announced that it had signed an annex to the loan agreement, which extends the period of granting the revolving loan to each of the guarantee lines and changes the repayment date of the revolving loan.		32/2019
30.07.2019 The Company informed that on 30 July 2019, the Company signed the following documents:		
1. annex to the agreement between the creditors concluded on June 13, 2019 extending the period of cooperation of entities that are parties to the Agreement between Creditors;		33/2019
2. annex to the loan agreement concluded on June 13, 2019 changing the loan repayment date.		
29.08.2019 The Management Board of the Company informed that on 29 September 2019, the Company signed the following documents:		
1. annex to the loan agreement concluded on June 13, 2019 between the Company and COMSA, S.A.U. changing loan repayment date;		40/2019
2. annex to the loan agreement concluded on June 13, 2019 extending the loan availability period, the availability period for each of the guarantee lines and changing the repayment date of the working capital loan.		
30.08.2019 The Company informed that on August 29, 2019, an annex to the agreement between creditors concluded on June 13, 2019 extending the period of cooperation of entities being parties to the Agreement.		41/2019
27.09.2019 The Management Board of Trakcja informed that on September 27, 2019, the Company signed the following documents regarding bridge financing:		
- annex to the loan agreement concluded on June 13, 2019 between the Company and COMSA extending the loan repayment day to October 14, 2019		
- annex to the agreement between creditors concluded on June 13, 2019, extending the period of cooperation used by the parties until October 11, 2019		
- annex to the loan agreement concluded on June 13, 2019, extending the repayment date of the working capital loan, after fulfillment of the conditions precedent set out in the Annex, on October 11, 2019 (inclusive).		
At the same time, the Management Board of the Company informed that On September 27, 2019, the Company signed the documentation of the target long-term financing covering:		51/2019
- an annex introducing the amended and unified Loan Agreement concluded between the Company and Related Entities and mBank S.A. with its registered office in Warsaw, Credit Agricole Bank Polska S.A. with its registered office in Wrocław, Bank Gospodarstwa Krajowego with headquarters in Warsaw as creditors and Agencja Rozwoju Przemysłu S.A. with headquarters in Warsaw as a lender, on the basis of which borrowers will be granted new revolving credits and a new line guarantee for advance repayment guarantees.		
Changes in the Management Board		CR
27.09.2019 The Company informed that Mr Marek Kacprzak and Mr Maciej Sobczyk submitted resignation from the function of Member of the Management Board with the effect for the day September 30th, 2019.		50/2019

Other	CR
02.07.2019 The Company provided answers to the following questions of the Company's shareholders submitted in accordance with art. 428 § 1 of the Code of Commercial Companies during the debates of the Extraordinary General Meeting of the Company on June 28, 2019	27/2019
12.07.2019 The Company informed that the Extraordinary General Meeting of the Company decided to abandon consideration of issues included in items 4) and 5) of the agenda of the Extraordinary General Meeting convened for June 28, 2019, which deliberations were interrupted until July 12, 2019	29/2019
12.07.2019 The Company provided a list of shareholders holding at least 5% of the total number of votes at the Extraordinary General Meeting of the Company, resumed after the break on July 12, 2019.	30/2019
12.07.2019 The Management Board of Trakcja convened the Extraordinary General Meeting of Trakcja PRKiI S.A. as at August 9, 2019.	31/2019
09.08.2019 The Company informed the Extraordinary General Meeting of the Company adopted a resolution on abandoning the consideration of matters included in items 3), 4) and 5) and removing them from the agenda.	35/2019
09.08.2019 The Company provides a list of shareholders holding at least 5% of the total number of votes at the Extraordinary General Meeting of the Company on August 9, 2019 in Warsaw.	36/2019
09.08.2019 The Management Board convened the Extraordinary General Meeting of Trakcja PRKiI S.A. as at September 13, 2019 at 9:00 in Warsaw.	37/2019
26.08.2019 The Company announced a change in the date of publication of the report for the first half of 2019.	38/2019
27.08.2019 The Company provided preliminary estimated financial results of the Trakcja Capital Group for the period of 6 months ended on 30 June 2019.	39/2019
13.09.2019 The Company informed that the Extraordinary General Meeting of the Company convened for September 13, 2019 announced a break in the proceedings until September 25, 2019.	42/2019
13.09.2019 The Company provides a list of shareholders holding at least 5% of the total number of votes at the Extraordinary General Meeting of the Company on September 13, 2019 in Warsaw.	43/2019
25.09.2019 The Company informed that the Extraordinary General Meeting of the Company convened for September 13, 2019 announced a break in the proceedings until September 27, 2019.	44/2019
25.09.2019 The Company provides a list of shareholders holding at least 5% of the total number of votes at the renewed Extraordinary General Meeting of the Company on September 25, 2019 in Warsaw.	45/2019
27.09.2019 The Company provided the delayed on March 14, 2019 confidential information regarding the commencement of negotiations by the Company with Agencja Rozwoju Przemysłu SA ('ARP') regarding the potential for ARP to participate in the increase in the Company's share capital under consideration by the Company.	46/2019
27.09.2019 The Management Board of the Company received from ARP a letter according to which ARP confirmed that, provided that the Company concluded the documentation regulating the conditions of refinancing the Company's debt with financial institutions (Long-term Financing Documentation) and The Company specified in the Long-term Financing Documentation terms of payment of funds, as well as the adoption by the General Meeting of the Company of resolutions on increasing the Company's share capital and amending the Company's statute, in the wording acceptable to ARP, ARP will be ready to participate in the process of recapitalization of the Company by taking up shares in the increased share capital of the Company.	47/2019

27.09.2019 The Company published the content of the resolutions adopted by the Extraordinary General Meeting of the Company ('EGM'), convened for September 13, 2019, which took place on September 27, 2019 after the resumption of the EGM.	48/2019
27.09.2019 The Company provides a list of shareholders holding at least 5% of the total number of votes at the renewed Extraordinary General Meeting of the Company on September 27, 2019 in Warsaw.	49/2019

A summary of significant events that took place at the Group after the balance sheet date is presented below:

Significant construction contracts	CR
01.10.2019 The Management Board of Trakcja informed that the agreement concluded by the company AB Kauno Tiltai with its registered office in Lithuania, belonging to the Issuer's Capital Group regarding:	
- sale of all shares in UAB Pletros investicijos with its registered office in Lithuania (hereinafter referred to as the 'Company'), in which AB Kauno Tiltai held 100% shares;	52/2019
- transfer of rights and obligations, including rights to claims under claims, arising from the loan agreement concluded between AB Kauno Tiltai and UAB Pletros investicijos with its registered office in Lithuania.	
10.10.2019 The Company informed that has signed with PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw, a contract for the design and execution of construction works "»Revitalization of railway lines No. 694/157/190/191 Bronów - Bieniowiec - Skoczów - Golezów - Cieszyn/Wisła/Głębce« Partial order A: Design and execution of construction works on the section Bronów - Wisła Głębce".	57/2019
11.10.2019 The Company informed that as a Consortium Leader signed with PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw, a contract for the execution of construction works:	
"Reconstruction of track systems together with accompanying infrastructure on the E59 railway section, Choszczno-Stargard section as part of the project »Works on the E59 railway line, section Poznań Główny - Szczecin Dąbie«".	60/2019
Refinancing process	CR
04.10.2019 The Company informed that on October 3, 2019, the Company signed a short-term subordinated loan agreement with COMSA, S.A.U. ('COMSA') ('Loan Agreement'), pursuant to which COMSA will provide the Company with a loan up to the maximum total amount of PLN 14,237,507.25 in two tranches.	53/2019
10.10.2019 The Company informed that it has concluded agreements with investors to subscribe for 10,279,909 Series B Shares and 24,771,519 Series C Shares. The price for each Series B Share and each Series C Share, in accordance with the Resolution, was PLN 1.70. The total price for the Shares acquired was PLN 59,587,427.6, of which 12,242,952 Series C Shares were acquired by the current shareholder of the Company - COMSA S.A.U. and COMSA claims against the Company paid in offsetting in the total amount of PLN 20,813,018.40.	58/2019
11.10.2019 The Company informed that as a result of the acquisition of ordinary registered series C shares by COMSA S.A.U. agreement on limiting the disposal of shares concluded on October 8, 2019 between the Shareholder, mBank S.A. and Santander Bank Polska S.A - Santander Brokerage House entered into force.	61/2019
Changes in the Management Board	CR
10.10.2019 The Company informed that the Supervisory Board of the Company adopted on 10 October 2019 a resolution, under which Mr. Arkadiusz Arciszewski was appointed the Deputy President of the Management Board of the Company as of 10 October 2019.	56/2019

Other	CR
04.10.2019 The Company informed that on 4 October 2019 the Company and mBank S.A. concluded an agreement on the placement of New Issue Shares and to commence the offering of 10,279,909 of ordinary series B bearer shares with a nominal value of PLN 0.80 per share, and not less than 13,014,209 but not more than 25,014.209 Series C ordinary registered shares with a nominal value of PLN 0.80 each in the form of a private subscription within the meaning of Article 431 § 2 (1) of the Commercial Companies Code, excluding the pre-emptive right of the existing shareholders of the Company addressed to no more than 149 selected investors.	54/2019
07.10.2019 The Company informed that as part of activities aimed at implementing the provisions contained in the Resolution on the Share Capital Increase, and taking into account the results of the completed process of building the book of demand for ordinary series B bearer shares and ordinary series C registered shares, with the consent of the Company's Supervisory Board, the total number of Series C Shares at 24 771 519 shares. Pursuant to the Resolution on the Increase of the Share Capital, the total number of Series B Shares is 10,279,909 shares. The total number of Offered Shares is 35 051 428 shares.	55/2019
11.10.2019 The Company informed that on October 10 this year received a notification from mBank S.A., acting as a cooperation agent, about the fulfillment on October 10, 2019 conditions precedent specified in the agreement of common conditions of September 27, 2019 therefore on October 10, 2019. The Common Terms Agreement entered into force.	59/2019
11.10.2019 The Company informed that it had received a notification pursuant to art. 19 paragraph 1 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Regulation on market abuse) and repealing Directive 2003/6/WE of the European Parliament and of the Council and Commission Directive 2003/124/WE, 2003/125/WE and 2004/72/WE submitted by Comsa S.A.U.	62/2019
24.10.2019 The Company published the information about the completed subscription of 10 279 909 B series ordinary bearer shares of nominal value of PLN 0.80 each and 24 771 519 C series registered shares of nominal value of PLN 80 each.	63/2019
25.10.2019 The Company informed that on October 25, 2019 the National Depository of Securities inc. („KDPW”) issued declaration No. 892/2019 refers to finalization of contract between KDPW and the Company concerning registration of securities in depository kept by KDPW equal to 10.279.909 (in words: ten million two hundred seventy nine thousand nine hundred and nine) rights to ordinary series B bearer shares of the Company with a nominal value of PLN 0.80 (in words: eighty groszy) each ("Rights to Series B Shares") under the ISIN code PLTRKPL00097 which are allowed to for regulated market trading.	64/2019
31.10.2019 The Company informed about the undertaking by the Management Board of the Warsaw Stock Exchange of Resolution No. 1133/2019 of October 31, 2019, pursuant to which the Management Board of WSE is to introduced on November 6, 2019, on stock market trading on the primary market 10.279.909 rights to ordinary series B bearer shares of the Company with a nominal value of PLN 0.80 each ("Rights to Series B Shares"), under condition of registration of Rights to Series B Shares no later than November 6, 2019, by National Depository of Securities inc. and marking of Rights to Series B Shares with the code "PLTRKPL00097".	65/2019
06.11.2019 The Company informed that it had received information about statement of Operations Department of the National Depository for Securities inc. („KDPW”) no. ONP/2019/119 of November 5, 2019, informing that in accordance with the decision of KDPW of October 25, 2019, no. 892/2019 on November 6, 2019, in KDPW will register 10,279,909 rights to series B bearer ordinary shares marked with the ISIN code PLTRKPL00097.	66/2019
06.11.2019 The Company informed that it had received a notification from PZU SA Pension Society acting on behalf of the PZU Open Pension Fund "Złota Jesień" (OFE PZU), that the share of OFE PZU in the total number of votes in the Company lowered below of 10% of the total number of votes.	67/2019

07.11.2019 The Company informed that it had received a notification from Agencji Rozwoju Przemysłu S.A. („ARP”), that the share of ARP in the total number of votes in the Company increased above of 5% of the total number of votes.	68/2019
08.11.2019 The Company informed that the date of publication of the consolidated report for report for 3rd quarter of 2019 (Q3r) containing 3-quarter condensed separate financial information - originally planned for 14 November 2019 is moved to November 28, 2019.	69/2019
13.11.2019 The Company informed that on November 13, 2019 it received a correction of notification of November 6, 2019, sent pursuant to art. 69 par. 1 point 2 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies - from PZU SA Pension Society acting on behalf of the PZU Open Pension Fund "Złota Jesień" (OFE PZU).	70/2019
14.11.2019 The Management Board convened the Extraordinary General Meeting of Trakcja PRKiI S.A. as at December 11, 2019 at 9:00 in Warsaw.	71/2019
22.11.2019 The Company has made public the initial financial results of the Company and the Trakcja Capital Group for the 9-month period ended September 30, 2019.	72/2019
22.11.2019 The Company has published a correction of the report on the initial financial results of the Company and the Trakcja Capital Group for the 9-month period ended September 30, 2019.	72/2019/K

IV. QUARTERLY FINANCIAL INFORMATION

STANDALONE INCOME STATEMENT

	01.01.2019 - 30.09.2019	01.07.2019 - 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018 - 30.09.2018
	<i>Unaudited</i>		<i>Unaudited</i>	
Continued operations				
Sales revenue	634 384	210 933	729 798	317 518
Cost of goods sold	(680 706)	(257 681)	(716 747)	(307 859)
Gross profit (loss) on sales	(46 322)	(46 748)	13 051	9 659
Cost of sales, marketing and distribution	(1 599)	(461)	(2 000)	(621)
General and administrative costs	(25 601)	(8 285)	(19 075)	(5 914)
Other operating revenues	1 914	889	804	134
Other operating costs	(5 813)	(1 974)	(2 031)	(929)
Operating profit (loss)	(77 421)	(56 577)	(9 251)	2 329
Financial revenues	4 863	106	13 521	176
Financial costs	(17 004)	(9 759)	(5 463)	(2 370)
Gross profit (loss)	(89 562)	(66 232)	(1 193)	135
Income tax	16 614	12 189	2 467	(217)
Net profit (loss) from continued operations	(72 948)	(54 043)	1 274	(82)
Net profit for the period	(72 948)	(54 043)	1 274	(82)
Profit per share attributable to shareholders in the period (PLN per share)				
- basic	(1,42)	(1,05)	0,02	(0,01)
- diluted	(1,42)	(1,05)	0,02	(0,01)

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	01.01.2019 - 30.09.2019	01.07.2019- 30.09.2019	01.01.2018 - 30.09.2018	01.07.2018- 30.09.2018
	<i>Unaudited</i>		<i>Unaudited</i>	
Net profit for the period	(72 948)	(54 043)	1 274	(82)
Other comprehensive income:				
Other comprehensive income that will be reclassified into profit or loss:	(15)	(24)	(31)	11
Foreign exchange differences on translation of foreign operations	(15)	(24)	(31)	11
Total other comprehensive income	(15)	(24)	(31)	11
Total comprehensive income for the period	(72 963)	(54 067)	1 243	(71)

STANDALONE BALANCE SHEET

	30.09.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
ASSETS		
Non-current assets	800 613	703 516
Tangible non-current assets	175 274	170 144
Intangible assets	50 650	51 608
Investment properties	19 825	17 613
Investments in subsidiaries	425 495	425 495
Other financial assets	8 395	4 511
Deferred tax assets	115 214	25 562
Accruals	5 760	8 583
Current assets	673 197	553 301
Inventory	73 107	50 361
Trade and other receivables	359 181	253 130
Other financial assets	8 801	14 596
Cash and cash equivalents	20 717	61 451
Accruals	12 598	9 910
Contracts with customers assets	194 968	160 028
Assets held for sale	3 825	3 825
TOTAL ASSETS	1 473 810	1 256 817
Equity and liabilities		
Equity	466 742	539 705
Share capital	41 120	41 120
Share premium account	309 984	309 984
Revaluation reserve	5 809	5 808
Other capital reserves	182 821	269 508
Retained earnings	(72 949)	(86 687)
Foreign exchange differences on translation of foreign operations	(43)	(28)
Total equity	466 742	539 705
Long-term liabilities	162 629	67 079
Interest-bearing loans and borrowings	85 248	60 989
Provisions	3 032	3 955
Liabilities due to employee benefits	1 311	2 135
Provision for deferred tax	73 038	-
Short-term liabilities	844 439	650 033
Interest-bearing loans and borrowings	198 753	144 823
Trade and other liabilities	415 031	313 292
Provisions	74 618	52 575
Liabilities due to employee benefits	8 186	9 540
Accruals	448	574
Contracts with customers liabilities	147 403	129 229
TOTAL EQUITY AND LIABILITIES	1 473 810	1 256 817

STANDALONE STATEMENT OF CASH FLOWS

	01.01.2019 - 30.09.2019 <i>Unaudited</i>	01.01.2018 - 30.09.2018 <i>Unaudited</i>
<i>Cash flows from operating activities</i>		
Gross profit from continued operations	(89 562)	(1 193)
Adjustments for:	(4 929)	(116 805)
Depreciation	14 694	10 724
FX differences	835	(101)
Net interest and dividends	2 039	(8 969)
Profit on investment activities	(75)	(44)
Change in receivables	(104 573)	(21 452)
Change in inventory	(22 746)	(16 731)
Change in liabilities, excluding loans and borrowings	98 880	62 007
Change in prepayments and accruals	7	(5 473)
Change in provisions	21 120	(1 239)
Change in construction contracts	-	(135 748)
Change in settlements from contracts	(16 766)	-
Income tax paid	-	133
Other	1 647	97
Foreign exchange differences on translation	9	(9)
Net cash flows from operating activities	(94 491)	(117 998)
<i>Cash flows from investment activities</i>		
Sale (purchase) of intangible assets and tangible non-current assets	(884)	(15 783)
- acquisition	(1 341)	(15 922)
- sale	457	139
Financial assets	2 002	624
- granted or acquired	3 086	4 368
- repaid	(1 084)	(3 744)
Loans	-	(2 000)
- repaid	-	(2 000)
Dividend received	-	11 119
Net cash flows from investment activities	1 118	(6 040)
<i>Cash flows from financial activities</i>		
Proceeds on account of taken borrowings and loans	75 493	122 713
Repayment of borrowings and loans	(4 077)	(6 388)
Interests and commissions paid	(6 791)	(4 408)
Inflows (outflows) due to other financial liabilities	-	(21)
Payment of liabilities under financial lease agreements	(11 986)	(6 323)
Net cash flows from financial activities	52 639	105 573
Total net cash flows	(40 734)	(18 465)
Cash at start of period	61 451	20 618
Cash at end of period	20 717	2 153

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revalua-tion reserve	Other reserve capitals	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity	
				Actuarial gains (losses)	Results from previous years			
As at 1.01.2019	41 120	309 984	5 808	391	269 117	(28)	(86 687)	539 704
As at 1.01.2019 after adjustments	41 120	309 984	5 808	391	269 117	(28)	(86 687)	539 704
Net profit for the period	-	-	-	-	-	-	(72 948)	(72 948)
Other comprehensive income	-	-	-	-	-	(15)	-	(15)
Distribution of profit	-	-	-	-	(86 687)	-	86 687	-
Other changes	-	-	1	-	-	-	-	1
As at 30.09.2019 Unaudited	41 120	309 984	5 809	391	182 430	(43)	(72 949)	466 742
As at 1.01.2018	41 120	309 984	5 804	391	242 252	7	32 040	631 598
Changes of accounting standards	-	-	-	-	(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	-	-	-	-	-	-	1 274	1 274
Other comprehensive income	-	-	-	-	-	(31)	-	(31)
Distribution of profit	-	-	-	-	26 900	-	(26 900)	-
Divided payment	-	-	-	-	-	-	(5 140)	(5 140)
Other	-	-	3	-	4	-	-	7
As at 30.09.2018 Unaudited	41 120	309 984	5 807	391	268 755	(24)	1 274	627 307

	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 1.01.2018 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)	-
Divided 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 PRKił S.A. for the third quarter of 2019

In the third quarter ended 30 September 2019, Trakcja PRKił S.A. earned sales revenue of PLN 210,933 thousand, down by PLN 106,585 thousand, i.e. by 33.6% year-on-year. In the third quarter of 2019, cost of goods sold decreased by PLN 50,178 thousand, i.e. by 16.3% to PLN 257,681 thousand. In the third quarter of 2019, the Company incurred a gross loss on sales of PLN 46,748 thousand, which is a decrease by PLN 56,407 thousand.

The margin of the gross result on sales in Q3 2019 reached -22,2% and decreased by 25.2 p.p. in comparison to the margin in Q3 2018. Factors that had the most significant impact on gross margin on sales in the period of 9 months of 2019 included the settlement of low-margin contracts secured in previous years with more difficult tendering conditions and a significant increase in production costs, the prolonged process of refinancing the Company's operating activity causing a drop in profitability on construction contracts, as well as more advanced stage of completion of contracts (mainly road contracts), on which decreases in margins were reported due to the prior increase in contract cost factors. Furthermore, based on internal analyses and the opinions of external advisors.

In the third quarter of 2019 overhead costs reached PLN 8,285 thousand and grew by 40,1%, i.e. by PLN 2,371 thousand in regard to the comparable period. The increase in costs was driven mainly by the costs of consulting and legal services in connection with the process of restructuring the company's financing completed in October (as announced by the Company in CR 4/2019) in the amount of PLN 842 thousand, the absence of impact on the costs of management fees from the subsidiary which, in the third quarter of last year, reduced the general and administrative costs by PLN 726 thousand, and reclassification of the costs of the State Fund for Rehabilitation of the Disabled (PFRON) in the amount of PLN 345 thousand to administrative costs. In the period under review, selling, marketing and distribution expenses reached PLN 461 thousand and decreased by PLN 160 thousand year-on-year.

The balance of other operating activity reached a negative value of PLN 1,085 thousand. The loss decreased by PLN 290 thousand in relation to the analogical period of the comparable period. For the period from 1 July 2019 to 30 September 2019 the Company reported a loss on operations in the amount of PLN 56,577 thousand. The result on operations decreased by PLN 58,906 thousand in comparison to the result on operations for Q3 2018, when the profit on operations achieved PLN 2,329 thousand.

In the third quarter of 2019 the Company's financial revenue achieved PLN 106 thousand and decreased by PLN 70 thousand in comparison to financial revenue for Q3 2018. Financial costs rose by PLN 7,389 thousand and totaled PLN 9,759 thousand. The increase is attributable to the costs of fees and commissions related to debt financing and guarantee limits granted to the company in the total amount of PLN 3,692 thousand and to the increase in interest expenses by PLN 3,037 thousand, including interest on liabilities – PLN 2,284 thousand, and interest on loans and borrowings – PLN 802 thousand.

For the period from 1 July 2019 to 30 September 2019 the Company reported gross loss in the amount of PLN 66,232 thousand. This figure was lower by PLN 66,367 thousand as compared to the corresponding period of the previous year, when the Company earned a profit before tax of PLN 135 thousand.

Income tax in the third quarter of 2019 amounted to PLN -12,189 thousand, which constitutes an decrease compared to the same period of the previous year by PLN 12,406 thousand. The Company's net loss for the period from 1 July 2019 to 30 September 2019 totaled PLN 54,043 thousand and it was lower by PLN 53,961 thousand in relation to the analogical period of the previous year, when there was a net loss in the amount of PLN 82 thousand.

At the end of Q3 2019, the Company's balance sheet total amounted to PLN 1,473,810 thousand and was higher from the 2018 balance sheet total by PLN 216,993 thousand.

As at 30 September 2019, non-current assets amounted to PLN 800,613 thousand and increased by PLN 97,097 thousand or 13.8% compared to the balance as at 31 December 2018. This increase was mainly driven by an increase in deferred tax assets by PLN 89,652 thousand.

Current assets increased by 21.7% as compared to 31 December 2018 and reached PLN 673,197 thousand. Trade and other receivables increased by PLN 106,051 thousand, while cash and cash equivalents decreased by PLN 40,734 thousand. In turn, inventories increased by PLN 22,746 thousand to PLN 73,107 thousand, due to a larger scale of projects. As at the balance sheet date, assets under agreements with customers amounted to PLN 194,968 thousand and increased by PLN 34,940 thousand as compared to the end of the previous year.

As at 30 September 2019, the Company's equity stood at PLN 466,742 thousand, having decreased by PLN 72,963 thousand, i.e. by 13.5% as compared to 31 December 2018.

As at 30 September 2019, long-term liabilities amounted to PLN 162,629 thousand and increased by PLN 95,550 thousand, i.e. by 142.4% as compared to 31 December 2018. The increase in this item was primarily driven by the recognition of deferred tax liabilities of PLN 73,038 thousand, and by an increase in liabilities on account of interest-bearing loans and borrowings by 39.8%, i.e. by PLN 24,259 thousand as compared to 31 December 2018.

Short-term liabilities achieved PLN 844,439 thousand and rose by PLN 194,406 thousand, i.e. by 29.9% related to the end of the previous year. The above change is attributable to an increase in trade payables by PLN 101,739 thousand, i.e. by 32.5% in the period under review as compared to the balance as at 31 December 2018. A significant increase was also reported in interest-bearing loans and borrowings which reached PLN 198,753 thousand and increased by PLN 53,930 thousand.

As at the beginning of 2019, the Company's cash presented in the statement of cash flows amounted to PLN 61,451 thousand, and as at the end of the 9-month period, it amounted to PLN 20,717 thousand.

Net cash flow for 9 months of 2019 was negative and amounted to PLN 40,734 thousand, which constitutes a drop by PLN 22,269 thousand in relation to the analogous period of 2018.

2. Seasonality and cyclicalities

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:

	30.09.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Contingent receivables		
From related entities due to:	1 010 230	-
Received guarantees and sureties	1 010 230	-
Bills of exchange received as collateral	-	-
From related entities due to:	59 096	87 022
Received guarantees and sureties	57 611	86 182
Bills of exchange received as collateral	1 485	840
Total contingent receivables	1 069 326	87 022
Contingent liabilities		
From related entities due to:	1 012 630	-
Provided guarantees and sureties	1 012 630	-
Promissory notes	-	-
Capped mortgages	-	-
From other entities due to:	3 553 674	2 227 597
Provided guarantees and sureties	739 341	794 910
Promissory notes	611 173	439 288
Mortgages	562 002	129 000
Assignment of receivables	129 000	773 423
Assignment of rights under insurance policy	1 456 951	37 000
Security deposits	37 000	21 726
Other liabilities	18 207	32 250
Total contingent liabilities	4 566 304	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.

As at September 30, 2019, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 1,055 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 3,986 thousand as at September 30, 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 September 30, 2019 are sufficient to mitigate the recognised and measurable tax risk.

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.

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.

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.

5. Update concerning the risk to the Parent Company's ability to continue as a going concern and measures taken and planned by the Parent Company's Management Board.

Trakcja PRKiS S.A. is the Parent Company of the Trakcja Capital Group. The Group's condition is closely dependent on the condition of the Parent Company.

With reference to Note 50 to the consolidated semi-annual report of the Trakcja Group for the 6-month period ended 30 June 2019, the Management Board of the Company hereby presents an update concerning the issues described in the said note to the financial statements.

Going concern

These financial statements for the nine-month period ended September 30, 2019 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption was unjustified. The Management Board of the Company presented the following information on the current financial standing of the Company, indicating the risk to the Company's going concern status in the period of twelve months from the date of preparation of the financial statements.

Risk to the going concern status

In the period of 9 months ended on 30 September 2019, the Parent Company recorded net loss of PLN 72,948 thousand, and the net negative working capital amounted to PLN 171,243 thousand.

As at September 30, 2019, financial liabilities due to credits and lease of the Parent Company amounted to a total of PLN 284,001 thousand (long-term part PLN 85,248 thousand, short term part PLN 198,753 thousand).

As at September 30, 2019, trade liabilities were at PLN 331,309 thousand, including outdated at PLN 199,624 thousand, which the Company pays from current inflows to a possible extent.

Therefore, there is a risk of a threat to going concern. Owing to the ongoing financial restructuring process, the aforementioned risk has been significantly reduced.

General situation of the Company and measures taken

The Company's performance for the period of 9 months ended 30 September 2019 was as follows:

- gross profit/loss on sales: PLN -46,322 thousand (in the period from 1 January 2018 to 30 September 2018: PLN 13,051 thousand)
- EBITDA: PLN -62,727 thousand (in the period from 1 January 2018 to 30 September 2018: PLN 1,473 thousand)
- net profit/loss: PLN -72,948 thousand (in the period from 1 January 2018 to 30 September 2018: PLN 1,274 thousand)

In 2016 and 2017, the road and railway market in Poland was characterized by increased competition due to a decrease in the number of tenders announced in previous years. In addition, during this period a noticeable increase in the prices of infrastructural construction materials, costs of subcontractors and labour costs has been observed. This resulted in lower margins earned on executed contracts.

Factors that had the most significant impact on the level of sales revenue and performance in the third quarter of 2019 included:

- settlement of low-margin contracts secured in previous years with more difficult tendering conditions and before a significant increase in implementation costs;
- prolonged process of refinancing the operating activities of Trakcja PRKił S.A. exacerbating the drop in profitability on construction contracts;
- update of contract budgets also in terms of additional costs due to extended execution time;
- update of contract budgets to reflect possible and unachievable optimizations on construction contracts.

Following the process of cyclical review of construction contract budgets, the impact on gross profit on sales amounted to PLN -50,895 thousand.

As at 30 September 2019, the net value of the Company's current order backlog exceeded PLN 2,145 million. In the period from 1 January 2019 to 30 September 2019, the Company signed agreements of a total net value exceeding PLN 413 million, most of which exceeded investor budgets.

In the period from 1 January 2019 to 30 September 2019, the Management Board of the Company entered into negotiations with PKP PLK in order to settle court disputes in an amicable manner. The Company's Management Board negotiates the receipt from PKP PLK of payment for contractual claims pending before courts. As at the date of publication of this quarterly report, the total gross amount of these claims is PLN 155,504 thousand (gross amount together with interest capitalised as at the date of filing the statement of claim). The Company is engaged in negotiations with PKP PLK with the participation of the General Counsel's Office. At this stage, the Company's Management Board cannot determine the end date of negotiations. The value of remaining contractual claims asserted by the Company out of court is approx. PLN 176,184 thousand. Moreover, the Company takes into account court claims filed against the ordering parties in the budgets of long-term contracts, as described in more detail in Note 5 to the condensed financial statements of Trakcja PRKił S.A. for the period of 6 months ended 30 June 2019.

In addition, the Company's Management Board informs that on 22 May 2019 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 voivodeship 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. The gross value of the Agreement was determined by the Parties at PLN 83,796,445.61. The Company estimates 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 gross amount of at least PLN 11 million due to settlements of performed and accepted works, and at PLN 7,876,665 due to contractual penalties. Other details are described in CR 9/2019.

In addition to activities that contribute to the improvement of future financial performance, the Company's Management Board is primarily focused on the Company's liquidity situation. The Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective (including a weekly monitoring of cash flows), aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Company undertakes measures aimed at winning contracts which provide for advance payments. The Company places great emphasis on optimising the invoicing processes by shortening the period between the completion of works and their invoicing. The Company uses the recently secured funds from long-term financing to reduce overdue liabilities and to identify works on construction contracts.

As at 30 September 2019, the Company had cash and cash equivalents of PLN 20,717 thousand and undrawn credit lines of PLN 6,450 thousand.

As at the day preceding the signing of these financial statements, the Company had cash in the amount of PLN 4,553 thousand and undrawn credit lines of PLN 6,945 thousand.

Bridge financing

On June 13, 2019, to maintain liquidity until the date of signing the agreement on restructuring / obtaining new financing and capital, the Company signed bridge financing documentation, providing for the below total amounts:

- PLN 31,000,000.00 in the form of a working capital facility with term drawdowns, made available pursuant to a loan contract between the Company and its subsidiaries, meaning.: Bahn Technik Wrocław sp. z o.o., PRK 7 Nieruchomości sp. z o.o., Przedsiębiorstwo Drogowo Mostowe BIAŁYSTOK S.A., Przedsiębiorstwo Produkcyjno - Usługowe "DALBA" sp. z o.o., mBank S.A. And Credit Agricole Bank Polska S.A.
- PLN 33,000,000.00 in the form of a guarantee lines, made available pursuant to a loan contract;
- PLN 70,618,725.62 in the form of a guarantee lines granted on the basis of Bilateral Credit Lines
- PLN 20,000,000.00 in the form of a loan between the Company and COMSA, S.A.U.

Details concerning the above events were presented in current reports no's 12/2019; 19/2019; 20/2019; 21/2019; 22/2019; 24/2019; 32/2019; 33/2019; 40/2019; 41/2019.

Long-term financing

On 27 September 2019, the Company signed the documentation of the target long-term financing covering:

1. an annex introducing the amended and restated Facility Agreement concluded between the Company and Bahn Technik Wrocław sp. z o.o., PRK 7 Nieruchomości sp. z o.o., Przedsiębiorstwo Drogowo Mostowe BIAŁYSTOK S.A., Przedsiębiorstwo Produkcyjno-Usługowe "DALBA" sp. z o.o. as borrowers and guarantors and Torprojekt sp. z o.o., Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o., as guarantors (hereinafter jointly referred to as "**Related Parties**"), and mBank S.A. with its registered office in Warsaw, Credit Agricole Bank Polska S.A. with its registered office in Wrocław, Bank Gospodarstwa Krajowego with its registered office in

Warsaw as creditors and Agencja Rozwoju Przemysłu S.A. with its registered office in Warsaw ("**ARP**") as a lender, under which the Company and its Related Parties, as borrowers, were granted new revolving credit facilities in the maximum amount of PLN 104,600,000 and a revolving loan in the maximum amount of PLN 27,600,000 and a new guarantee line for advance payment guarantees in the maximum amount of PLN 200,000,000 ("**Restated Facility Agreement**");

2. an annex introducing the amended and restated intercreditor agreement of 13 June 2019, concluded between the Company, Related Parties, COMSA and creditors, i.e. Banki Gospodarstwa Krajowego, ARP, mBank S.A., Credit Agricole Bank Polska S.A., Bank Polska Kasa Opieki S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A., Credendo — Excess & Surety Societe Anonyme, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Generali Towarzystwo Ubezpieczeń S.A. and COMSA, Powszechny Zakład Ubezpieczeń S.A., Uniqa Towarzystwo Ubezpieczeń S.A. ("**Creditors**") pursuant to which the conditions for undertaking enforcement actions by the Creditors against the Company and Related Parties were determined by the Creditors, as well as the security agent was appointed, the hierarchy of the Creditors' claims against the Company and Related Parties as well as the hierarchy of collateral established for the benefit of the Creditors by the Company and Related Parties were established ("**Restated Intercreditor Agreement**");
3. a common terms agreement concluded between, the Company, Related Parties, mBank S.A., Credit Agricole Bank Polska S.A., Bank Polska Kasa Opieki S.A., Bank Gospodarstwa Krajowego, and ARP ("**Common Terms Agreement**");
4. an annex introducing the amended and restated agreement on the restatement of selected terms of the guarantee and surety agreements of 13 June 2019, between the Company, Related Parties, AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A., Credendo – Excess & Surety Societe Anonyme, operating in Poland through Credendo – Excess & Surety Spółka Akcyjna Branch in Poland, Generali Towarzystwo Ubezpieczeń S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A., Powszechny Zakład Ubezpieczeń S.A. and UNIQA Towarzystwo Ubezpieczeń S.A., in connection with which, on 27 September 2019 new guarantee line agreement were signed, based on which insurance companies agreed to grant to the Company renewable guarantee lines for tender bonds, performance/maintenance bonds in total maximum amount of PLN 616,568,276.

The disbursement of credits, loans and guarantee lines under the aforementioned agreements was conditional on, among other things, fulfilment by the Company and Related Parties of the conditions precedent indicated in the agreements, including, first of all, modification of some of the existing collateral by increasing the maximum amount of collateral and extension of some of the existing collateral in favour of Bank Gospodarstwa Krajowego and ARP, establishment of new collateral and increase in the Company's share capital, whereby the Company is to raise at least PLN 39,600,000, as well as execution of lease agreements concerning specific items of machinery of Bahn Technik Wrocław sp. z o.o.

Under the Restated Facility Agreement and on the terms and conditions specified therein, the Company and the Related Parties, being the borrowers, were granted:

- (i) a revolving credit facility drawn on a fixed-term basis in the total amount of PLN 31,000,000, to be used to pay overdue liabilities and finance current operations or to grant intercompany loans, maturing on 31 December 2022; the funds were raised at the bridge financing stage;
- (ii) a revolving credit facility in the total amount of PLN 75,000,000 and a revolving loan to be used in the form of revolving disbursements on the same terms and conditions as the revolving credit facility, in the total amount of PLN 27,600,000, to finance the Company's working capital and current operations, maturing on 31 December 2022;
- (iii) a revolving credit facility drawn on a fixed-term basis in the total amount of PLN 17,600,000, to finance the working capital and current operations, maturing on 31 December 2022;

(iv) a revolving credit facility drawn on a fixed-term basis in the total amount of up to PLN 12,000,000, to finance the working capital and current operations, maturing on 31 December 2022;

(v) a non-revolving guarantee line for the repayment of advances for specific contracts concluded by the Company or Related Parties, for which the beneficiary will be PKP Polskie Linie Kolejowe S.A., in the total amount of PLN 25,000,000;

(vi) a non-revolving guarantee line for performance bonds, for which the beneficiary will be the General Directorate for National Roads and Motorways, in the total amount of PLN 8,000,000;

(vii) a revolving guarantee line for the repayment of advances for new contracts concluded by the Company, for which the beneficiary will be an entity acceptable to all issuers of the guarantee, in the total amount of PLN 200,000,000.

Moreover, the Restated Intercreditor Agreement provides for the possibility for ARP to take up bonds convertible into the Company's shares up to the amount of PLN 20,000,000.00, secured by a mortgage over the Company's real property located in Bieńkowice, if the Company's General Meeting resolves to issue these bonds. Moreover, in connection with the execution of the Restated Intercreditor Agreement, the Company signed an additional memorandum of understanding with ARP in which the Company and ARP confirmed the parties' intentions concerning the main parameters of bonds convertible into the Company's shares which can be taken up by ARP under the Restated Intercreditor Agreement ("**Memorandum of Understanding**"). Pursuant to the Memorandum of Understanding, if the Management Board of the Company decides to convene a General Meeting of the Company whose agenda includes the adoption of resolutions on the issue of bonds convertible into the Company's shares and offering them for subscription to ARP (and subject to relevant corporate decisions, including an appropriate amendment to the Company's Articles of Association), the Management Board of the Company will propose that the General Meeting adopt resolutions stipulating, among other things, the terms of the issue of bonds, which were included in the draft resolutions communicated in current report No 71/2019.

The Memorandum of Understanding is non-binding and was signed solely to confirm the parties' intentions with regard to its subject matter.

In addition, the Common Terms Agreement provides for the possibility for COMSA to take up bonds convertible into the Company's shares up to the amount of PLN 15,000,000 on the same terms as described above for bonds that can be taken up by ARP, provided that the bonds to be taken up by COMSA will be unsecured and subordinated in relation to other liabilities of the Company.

At the same time, on 27 September 2019 the Extraordinary General Meeting of the Company passed Resolution No 5 to increase the Company's share capital through the issue of series B ordinary bearer shares and series C ordinary registered shares by way of a private placement with the existing shareholders' pre-emptive rights waived in full, to convert Series B and Series C shares into book-entry form and introduce rights to series B shares, series B shares and series C shares to trading on the regulated market operated by the Warsaw Stock Exchange, and to amend the Company's Articles of Association.

Between 4 and 7 October 2019, the Company consummated the offering of 10,279,909 Series B ordinary bearer shares in the Company, with a par value of 0.80 PLN and no less than 13,014,209 and no more than 25,014,209 Series C ordinary registered shares in the Company, with a par value of 0.80 PLN, by way of a private placement within the meaning of Article 431 § 2(1) of the Commercial Companies Code, with the existing Company shareholders' pre-emptive rights waived, to no more than 149 selected investors.

On 10 October 2019, the Company concluded subscription agreement for 10,279,909 series B shares and 24,771,519 series C shares with the investors. The price for each series B share and each series C share was PLN 1.70. The total price for the subscribed series B and C shares was PLN 59,587,427.6, of which (i) 12,242,952 series C shares were subscribed for by the existing shareholder of the Company - COMSA S.A.U. ("Comsa") and paid by way of deduction of COMSA's claims against the Company in the total amount of PLN 20,813,018.40, as announced in current reports No 53/2019 and 58/2019; (ii) the remaining 22,808,476 series B and C shares were subscribed for by the remaining investors against cash payments in the total amount of PLN 38,774,409.20.

As at the date of this report, the share capital increase effected under Resolution No 5 of the Extraordinary General Meeting of the Company of 27 September 2019 was not entered in the register of entrepreneurs of the National Court Register. Therefore, the Company has not received the cash payments of PLN 38,774,409.20 made by the investors on account of subscribing for series B shares and series C shares in the Company. Until the date of registration of the share capital increase, the payments are kept on the account held by mBank S.A., acting as the issue agent in connection with the placement of series B shares and C shares in the Company.

On 14 November 2019, the Management Board of the Company announced that an Extraordinary General Meeting of the Company was convened for 11 December 2019 with the agenda including the adoption of resolutions on, among others, the issue of series F and G bonds convertible into series D shares with the pre-emptive rights of existing shareholders to series F and G bonds convertible into shares waived in full, and on a conditional increase of the Company's share capital through the issue of series D shares with the pre-emptive rights of existing shareholders to series D shares waived in full, and on amendments to the Articles of Association. The draft resolutions were published by the Company in current report No 71/2019.

Details of the aforesaid events were announced by the Company in current reports No 46/2019; 47/2019; 48/2019; 51/2019; 53/2019; 54/2019; 55/2019; 58/2019; 59/2019; 61/2019; 63/2019; 64/2019; 65/2019; 66/2019; 71/2019.

New contracts

As before, the Company intends to actively participate in tender procedures for the railway construction market and (with great caution) the road construction market, currently characterised by a smaller number of participants. Decreased pressure from competitors results from saturation of the market with projects in relation to the contracting potential of construction companies in Poland. The current market trend shows that bids from contractors that exceed investor budgets are more and more frequently accepted by contracting authorities.

In recent weeks, the Company signed the following contracts:

- a) on 10 October 2019 for *"Revitalization of railway lines No 694/157/190/191 Bronów – Bieniowiec – Skoczów – Golezów – Cieszyn/Wisła Głębce"*, part A, as announced in detail in current report No 57/2019 (Company's share – PLN 349.2, net).
- b) on 11 October 2019 for *"Reconstruction of track systems together with accompanying infrastructure on the E59 railway line, Choszczno-Stargard section as part of the project 'Works on the E59 railway line, section Choszczno – Stargard'"*, as announced in detail in current report No 60/2019 (Company's share – PLN 199.2, net).

The Company submitted the best bid in the following tender procedures:

- a) *Design and construction of the railway section of 7.4 km Sofia – Voluyak – LOT 0* (Company's share – PLN 106 million, net) – the Company was selected as the best Contractor; an appeal procedure is pending before the Bulgarian Competition Commission; the Company has submitted the necessary clarifications and is awaiting the Commission's decision.
- b) *"Performance of construction work related to the extension of Raclawicka Street on the section from Grójecka Street to Sierpińskiego Street together with the extension of Harfowa Street and the reconstruction of Grójecka Street and the colliding technical infrastructure as part of the investment task " Reconstruction of the intersection of Grójecka, Harfowa, Raclawicka Streets"* (Company's share – PLN 8.9 million, net) – The Company has been selected as a contractor; the Management Board is waiting for an official invitation to sign the contract.

Actions taken by the Company after the balance sheet date:

1. The Company is awaiting the receipt of advance payments from the following contracts which, at this stage, are being processed with the Ordering Party and Guarantors:

- “Reconstruction of track systems together with accompanying infrastructure on the E59 railway section, Stargard-Szczecin Dąbie section as part of the project ‘Works on the E59 railway line, section Poznań Główny-Szczecin Dąbie’” – PLN 11,165 thousand (to date, the Company received PLN 25,000 thousand)
- “Reconstruction of track systems together with accompanying infrastructure on the E59 railway line, Choszczno-Stargard section as part of the project ‘Works on the E59 railway line, section Choszczno-Stargard’” – PLN 24,498 thousand
- “Revitalization of railway lines No 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleszów – Cieszyn/Wisła Głębce” – PLN 12,886 thousand

The total amount of advance payments expected to be received is PLN 48,549 thousand.

2. The Company has completed negotiations with financial institutions to secure long-term financing to be used for financing the working capital and the current operations of the Company, including the payment of overdue liabilities. In order to fill the financing gap in the amount of PLN 190-201 million, in accordance with the Management Board's decision to take measures to refinance the Company's existing bank debt and to provide the Company with additional capital (CR 4/2019 of 18 February 2019), the Company, having obtained bridge financing, completed negotiations with banks and insurance companies on credit and guarantee financing and raising additional capital for the Company, as a result of which it signed the long-term financial documentation referred to in section “Long-term financing” above. The Company also fulfilled the conditions precedent to the disbursement of funds and, subsequently, submitted requests for the disbursement of funds which were disbursed to the Company.
3. In connection with the signing of the long-term financing documentation, the Company also undertook to meet a number of subsequent conditions which include, among other things, ensuring that the collateral documents are registered, establishing additional collateral and implementing a recovery plan. In accordance with the Recovery Plan, in 2019 and 2020 the Company will take a number of measures aimed at, among others, obtaining financial benefits by the Company, streamlining its internal procedures and optimising its internal structure. Furthermore, in accordance with the financial documentation, the Company will provide mBank S.A. with a Management Board's report on the implementation of the Recovery Plan, subject to additional verification by a financial advisor. Such reports will be submitted at least once a month.
4. The Company is in the process of selling non-operational assets.
The Company is planning to sell further non-operational assets including the property at ul. Oliwska in Warsaw, for PLN 17,500 thousand. The Company expects to receive an advance payment for the sale of the property at ul. Oliwska in Warsaw. The advance payment is expected to amount to PLN 3.5 million, representing 20% of the expected sales price.

The Company's Management Board believes that the analyses performed and measures taken neutralise the liquidity risk in a satisfactory manner. In the Company's opinion, the measures will help secure the financing of its operations and prepare the Company for the implementation of larger scale projects.

Risk of failure of steps taken

The Company's Management Board prepared the financial statements on a going concern basis.

Considering the negative financial results, the Company has a possibility to take additional measures including:

1. Launching negotiations with the Company's creditors regarding the restructuring of debt together with the simultaneous implementation of measures permitted by the applicable laws to protect the Company and the interests of creditors and shareholders.
2. Carrying out operational restructuring consisting in the disposal of assets not used in the Company's operating activities, including shares in subsidiaries or property, plant and equipment.
3. Limitation of the Company's scope of operations.

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Arkadiusz Arciszewski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

The person responsible for preparing the report:

Sławomir Krysiński

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Warsaw, November 28, 2019