



TRAKCJA CAPITAL GROUP

CONSOLIDATED HALF-YEARLY REPORT
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2019

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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
30.06.2019	4,2880	4,2520	4,3402	4,2520
31.12.2018	4,2669	4,1423	4,3978	4,3000
30.06.2018	4,2395	4,1423	4,3616	4,3616

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

Key items of the consolidated balance sheet translated into the euro:

	30.06.2019		31.12.2018	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	729 842	171 647	720 882	167 647
Current assets	932 432	219 293	822 054	191 175
TOTAL ASSETS	1 662 274	390 940	1 542 936	358 822
Equity	614 005	144 404	654 380	152 181
Long-term liabilities	100 712	23 686	93 112	21 654
Short-term liabilities	947 557	222 850	795 444	184 987
TOTAL EQUITY AND LIABILITIES	1 662 274	390 940	1 542 936	358 822

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

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

	Period ended 30.06.2019		Period ended 30.06.2018	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	655 422	152 850	578 851	136 538
Cost of goods sold	(655 876)	(152 956)	(567 983)	(133 975)
Gross profit (loss) on sales	(454)	(106)	10 868	2 563
Operating profit (loss)	(38 268)	(8 924)	(18 167)	(4 285)
Gross profit (loss)	(45 003)	(10 495)	(22 936)	(5 410)
Net profit (loss) from continued operations	(35 821)	(8 354)	(20 603)	(4 860)
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	(35 821)	(8 354)	(20 603)	(4 860)

The consolidated income statement data is 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 the reporting period concerned, established by the National Bank of Poland for that day.

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

	Period ended 30.06.2019		Period ended 30.06.2018	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(150 574)	(35 115)	(183 814)	(43 358)
Cash flows from investment activities	(1 850)	(431)	(21 876)	(5 160)
Cash flows from financial activities	72 572	16 924	109 640	25 862
Total net cash flows	(79 852)	(18 622)	(96 050)	(22 656)

The above data of the consolidated statement of cash flows is 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 the reporting period concerned, established by the National Bank of Poland for that day.

	30.06.2019		30.06.2018	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	116 675	27 134	112 172	26 894
Cash at end of period	36 663	8 623	16 122	3 696

The exchange rates adopted for the purpose of calculating the above data of the consolidated statement of cash flows are 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.



TRAKCJA CAPITAL GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2018
PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKił S.A. has approved the condensed consolidated financial statements of Trakcja Capital Group for the period from January 1, 2019 to June 30, 2019.

The condensed consolidated financial statements for the period from January 1, 2019 to June 30, 2019 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2018 to June 30, 2018, which shows a net loss of PLN **35,821** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2018 to June 30, 2018, which shows the negative total comprehensive income of PLN **40,363** thousand.
3. Consolidated balance sheet as at June 30, 2018, which shows the total assets and total equity and liabilities of PLN **1,662,274** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2018 to June 30, 2018, which shows a decrease in the total net cash flows by PLN **79,852** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2018 to June 30, 2018, which shows a decrease in the total equity by PLN **40,375** thousand.
6. Selected explanatory notes.

The condensed consolidated financial statements have been drawn in thousands of Polish zlotys, unless explicitly stated otherwise.

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

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Warsaw, September 10, 2019

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CONSOLIDATED INCOME STATEMENT

	Note	1.01.2019 - 30.06.2019 <i>Unaudited</i>	1.01.2018 - 30.06.2018 <i>Unaudited</i>
Continued operations			
Sales revenue	13	655 422	578 851
Cost of goods sold	14	(655 876)	(567 983)
Gross profit (loss) on sales		(454)	10 868
Cost of sales, marketing and distribution	14	(3 087)	(3 059)
General and administrative costs	14	(32 804)	(26 199)
Other operating revenues	15	2 008	1 685
Other operating costs	16	(3 931)	(1 462)
Operating profit (loss)		(38 268)	(18 167)
Financial revenues	17	2 491	2 214
Financial costs	18	(9 226)	(6 983)
Gross profit (loss)		(45 003)	(22 936)
Income tax	19	9 182	2 333
Net profit from continued operation		(35 821)	(20 603)
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		(35 821)	(20 603)
Attributable to:			
Shareholders of Parent entity		(35 747)	(20 689)
Non-controlling interest		(74)	86
Profit per share attributable to shareholders in the period (PLN per share)			
Basic		(0,70)	(0,40)
Diluted		(0,70)	(0,40)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1.01.2019 - 30.06.2019 <i>Unaudited</i>	1.01.2018 - 30.06.2018 <i>Unaudited</i>
Net profit for the period		(35 821)	(20 603)
Other comprehensive income:			
Other net comprehensive income that will not be reclassified into profit or loss under certain conditions:		(13)	56
Actuarial gains/(losses)		(13)	56
Other net comprehensive income that will be reclassified to profit or loss:		(4 529)	13 700
Foreign exchange differences on translation of foreign operations		(3 952)	13 552
Cash flow hedging instruments	32	(577)	148
Total other comprehensive income		(4 542)	13 756
Total comprehensive income for the period		(40 363)	(6 847)
Attributable to:			
Shareholders of Parent entity		(40 488)	(7 073)
Non-controlling interest		125	226

CONSOLIDATED BALANCE SHEET

	Note	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
ASSETS			
Non-current assets		729 842	720 882
Tangible non-current assets	20	301 182	297 285
Intangible assets	21	51 672	52 348
Goodwill from consolidation	22	306 912	308 782
Investment properties	23	22 664	20 445
Investments in other units		25	25
Other financial assets	24	6 762	4 511
Deferred tax assets	19	34 175	28 416
Long-term receivables		188	-
Prepayments		6 262	9 070
Current assets		932 432	822 054
Inventory	25	128 571	86 854
Trade and other receivables	26	421 056	328 890
Income tax receivables		3 043	3 900
Other financial assets	24	10 379	13 773
Cash and cash equivalents	27	36 675	116 687
Prepayments		13 446	13 313
Contracts with customers assets	28	267 481	206 887
Available-for-sale assets		51 781	51 750
TOTAL ASSETS		1 662 274	1 542 936
EQUITY AND LIABILITIES			
Equity attributable to shareholders of Parent entity		605 132	645 539
Share capital	29	41 120	41 120
Share premium		309 984	309 984
Revaluation reserve		5 770	5 768
Other capital reserves		272 327	383 833
Retained earnings		(35 747)	(111 006)
Foreign exchange differences on translation of foreign operations		11 678	15 840
Non-controlling interest		8 873	8 841
Total equity		614 005	654 380
Long-term liabilities		100 712	93 112
Interest-bearing loans and borrowings	30	77 922	66 371
Provisions	33	11 871	13 004
Liabilities due to employee benefits		4 602	4 810
Provision for deferred tax	19	6 259	8 858
Derivative financial instruments	32	8	8
Other financial liabilities		50	61
Short-term liabilities		947 557	795 444
Interest-bearing loans and borrowings	30	215 281	132 559
Trade and other liabilities	35	489 869	407 341
Provisions	33	49 103	59 101
Liabilities due to employee benefits		16 239	16 572
Accruals		499	711
Liabilities from contracts with customers	28	138 410	141 258
Liabilities of group to be classified as held for sale		38 156	37 902
Total equity and liabilities		1 662 274	1 542 936

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period ended	
		30.06.2019	30.06.2018
		Unaudited	Unaudited
<i>Cash flows from operating activities</i>			
Gross profit from continued operations		(45 003)	(21 906)
Adjustments for:		(105 571)	(161 908)
Depreciation		18 672	15 134
FX differences		(208)	1 333
Net interest and dividends		5 205	3 418
Profit on investment activities		(1 856)	(2 007)
Change in receivables		(94 091)	(11 156)
Change in inventory		(42 084)	(43 783)
Change in liabilities, excluding loans and borrowings		80 176	9 700
Change in prepayments and accruals		6 248	(41)
Change in provisions		(11 044)	(6 369)
Change in construction contracts		-	(129 018)
Change in settlements from contracts		(68 324)	-
Change in financial derivatives		1 265	(183)
Income tax paid		(769)	(2 246)
Other		(766)	(1 123)
Foreign exchange differences on translation of foreign operations		2 005	4 433
Net cash flows from operating activities		(150 574)	(183 814)
<i>Cash flows from investment activities</i>			
Sale (purchase) of intangible assets and tangible non-current assets		(5 268)	(21 501)
- acquisition		(6 341)	(22 167)
- sale		1 073	666
Sale (acquisition) of shares and stocks		-	(4 547)
- acquisition		-	(4 547)
Financial assets		3 268	3 826
- sold or repaid		7 972	6 454
- granted or acquired		(4 704)	(2 628)
Loans		-	211
- granted		-	211
Interest received		150	135
Net cash flows from investment activities		(1 850)	(21 876)
<i>Cash flows from financial activities</i>			
Net proceeds from the issue of shares		726	-
Proceeds on account of taken borrowings and loans		92 224	126 827
Repayment of borrowings and loans		(4 899)	(7 782)
Interest and commissions paid		(5 667)	(3 583)
Dividend paid to non-controlling interests		-	(185)
Payment of liabilities under financial lease agreements		(9 812)	(5 625)
Other		-	(12)
Net cash flows from financial activities		72 572	109 640
Total net cash flows		(79 852)	(96 050)
Cash at start of period		116 675	112 172
Assets held for sale - transfer		(160)	-
Cash at end of period	27	36 663	16 122

Cash excluded from the statement of cash flows as at June 30, 2019 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	Basic conditional capital	Due payments for basic capital (negative value)	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	-	-	-	-	-	-	-	(35 747)	(35 747)	(74)	(35 821)
Other comprehensive income	-	-	-	(566)	(13)	-	(4 162)	-	(4 741)	199	(4 542)
Total other comprehensive income	-	-	-	(566)	(13)	-	(4 162)	(35 747)	(40 488)	125	(40 363)
Distribution of profit	-	-	-	-	-	(111 006)	-	111 006	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(93)	(93)
Other changes	-	-	2	-	-	79	-	-	81	-	81
As at 30.06.2019 Unaudited	41 120	309 984	5 770	(3 725)	(1 257)	277 309	11 678	(35 747)	605 132	8 873	614 005
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
Net profit for the period	-	-	-	-	-	-	-	(20 689)	(20 689)	86	(20 603)
Other comprehensive income	-	-	-	109	53	-	13 454	-	13 616	140	13 756
Total other comprehensive income	-	-	-	109	53	-	13 454	(20 689)	(7 073)	226	(6 847)
Distribution of profit	-	-	-	-	-	26 289	-	(26 289)	-	-	-
Dividend payment	-	-	-	-	-	-	-	(5 140)	(5 140)	-	(5 140)
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(220)	(220)
Acquisition of shares in a subsidiary	-	-	-	-	-	(625)	-	-	(625)	(1 220)	(1 845)
Other changes	-	-	2	-	-	607	-	-	609	45	654
As at 30.06.2018 Unaudited	41 120	309 984	5 767	(3 231)	(922)	388 756	20 547	(20 689)	741 332	3 886	745 218

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

CONDENSED ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

These condensed consolidated financial statements cover the period of 6 months ended June 30, 2019 and include comparative data for the period of 6 months ended June 30, 2018 and for the period ended December 31, 2018.

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

Trakcja PRKił 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 Inżynierskich 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 PRKił 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:

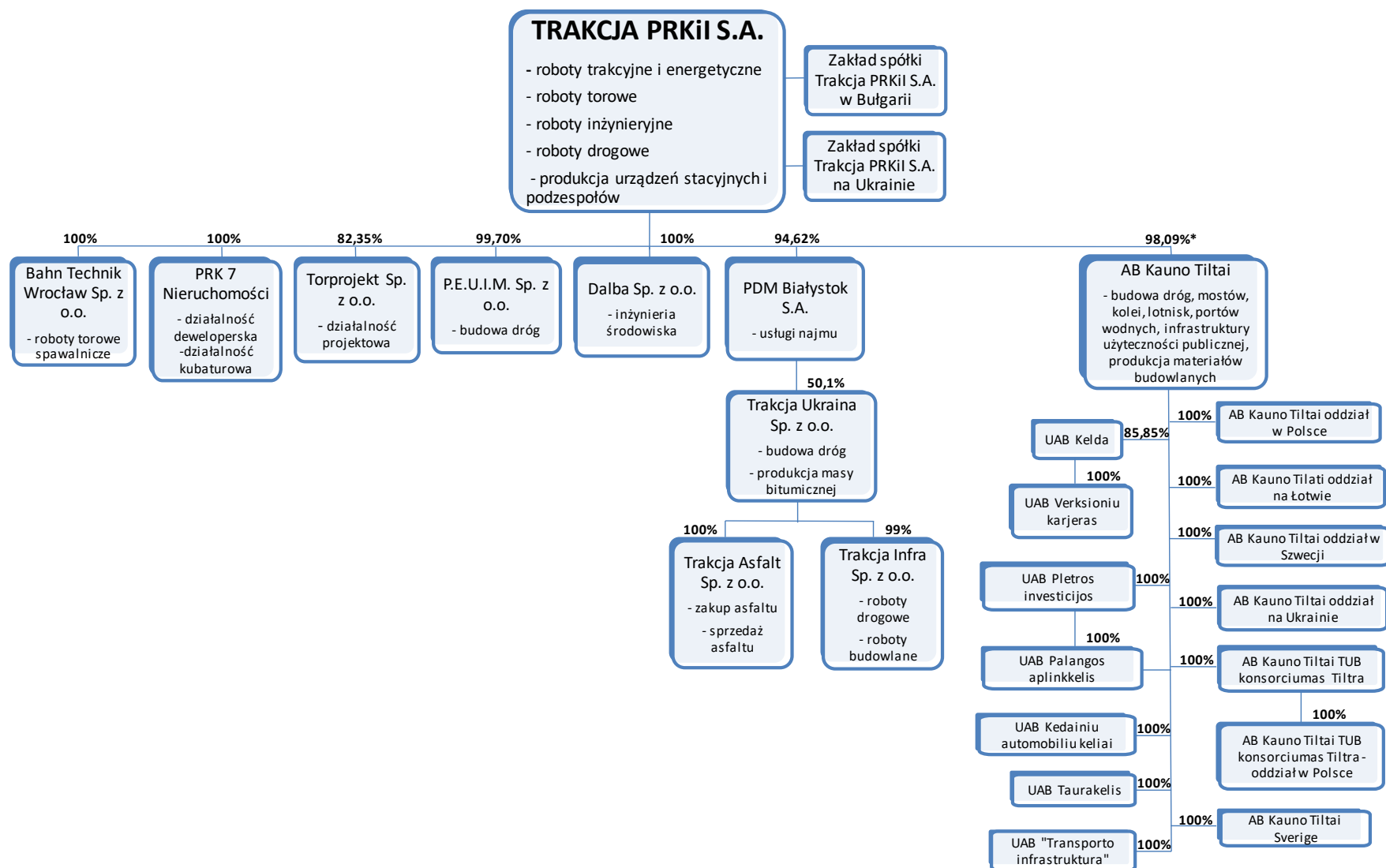
- foundation and network works,
- installation of traction substations and section cabs,

- 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. Structure of Trakcja Group, including entities subject to consolidation

As at June 30, 2019 the Group consists of the Parent Company (Trakcja PRKiI S.A.) and its subsidiaries, that are consolidated using the full method.

The Group's organisational structure is presented in the diagram below.



*) Trakcja PRKił 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

In H1 2019, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred.

4. Parent Company's Management Board

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

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

In H1 2019 and after the balance sheet date, there have been no changes to the Management Board's composition.

5. Parent Company's Supervisory Board

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

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Łukasz Rozdeicz-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. As at the date of publication of this report, the Supervisory Board operated in an unchanged composition.

6. Approval of the condensed consolidated financial statements

These consolidated financial statements were approved for publication by the Management Board on September 10, 2019.

7. Basis for preparing the consolidated financial statements

The condensed consolidated financial statements are prepared according to the historical cost principle, except for the financial derivatives, investment properties 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 otherwise indicated.

These consolidated financial statements are prepared on the assumption that the Group remains a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, there are circumstances indicating a threat of continuation operations by the Group. Details are described in note 50 of this report.

8. Statement of compliance

These condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting, approved by the European Union.

These condensed consolidated financial statements do not cover all information or disclosures required in the annual financial statements and they should be read together with the Group's consolidated financial statements for the year ended December 31, 2018.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and some of the companies within the Group, as well as the reporting currency herein. The euro is the measurement currency of the companies with their registered offices in Lithuania, whereas the Swedish crown (SEK) is the currency of AB Kauno Tiltai Sverige with its registered office 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 PRKił 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 Asphalt Sp. z o.o. and the establishment of Trakcja PRKił S.A. in Ukraine.

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. Apart from changes related with the implementation of IFRS 16 (more information in Note 10) and recognition of court claims towards ordering parties in budgets for short-term contracts (more information in Note 13) in the first half-year of 2019, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at June 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 first half-year 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 and other facts and circumstances.

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 first half of 2019, the Parent Company did not take control of any significant entity.

9.2. Estimate 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.

Sale of construction services

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

Determining the transaction price and the amounts allocated to performance obligations

Variable consideration

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

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

Significant financing component

The Group has decided to use the practical expedient and does not adjust the transaction price by the impact of a change in the time value of money in the case of contracts for which the Group expects, at contract inception, that the

period between the moment when the Group transfers the good or service and the moment of payment will not exceed one year.

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

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

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

Separation of non-lease components

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

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

Defining the lease term

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

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 members 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 6 months ended June 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 June 30, 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 at June 30, 2019, there were indications of impairment of some cash-generating units, and the Group carried out a test on this day. The goodwill impairment losses are described in detail in Note 22. As a result of the tests performed no goodwill impairment loss was recognised as at June 30, 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 changes in the write-downs of inventories are presented in Note 24 and Note 38.

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.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Group measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 36 and Note 37. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, Note 41 and Note 47 of the Notes to the consolidated financial statements for 2018.

10. Accounting principles

The condensed consolidated financial statements for the period from January 1, 2019 to June 30, 2019 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

These financial statements are presented according to IAS 34 with the same principles being applied for the current and comparable periods and with the comparable period being adjusted accordingly to the changes in the accounting and presentation principles adopted in the current period.

Except for the changes specified in Note 10 hereto, the accounting principles (policy) applied to these condensed consolidated financial statements for the first half-year of 2019 are consistent with those applied to the consolidated financial statements for the financial year ended December 31, 2018, except for the changes described in note 10.1 of this report.

10.1. Selected accounting principles

The accounting principles adopted by the Group are described in detail in its consolidated financial statements for the financial year ended December 31, 2018, published on April 30, 2019.

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.

Other changes to existing standards and interpretations, applied for the first time in 2019

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for application in the EU shall be applied for the first time to the consolidated financial statements of the Group for 2019:

- **IFRIC 23 Uncertainty over income tax treatments** – the new interpretation was published on June 7, 2017 and applies to annual periods beginning on or after January 1, 2019. The purpose of the interpretation is to indicate the manner of recognizing income tax in financial statements when existing tax regulations leave room for interpretations and difference of opinions between the company and tax authorities;

- **Amendments to IFRS 9: Prepayment features with negative compensation**

The amendment to IFRS 9 was published on October 12, 2017 and applies to annual periods beginning on or after January 1, 2019. Its purpose is to indicate rules for valuation of financial assets, which may be early repaid pursuant to contractual terms, and, formally, may not meet the requirements of the “solely payments of principal and interest on the principal amount” (SPPI) criterion, which would exclude their valuation at amortized cost or at fair value charged to other total income;

- **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendment to IAS 28 was published on October 12, 2017 and applies to annual periods beginning on or after January 1, 2019. Its purpose is to indicate rules for valuation of interests in associates and joint ventures in case of valuation other than using the equity method;

- **Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2015-2017)**

On December 12, 2017 the following amendments were introduced to the below standards, as a result of an IFRS review:

- IFRS 3 Business Combination - specifying that upon taking over the control, the entity will re-evaluate interests held in the joint venture;
- IFRS 11 Joint Arrangements - specifying that upon taking over common control, the entity does not re-evaluate interests held in the joint venture;
- IAS 12 Income Tax - specifying that all tax-related consequences of dividend payments should be recognized in the same manner;
- IAS 23 Borrowing Costs - instructing that general financing sources should also include credits and loans, which initially served to finance developed assets - starting from the moment when assets are ready to use in accordance with intended purpose (use or sale).

Amendments apply to annual periods beginning on or after January 1, 2019.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

Amendments to IAS 19 were published on February 7, 2018 and apply to annual periods beginning on or after January 1, 2019. Amendments relate to the manner of re-evaluation of benefit plans in case of any changes to the plans. Amendments to this standard mean that in case of a re-evaluation of the net asset/liability due to the given plan, updated assumptions should be applied to determine the current cost of labour and cost of interest for periods following plan amendments. Previously, IAS 19 was not specific about this.

The adoption of above-mentioned amendments to the existing standards and interpretation has not led to any the condensed consolidated financial statements of Trakcja Group for the first half of 2019.

Changes introduced by the Company independently

In the period covered by the condensed consolidated financial statements for the first half-year of 2019, there were no other changes to the accounting principles and the preparation of the financial statements.

Conversion of items in foreign currency

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 first half-year of 2019. Measurement currencies of individual Group companies operating abroad and the method of conversion have not changed compared to those used in the consolidated financial statements of the Trakcja Group for the fiscal year 2018, where they were described in Note 9.2.

Exchange rate on the reporting date	30.06.2019	31.12.2018
PLN/USD	3,7336	3,7597
PLN/EUR	4,2520	4,3000
PLN/SEK	0,4030	0,4201
PLN/UAH	0,1427	0,1357
PLN/BGN	2,1740	2,1985

The average exchange rate, calculated as the arithmetic average of the rates prevailing on the last day of each month during the period:

	30.06.2019	30.06.2018
PLN/USD	3,7936	3,5192
PLN/EUR	4,2880	4,2395
PLN/SEK	0,4080	0,4149
PLN/UAH	0,1413	0,1324
PLN/BGN	2,1925	2,1676

Principles of consolidation

The consolidation principles used to prepare the condensed consolidated financial statements are consistent in all material aspects with the principles described in Note 9.1 to the audited consolidated financial statements of the Trakcja Group for the 2018 financial year prepared in accordance with the International Financial Reporting Standards.

10.2. Standards and amendments to standards adopted by the IASB, but not yet approved by the EU

In these condensed consolidated financial statements, the Group has not decided to apply previously published standards or interpretations before their effective date.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at September 10, 2019 (the effective dates stated below is for IFRS in full):

- **IFRS 14 Regulatory Deferral Accounts**

The new standard was published on January 30, 2014 and applies to annual periods beginning on or after January 1, 2016. The new standard has temporary nature in connection with the pending works of the IASB on regulating the manner of settling transactions in circumstances of price regulations. Standard. The standard introduces rules on recognizing assets and liabilities connected with regulated price transactions if the entity decides to shift to IFRS.

The Group will start applying the new standard not earlier than the date defined by the European Union as the effective date. Due to the temporary nature of the standard, the European Commission decided not to start the formal standard approval procedure, and to wait for the final standard.

- **Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures**

Amendments to IFRS 10 and IAS 28 were published on September 11, 2014 and apply to annual periods beginning on or after January 1, 2016 (the effective date has been postponed, without defining the date). Amendments will further specify the accounting aspects of transactions through which the parent company will lose control over a subsidiary, which does not constitute "business" according to the definition in IFRS 3 "Business Combinations", through a sale of all or a part of interests in this subsidiary to an associate or a joint venture recognized using the equity method.

The Group will start applying amendments in the standards not earlier than the date defined by the European Union as the effective date. Currently, the European Union decided to postpone the formal procedure of approving amended standards.

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the consolidated financial statements of the Group, if they have been applied by the Group as at the balance sheet date .

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

10.3. Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these consolidated financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 17 “Insurance Contracts”**
The new standard was published on May 18, 2017 and applies to annual periods beginning on or after January 1, 2021. Earlier application is admissible (on the condition of simultaneous application of IFRS 15 and IFRS 9). The standard shall replace existing regulations on insurance contracts (IFRS 4).
- **Amendments to IFRS 3 “Business Combinations”**
The amendment to IFRS 3 was published on October 22, 2018 and applies to annual periods beginning on or after January 1, 2020.
The purpose of the amendment was to specify the definition of business, and easier differentiation of acquisition of joint ventures from groups of assets for merger settlement purposes.
- **Amendments to IAS 1 and IAS 8: Definition of “material”**
Amendments to IAS 1 and IAS 8 were published on October 31, 2018 and apply to annual periods beginning on or after January 1, 2020.
Their purpose was to further specify the definition of the term “material” for its easier practical application.

The Group is in the process of estimating the impact of the above standards on the consolidated financial statements prepared for periods after the effective date of these standards.

11. Type and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

In the opinion of the Management Board, in the 6-month period ended June 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 in the first half-year of 2018 was primarily affected by the contracts completed by the Group.

12. Information on operating and geographical segments

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

Key customers:

In the first half-year of 2019, revenues from transactions with external single customers were respectively 10% or more of the Group's total revenues. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

Total revenue obtained in IH 2019 by a single recipient (TPLN)	Segment presenting the revenues
300 715	Civic building segment - 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 30.06.2019

Unaudited	Continued operations						
	Civic building segment in Poland	Road segment	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	469 367	150 007	36 048	655 422	-	-	655 422
Sales between segments	495	9	232	736	-	(736)	-
Total segment revenues	469 862	150 016	36 280	656 158	-	(736)	655 422
Results							
Depreciation	12 368	5 855	449	18 672	-	-	18 672
Financial income - interests	406	1 925	181	2 512	-	(281)	2 231
Financial expenses - interests	6 715	1 436	53	8 204	-	(281)	7 923
Gross profit	(30 371)	(14 719)	151	(44 939)	-	(64)	(45 003)

For the period from 1.01.2018 to 30.06.2018

Unaudited	Continued operations						
	Civic building segment in Poland	Road segment	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	451 671	125 061	2 119	578 851	-	-	578 851
Sales between segments	5 154	10	4	5 168	-	(5 168)	-
Total segment revenues	456 825	125 071	2 123	584 019	-	(5 168)	578 851
Results							
Depreciation	9 713	5 376	45	15 134	-	-	15 134
Financial revenues - interests	457	1 705	54	2 216	-	(5)	2 211
Financial expenses - interests	2 556	1 159	5	3 720	-	(5)	3 715
Gross profit	(6 432)	(5 988)	(1 265)	(13 685)	-	(9 251)	(22 936)

As at 30.06.2019

Unaudited

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civic building segment in Poland	Road segment	Other segments	Total			
Segment assets	1 144 155	690 190	73 547	1 907 892	-	(279 793)	1 628 099
Assets not allocated to segments							34 175
Total assests	-	-	-	-	-	-	1 662 274
Segment liabilities*	744 908	287 941	25 709	1 058 558		(111 001)	947 557

Other disclosures:

Capital expenditure	(2 096)	(3 808)	(538)	(6 442)	-	101	(6 341)
Impairment of non-financial assets	178	-	-	178	-	-	178

* short-term liabilities were allocated to assess segment

As at 31.12.2018

Audited

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civic building segment in Poland	Road segment	Other segments	Total			
Segment assets	1 100 925	617 070	57 751	1 775 746	-	(261 226)	1 514 520
Assets not allocated to segments							28 416
Total assests							1 542 936
Segment liabilities	686 440	198 216	10 040	894 696	-	(99 252)	795 444

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

The key data concerning geographical segments has been presented below.

For the period from 1.01.2019 to 30.06.2019*Unaudited*

	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	484 265	171 157	655 422	-	-	655 422
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	581	9	590	-	-	590
Total segment revenues	484 846	171 166	656 012	-	-	656 012

For the period from 1.01.2018 to 30.06.2018*Unaudited*

	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	458 941	119 910	578 851	-	-	578 851
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	458 941	119 910	578 851	-	-	578 851

As at 30.06.2019*Unaudited*

	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	1 189 889	718 003	1 907 892	-	(279 793)	1 628 099
Operating liabilities*	774 927	283 631	1 058 558	-	(111 001)	947 557

As at 31.12.2018*Audited*

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

*short-term liabilities were allocated to assess segment

13. Sales revenues

Main types of products and services	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Revenues from sale of construction services	625 471	541 720
Revenues from sale of goods and materials	11 528	13 591
Revenues from sale of other products and services	3 831	1 353
Deliveries of products (switchgears, supporting structures, etc.)	4 769	3 659
Deliveries of goods and materials	871	2 135
Real estate development activities	1 928	1 637
Others	7 024	14 756
Total	655 422	578 851

Distribution of revenues by country	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Poland	484 036	455 072
Lithuania	120 327	104 967
Sweden	16 315	7 673
Latvia	13 227	7 649
Hungary	260	3 072
Germany	-	171
Ukraine	21 257	247
Total	655 422	578 851

Distribution of revenues due to recipients	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Government and local government institutions	588 286	479 223
Private sector	67 136	99 628
Total	655 422	578 851

Distribution of revenues due to the duration of contracts	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Up to 12 months	411 390	203 615
Over 12 months	244 032	375 237
Total	655 422	578 851

All agreements concerning construction contracts are based on a fixed price. 99% of revenues from contracts are recognized using the percentage of completion method. In turn, revenues related to the sale of materials and other services are recognized at the time of transfer of the goods.

The Management Board of the parent entity is negotiating the receipt of payment due to contract claims proceeded in court from PKP PLK, the total amount of which as at the date of publication of this semi-annual report amounts to approximately PLN 155,504 thousand (gross amount along with interest capitalized as at the date of filing the law suit). Pursuant to internal analyses and opinions of external advisers, the parent entity includes in long-term contract budgets the court claims filed against ordering parties. The amount of court claims filed by the parent entity towards ordering parties, accounted for in long-term contract budgets, was adjusted by the risk factor and the probability factor. The amount of claims recoverable by the parent entity is at PLN 35-50 million. The amount was estimated on the basis of expert opinions and estimates of the parent entity, based on historical data and analyses of individual contracts. The Management Board is not stating an exact amount of claims in the financial statements in the interest of pending negotiations with the ordering party.

14. Operating expenses

Expenses by type:

	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Depreciation	18 672	15 134
Consumption of materials and energy	172 174	164 028
External services	367 478	312 665
Taxes and charges	3 020	2 332
Payroll	103 477	89 459
Social security and other benefits	19 898	23 862
Other types of costs	21 164	8 052
Total costs by type	705 882	615 531
Change in inventories, products and prepayments	(15 274)	(13 311)
Cost of manufacture of products for the entity's own needs (negative value)	(3 361)	(19 575)
Cost of sales, marketing and distribution (negative value)	(3 087)	(3 059)
General and administrative costs (negative value)	(32 804)	(26 199)
Manufacturing cost of products sold	651 356	553 387
Value of materials and goods sold	4 520	14 596
Cost of goods sold	655 876	567 983

15. Other operating revenues

	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Reversal of provision including:	35	-
- other	35	-
Received penalties and fines	-	127
Re-invoicing of costs	43	-
Redeemed liabilities	114	139
Profit on sale of non-financial non-current assets	686	423
Other	1 132	996
Total	2 008	1 685

16. Other operating costs

	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Paid penalties, fines and compensations	1 759	-
Damage of tangible non-current assets	-	-
Litigation costs paid	376	28
Donations made	76	77
Value of liquidated non-financial assets	232	-
Receiveables write-off	7	251
Other	1 481	1 106
Total	3 931	1 462

The other item includes mainly own costs due to the sale of other services, costs of third party liability insurance, non-deductible VAT.

17. Financial revenues

	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Financial revenues from interest, including:	2 231	2 211
- bank interest	168	118
- interest on receivables	29	284
- interest on released provisions for interest on liabilities	-	1
- on a financial asset under a licensed service contract	1 705	1 675
- other	329	133
Foreign exchange rate gain	166	-
Other financial revenues	94	3
Total	2 491	2 214

18. Financial costs

	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Financial costs on account of interest, including:	7 923	3 715
- interest on loans and borrowings	3 187	2 666
- on liabilities	2 492	92
- on leasing	2 019	856
- other	225	101
Loss from exchange rate differences	-	1 769
Financial commission paid	319	398
Factoring related costs	24	298
Commission fee expenses relating to advance payment guarantee	406	389
Other financial costs	554	414
Total	9 226	6 983

19. Income tax

	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Current income tax:	(814)	749
- current income tax charge	1 718	724
- adjustments related to current income tax from previous years	(2 532)	25
Deferred tax:	(8 368)	(3 082)
- related to increase and decrease in temporary differences	(8 368)	(3 082)
Total	(9 182)	(2 333)

Income tax was partially determined according to the rate of 19% applicable to legal entities that operate in Poland. The income tax rates applicable to foreign companies being members of Trakcja Group are as follows: 15% in Lithuania and Latvia, 22% in Sweden, 18% in Belarus, 10% in Bulgaria and 18% in Ukraine.

Income tax recognised in other comprehensive income

	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Actuarial gains/(losses)		
Gross amount	(16)	61
Tax	3	(5)
Net amount	(13)	56
Cash flow hedging instruments		
Gross amount	(679)	174
Tax	102	(26)
Net amount	(577)	148
Foreign exchange differences on translation of foreign operations		
Gross amount	(3 952)	13 552
Tax	-	-
Net amount	(3 952)	13 552

20. Tangible non-current assets

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Fixed assets, including:	269 318	265 685
- land (including right of perpetual usufruct)	25 533	20 396
- buildings, premises, civil and water engineering structures	20 457	16 117
- technical equipment and machines	126 978	131 607
- vehicles	85 398	85 714
- other fixed assets	10 952	11 851
Fixed assets under construction	31 864	31 600
Total	301 182	297 285

Below we present the structure of tangible fixed assets divided into own and leased assets:

As at June 30, 2019	Lands	Buildings and premises	Technical equipment	Means of transport	Other Fixed assets	Fixed assets under construction	Total
Own	20 291	15 414	76 381	33 664	10 952	31 864	188 566
Used under a rental, lease or other contract, including lease agreements, perpetual usufruct of land	5 242	5 043	50 597	51 734	-	-	112 616

As at January 01, 2019	Lands	Buildings and premises	Technical equipment	Means of transport	Other Fixed assets	Fixed assets under construction	Total
Own	19 790	16 371	82 162	29 600	11 851	32 520	192 295
Used under a rental, lease or other contract, including lease agreements, perpetual usufruct of land	5 282	6 656	49 606	56 115	-	-	117 659

Used on the basis of a rental, lease or other contract, including lease agreements

	Lands	Buildings and premises	Technical equipment	Means of transport	Other Fixed assets	Fixed assets under construction	Total
Balance on January 1, 2019	5 282	6 656	49 606	56 115	-	-	117 659
Depreciation for the six months of 2019	(40)	(2 552)	(1 675)	(3 173)	-	-	(7 440)
Assets components from new lease agreements	-	948	2 790	1 986	-	-	5 724
Other increases / decreases	-	-	(57)	(3 172)	-	-	(3 229)
Exchange differences	-	(9)	(68)	(21)	-	-	(98)
Balance as at June 30, 2019	5 242	5 043	50 597	51 734	-	-	112 616

21. Transaction of acquisition and sale of tangible non-current assets and other intangible assets, including any commitments for acquisition of tangible non-current assets

From January 1, 2019 to June 30, 2019 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 11,394 thousand (as compared to PLN 35,647 thousand in the comparable period of 2018).

From January 1, 2019 to June 30, 2019 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 589 thousand (as compared to PLN 152 thousand in the comparable period of 2018).

22. Goodwill

As at June 30, 2019 the goodwill disclosed in the consolidated financial statements by the Group was PLN 355,644 thousand (as at December 31, 2018: PLN 357,514 thousand) was recognised in the following items:

- Goodwill on consolidation – PLN 306,912 thousand (as at December 31, 2018: PLN 308,782 thousand),
- Intangible assets – PLN 48,732 thousand (as at December 31, 2018: PLN 48,732 thousand).

Goodwill on consolidation

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Balance at the beginning of the period	308 782	327 996
Impairment charged to P&L during the year	-	(24 243)
Exchange rate differences	(1 870)	5 029
Balance at the end of the period	306 912	308 782

Allocation of goodwill to cash generating units ("CGU") after recognition of impairment losses

Goodwill was allocated to the following cash generating units:

As at 30.06.2019	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
Goodwill allocated after recognition of impairment	58 160	37 741	254 963	4 780	355 644
recognized in goodwill on consolidation	9 428	37 741	254 963	4 780	306 912
recognized in intangible assets	48 732	-	-	-	48 732

As at 31.12.2018	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
Goodwill allocated after recognition of impairment	58 160	37 741	256 833	4 780	357 514
recognized in goodwill on consolidation	9 428	37 741	256 833	4 780	308 782
recognized in intangible assets	48 732	-	-	-	48 732

Test for impairment of goodwill

As at June 30, 2019, the following indicators occurred on two CGUs indicating the possibility of impairment of cash-generating units. No indications were found on other CGUs.

The most important prerequisites for the possible impairment of CGU Trakcja PRKił S.A., Torprojekt Sp. z o. o., BTW Sp. z o. o.:

1. Settlement of low-margin construction contracts won during more difficult years and before the significant increase of production costs;

- Balance sheet value of net assets of the company Trakcja PRKiI S.A. is higher than the value of its market capitalisation as on the balance sheet day. (IAS 36, par. 12d)

The most important prerequisites for possible CGU's impairment of the Company from the AB Kauno tiltai Group:

- A delay in announcing tenders in Lithuania;
- An amendment of the Lithuanian companies' contracts' portfolio structure – worsening of margins with regard to the decrease in the average value of road contracts in Lithuania. Additional factor affecting margins constituted tightening requirements regarding the quality of road projects implemented by the contracting authority.

With regard to CGU of PEUiM Sp. z o. o. Dalba Sp. z o. o. PDM S.A. and CGU PRK7 Nieruchomości no prerequisites of impairment have been stated.

Therefore, in the aforementioned two centres, an impairment test was carried out by the Group on 30 June 2019. The recoverable amount of the CGU is stipulated on the grounds of the use value calculations. These calculations use cash flow forecasts for a 4,5 year period. Cash flows exceeding the 4,5 year period have been estimated at a permanent level. The growth rate in the residual period has been adopted at a level of 2% and it does not exceed the long-term inflation rate. The Management Board stipulates budget margin on the grounds of historical results, updated contractual budgets and its market development forecasts. The applied discount rate is a post-tax rate reflecting a specific risk regarding particular segments not recognised in cash flow forecasts, calculated on the grounds of the CAPM.

Basic assumptions for the purposes of the test on impairment of the company CGU Trakcja PRKiI S.A., Torprojekt Sp. z o. o., BTW Sp. z o. o.:

CGU:	
Trakcja PRKiI S.A.,	
Torprojekt Sp. z o.o.,	
BTW Sp. z o.o.	
As at 30.06.2019	
WACC before taxation	11,9%
EBITDA margin	4,4% - 7,7%
Growth rate in the residual period	2,0%

CGU:	
Trakcja PRKiI S.A.,	
Torprojekt Sp. z o.o.,	
BTW Sp. z o.o.	
As at 31.12.2018	
WACC before taxation	12,8%
EBITDA margin	3,2% - 8%
Growth rate in the residual period	2,0%

In the years 2016 and 2017 the road and railway market in Poland was characterised with increased competition as a result of the decrease in the number of announced tenders in the previous years. Furthermore, an increase in the infrastructural construction materials' prices, post-performance services' costs and labour costs was noticeable. It was related with obtaining lower margins on performed contracts, as a result of which, in the 1st half of 2019, CGU's EBITDA was lower than the comparative period. Currently, tender procedures in the railway and road market are characterised with fewer number of participants. Moreover, current tendency in the market shows that contractors' offers significantly exceeding investment budgets are more often accepted by the contracting authorities. As on 30 June 2019, Trakcja PRKiI S.A. contracts' portfolio amounted to PLN 1,870M, of which PLN 123,5M constitute contracts signed in the 1st half of 2019, expected average margins of which are higher than the ones obtained currently. Margins assumed in the forecast period are also based on historical data from the period before 2016. In the Parent Company's Management Board's opinion, current worsening of the situation in the construction market is temporary. Announced

investment plans in the railway infrastructure within the KPK programme allowed the Group to assume revenues in the following years at a similar or higher level than in previous years. Assumed EBITDA margin in the residual period amounts to 5.8%.

Basic assumptions adopted for the purpose of the impairment test of CGU Company from the AB Kauno Tiltai Group:

	CGU: Spółki z Gr.AB Kauno Tiltai
As at 30.06.2019	
WACC before taxation	8,9%
EBITDA margin	4.6% - 7.3%
Growth rate in the residual period	2,0%

	CGU: Spółki z Gr.AB Kauno Tiltai
As at 31.12.2018	
WACC before taxation	10,2%
EBITDA margin	3,7% - 7,3%
Growth rate in the residual period	2,0%

In the years 2018 and 2019, transport infrastructure construction market in Lithuania was characterised with fragmentation of tenders which was related with tenders being entered by competitors characterised with lower fixed costs, which resulted in a higher pressure on the price offer. An additional factor affecting margins constituted tightening the contracting authority's requirements regarding the quality of implemented road projects. It resulted in obtaining lower margins on performed contracts in the 1st half of 2019. In the Parent Company's Management Board's opinion, current worsening of the situation in the Lithuanian construction market is temporary. Currently, the Management Board expects announcement of larger tenders, which should influence increasing revenues and margins in the future. Furthermore, tighter requirements regarding quality of performed works in the road market should be taken into consideration by all market bidders. Moreover, announcement of tenders within the "Rail Baltica" project is planned in the next years, which, in the Parent Company's Management Board's opinion should have a positive impact both, on revenues and obtained margins.

As a result of carried out tests, company's impairment was not stated as on 30 June 2019.

The sensitivity analysis indicates that the significant factors influencing estimates of use value of cash flow generating centres are as follows: profitability of executed construction contracts, assumed level of a discount rate and growth rate of revenues in infrastructural construction markets in Poland and Lithuania.

Below, the sensitivity analysis of the recoverable amount of cash flow generating centres with regard to the amendment of particular indexes used in the impairment test has been presented.

Sensitivity analysis for the CGU consisting of the following companies: Trakcja PRKił, Torprojekt Sp. z o.o. and BTW Sp. Z o.o.:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	23 868	(23 868)
WACC	+/- 0,25 p.p.	(16 369)	17 422

Sensitivity analysis for the CGU consisting of the companies in the AB Kauno Tiltai Group.

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	16 532	(16 532)
WACC	+/- 0,25 p.p.	(20 956)	22 834

The Group has analysed the sensitivity of changes in EBITDA by +/- 2.5% and WACC by +/- 0.25% and concluded that a reasonable change in the assumptions would not result in any impairment loss being recognised.

23. Investment properties

Investment properties are measured by the Group at fair value. The Group estimates their values as at December 31 on the basis of valuations carried out as at such a date by independent experts. Throughout the year, as at the consecutive balance sheet dates, i.e. March 31, June 30 and September 30, the Company assesses whether there are any indications that the fair value may need to be changed.

The most recent valuation of investment properties by an independent expert was carried out as at December 31, 2018. As at June 30, 2019 the Company stated that there were no indications that the values of investment properties changed significantly. The valuation method applied and the unobservable input data used for valuation, as well as the descriptive presentation of the fair value sensitivity to changes in the unobservable input data are described in detail in Note 23 to the Consolidated Annual Financial Statements of Trakcja Group for 2018. In the first half of 2019, there was no change in the technique of fair value measurement.

The Group categorises investment properties within Level 3 of the fair value hierarchy. In the first half-year of 2019, there were no transfers made between levels 1, 2 and 3.

In the period ended June 30, 2019 there were no significant changes in the value of investment property.

In addition, in connection with the implementation of IFRS 16 "Lease" from January 1, 2019, the Group recognizes assets due to the right of use due to the right of perpetual usufruct of land - in investment real estate.

The structure of investment properties is presented below:

	Own real estate	Assets due to the right of use	Total
Balance as at January 1, 2018	20 097	-	20 097
Values update	346	-	346
Exchange differences	2	-	2
Balance as at December 31, 2018	20 445	-	20 445
IFRS 16 entry	-	2 236	2 236
Depreciation	-	(17)	(17)
Balance as at June 30, 2019	20 445	2 219	22 664

24. Other financial assets

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Assets valued at amortised cost	17 141	18 284
Bank guarantee deposits	14 308	15 994
Other bank deposits	2 833	2 290
Total	17 141	18 284
including:		
- recognised as non-current assets	6 762	4 511
- recognised as current assets	10 379	13 773

In the first half-year of 2019, there were no impairment losses recognised on the individual financial assets.

The financial assets related to concession agreement are described in detail in Note 9.25, Note 26 and Note 53 of the Notes to the consolidated annual financial statements for 2018. The Group accounts for the aforementioned financial asset related to concession agreement in accordance with IFRIC 12.

25. Inventory

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Materials	102 518	68 693
Semi-finished goods and products in progress	13 749	5 172
Finished goods	4 216	4 727
Merchandise	9 021	9 022
Total, gross inventory	129 504	87 614
Inventory revaluation write-offs	(932)	(760)
Materials	101 633	67 980
Semi-finished goods and products in progress	13 749	5 172
Finished goods	4 189	4 700
Merchandise	9 000	9 002
Total, net inventory	128 571	86 854

26. Trade and other receivables

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Gross trade receivables, before discounting	370 410	288 003
Discounting of receivables	11	-
Total, gross trade receivables	370 421	288 003
<i>including:</i>		
- receivables from related entities	1 526	1 607
Budgetary receivables	4 416	2 960
Receivables claimed in court	2 724	3 884
Investment property sale receivables	53 000	53 000
Other receivables from third parties	40 401	28 804
Amounts held	23 280	23 921
<i>including:</i>		
- amounts held from related entities	2 332	2 431
Advances paid	4 755	842
Total, gross trade and other receivables	498 997	401 414
Expected credit loss	(77 941)	(72 524)
Total	421 056	328 890

27. Cash and cash equivalents

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Cash in hand	101	130
Cash at bank	13 783	81 225
Other cash - deposits	22 791	35 332
Total	36 675	116 687
Cash and cash equivalents excluded from cash flow statement	(12)	(12)
Cash and cash equivalents as at end of period	36 663	116 675

Cash excluded from the statement of cash flows as at June 30, 2019 in the amount of PLN 12 thousand pertains to cash blocked on the property development project accounts (PLN 12 thousand as at December 31, 2018).

28. Settlements under contracts with customers

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Asset on account of contracts with customers	267 481	206 887
Surplus of revenues resulting from degree of advancement over invoiced revenues	245 034	174 351
Advances paid towards contracts being performed	22 447	32 536
Liabilities on account of contracts with customers	138 410	141 258
Surplus of invoiced revenues over revenues resulting from degree of advancement	37 263	21 570
Advances received towards contracts being performed	98 609	117 989
Advances received towards flats	2 538	1 699

29. Share capital

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Series A ordinary shares	51 399 548	51 399 548

The Parent Company's share capital is PLN 41,119,638.40 and is divided into 51,399,548 shares with a par value of PLN 0.8 each, which give entitlement to the same number of votes at the Company's general meeting. All shares are fully paid-up.

30. Interest-bearing loans and borrowings

Loans incurred by the Parent Company and its subsidiaries have been set out in the table below:

Name of company	Lender Borrower	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKił S.A.	mBank S.A.	overdraft facility	20 000	PLN	30.09.2019	WIBOR O/N + margin	20 018
Trakcja PRKił S.A.	mBank S.A.	working capital credit	50 000	PLN	27.09.2019	WIBOR 1M + margin	50 000
Trakcja PRKił S.A.	mBank S.A.	working capital credit	15 000	PLN	30.09.2019	WIBOR 1M + margin	14 999
Trakcja PRKił S.A.	mBank S.A.	working capital credit	15 000	PLN	30.09.2019	WIBOR 1M + margin	14 998
Trakcja PRKił S.A.	mBank S.A.	investment credit	21 500	PLN	30.09.2021	WIBOR 1M + margin	11 382
Trakcja PRKił S.A.	Pekao S.A.	overdraft facility	20 000	PLN	30.08.2019	WIBOR 1M + margin	19 168
Trakcja PRKił S.A.	De Lage Landen Leasing Polska S.A.	Other	1 147	PLN	25.04.2020	variable rate	984
Torprojekt Sp. z o.o.	ING Bank Śląski S.A.	working capital credit	1 900	PLN	31.08.2019	WIBOR 1M + margin	1 676
Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumaschi- nen, Gesellschaft m.b.H.	investment credit	1 800	EUR	24.03.2020	fixed rate	2 126
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	overdraft facility	3 000	PLN	odnawialny	WIBOR 1M + margin	1 379
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	investment credit	2 500	PLN	30.12.2020	WIBOR 1M + margin	1 047
AB Kauno Tiltai	Nordea	overdraft facility	3 000	EUR	31.08.2019	EURIBOR 1M + margin	3 112
AB Kauno Tiltai	Dnb	overdraft facility	3 000	EUR	31.08.2019	EURIBOR 3M + margin	-
AB Kauno Tiltai	Nordea Dnb	working capital credit	1 400	EUR	14.01.2020	EURIBOR 3M + margin	1 701
AB Kauno Tiltai	Nordea Dnb	working capital credit	14 000	EUR	31.08.2019	EURIBOR 3M + margin	59 422
Total							202 012

The interest rate of the loans received is the WIBOR/EURIBOR rate plus a bank margin. Bank margins depend on the bank and fixed repayment of the loan.

Long-term interest-bearing loans and borrowings:

Long-term	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Bank loans	7 522	1 558
- investment loans	6 672	698
- working capital loans	850	860
Loans from other entities	-	21 318
- investment loans	-	21 318
Lease liabilities	70 401	43 495
Total	77 922	66 371

Short-term interest-bearing loans and borrowings:

Short-term	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Bank loans	193 506	110 737
- investment loans	7 883	14 610
- working capital loans	141 946	79 016
- kredyt w rachunku bieżącym	43 677	17 111
Loans from other entities	984	4 632
- investment loans	-	4 632
- other	984	-
Lease liabilities	20 791	17 190
Total	215 281	132 559
Total short and long term loan and credits	293 203	198 930

Credits and loans

As at 1.01.2019 **138 245**
Audited

Credits and loans received	92 224
Repayment of loans and credits	(5 426)
Accrued interest	2 253
Interest paid	(1 898)
Foreign exchanges	(659)
Transfer to lease liabilities	(22 727)

As at 30.06.2019 **202 012**
Unaudited

including	
- long-term	194 491
- short-term	7 521

In H1 2019 the Group transferred an investment loan of PLN 22,727 thousand to lease liabilities, since the contract meets the definition of lease according to IFRS 16.

Structure of leasing liabilities:

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Long-term	70 401	43 495
Short-term	20 791	17 190
Total	91 192	60 685

Maturity analysis of lease liabilities according to contracts:

Undiscounted leasing liabilities according to agreements	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Within 1 year	24 026	20 052
Within 1 to 5 years	55 967	47 647
Over 5 years	27 747	2 582
Total undiscounted leasing liabilities	107 740	70 281

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Present value of the minimum lease payments		
Within 1 year	20 791	16 967
Within 1 to 5 years	50 524	42 163
Over 5 years	19 877	1 555
Total	91 192	60 685

Costs related to lease contracts:

	30.06.2019
	<i>Unaudited</i>
Depreciation	7 440
Interest	2 019
Total leasing costs	9 459

Cash flow from lease contracts in the period from January 1, 2019 to June 30, 2019 was negative at PLN -11,831 thousand.

31. Failure to repay borrowings or violation of their terms, with regard to which no corrective measures have been taken

As at June 30, 2019, the Group did not have unpaid loans or borrowings. In addition, the Group did not breach material provisions of the loan or loan agreement, for which no remedial action was taken by the end of the reporting period.

32. Financial derivatives

Cash flow hedging instruments and application of hedge accounting

The Polish companies of Trakcja Group do not apply any hedge accounting, but the Lithuanian part of Trakcja Group, namely AB Kauno Tiltai - AB Kauno Tiltai and UAB Palangos aplinkkelis follow the principles thereof.

On June 5, 2013 one of the Issuer's subsidiaries, i.e. UAB Palangos aplinkkelis made an interest rate swap (IRS) transaction in order to hedge future cash flows expected to arise from interest to be paid on the term loan. Pursuant to the agreement, the company is a payee of amounts at a fixed rate, whereas the bank is a payee of amounts at a variable rate. The hedging relationship is set to expire on May 31, 2028.

On October 8, 2015 and October 14, 2015 one of the Issuer's subsidiaries, i.e. AB Kauno Tiltai made two interest rate swap (IRS) transactions in order to hedge future cash flows expected to arise from interest to be paid on the term loan. Pursuant to the agreement, the company is a payee of amounts at a fixed rate, whereas the bank is a payee of amounts at a variable rate. The hedging relationships are set to expire on January 14, 2020.

Fair value of the IRS contracts is calculated as the present value of future cash flows estimated using the yield curves. In the first half-year of 2018, the measurement method remained unchanged.

As at June 30, 2018 the loss from remeasuring the aforementioned hedging instruments was PLN 57 thousand, whereas the gain recognised in other comprehensive income was PLN 148 thousand.

In the first half-year of 2018, the Group assessed the hedge effectiveness of the IRS transactions. In the reporting period, the hedge of the interest rate fluctuations was highly effective, and therefore no ineffective part thereof was identified or recognised in profit or loss.

In connection with the information described in Note 34 to these financial statements, the Group transferred the valuation of interest rate swaps concluded by UAB Palangos aplinkkelis to the item "Liabilities of the disposal group classified as held for sale".

Other derivatives

In the reporting period, the Group did not enter into either any new interest rate swap (IRS) contracts or any derivative contracts for speculation purposes. Except for the aforementioned IRS instruments, the Group did not apply any hedge accounting in the period subject hereto, and therefore the Group is not a party to any other derivative contracts in the scope covered hereby and no financial derivatives measured at fair value were recognised in profit or loss.

The Group categorises financial derivatives within Level 2 of the fair value hierarchy. In the first half-year of 2018, there were no transfers made between Levels 1, 2 and 3. The categorisation within Levels 1, 2 and 3 has been described in detail in Note 37.

33. Provisions

As at 01.01.2019	72 105
<i>Audited</i>	
Recognized	16 599
Variations due to currency translation	(102)
Used	(27 212)
Reversed	(416)
As at 30.06.2019	60 974
<i>Unaudited</i>	
including	
- long-term	11 871
- short-term	49 103

In H1 2019 the Group created a provision for bonuses in the amount of PLN 4,155 thousand and a provision for foreseen losses on contracts in the amount of PLN 10,508 thousand. In H1 2019 the Group used the provision for foreseen losses on contracts in the amount of PLN 25,016 thousand.

34. Reversal of provisions for restructuring costs

As at June 30, 2019 and as at December 31, 2018 the Group did not have a provision for restructuring costs. The entire reserve was dissolved in the first half of 2018.

35. Trade and other liabilities

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Trade liabilities, before discounting	364 160	298 935
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	364 160	298 935
including:		
- liabilities from related entities	2 844	2 117
Amounts held	35 146	36 140
Budgetary liabilities	76 986	63 356
Payroll liabilities	8 075	5 648
Other liabilities towards third parties	5 409	3 259
Dividends and other distributions	93	3
Total trade and other liabilities	489 869	407 341
	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Trade liabilities before discounting	399 306	335 075
With maturity within 12 months	379 269	322 306
With maturity over 12 months	20 037	12 769
Liability discounting	-	-
Total, Trade liabilities after discounting	399 306	335 075

36. Fair value of financial instruments

In the first half-year of 2019, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the consolidated annual 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 first half-year of 2019, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

37. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment properties and financial derivatives. In the first half of 2019, there was no change in the technique of fair value measurement of the above assets and liabilities. 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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Derivatives (liability)	-	-	6 403	5 204	-	-
Investment properties	-	-	-	-	20 445	20 445
Office properties	-	-	-	-	15 785	15 785
Land properties	-	-	-	-	2 048	2 048
Deposits of natural aggregates	-	-	-	-	2 612	2 612

Level 1 – quoted market prices for similar assets or liabilities in active markets;

Level 2 – prices in active markets other than quoted market prices, set directly (by comparison with actual transactions) or indirectly (by application of measurement methods based on actual transaction);

Level 3 – prices other than prices in active markets.

In the first half-year of 2019, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

38. Changes in business or economic conditions affecting fair value of the Group's financial assets or liabilities either recognised at fair value or at amortised cost

In the first half-year of 2018, there were no changes in any business or economic conditions which would have a significant effect on fair value of financial assets or liabilities .

39. Change in impairment losses and write-downs

	Tangible asstes	Goodwill	Inventory	Receivables	Total
As at 01.01.2019	792	85 575	760	72 524	159 651
<i>Audited</i>					
Recognized	-	-	200	7 033	7 233
Variances due to currency translation	-	-	(5)	(51)	(56)
Reversed	-	-	(22)	(1 565)	(1 587)
As at 30.06.2019	792	85 575	933	77 941	165 241

40. Joint ventures

Jointly controlled operations – contracts performed in consortia

The Group performs certain long-term contracts under consortium agreements, as the consortium leader, without establishing separate entities. The Group recognises shares in such contracts as shares in joint operations in accordance with IFRS 11. Therefore, the Group does not recognise in profit or loss any such part of the revenues or costs related to such contracts as is attributable to the consortium members.

In the first half-year of 2019, the revenues attributable to the consortium members in relation to the contracts performed under the aforementioned consortia, which were not recognised in profit or loss of the Group, were PLN 56,559 thousand and the costs related thereto were PLN 58,574 thousand. In the comparable period, they were respectively PLN 89,611 thousand and PLN 90,041 thousand.

The Group's balance sheet as at June 30, 2019 does not include the trade receivables attributable to the consortium members in the amount of PLN 38,015 thousand (PLN 44,082 thousand as at December 31, 2018) or the trade liabilities attributable to the consortium members in the amount of PLN 38,178 thousand (PLN 44,226 thousand as at December 31, 2018).

41. Contingent and other off-balance-sheet items

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Contingent receivables		
From related entities due to:	67 204	89 206
Received guarantees and sureties	65 913	88 366
Bills of exchange received as collateral	1 291	840
Total contingent receivables	67 204	89 206
From related entities due to:		
From other entities due to:	9 806 500	2 513 844
Provided guarantees and sureties	787 306	897 239
Promissory notes	644 295	449 589
Mortgages	181 389	181 979
Assignment of receivables	1 133 428	887 692
Assignment of rights under insurance policy	37 000	40 483
Security deposits	21 461	24 612
Other liabilities	7 001 621	32 250
Total contingent liabilities	9 806 500	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 from the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Group members. Promissory notes are a different form of collateral for the aforementioned bank guarantees. As at June 30, 2019 and as at December 31, 2018 other contingent liabilities relate to registered pledges.

As at June 30, 2019, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 1,128 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 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. The contingent liabilities arising from employment contracts with employees were PLN 7,198 thousand as at June 30, 2019 (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 June 30, 2019 are sufficient to mitigate the recognised and measurable tax risk.

42. Significant events occurring in the first half of 2019 and subsequent to the end of the reporting period, which were not reflected in the financial statements for the first half of 2019

Below are presented significant events occurring in the first half of 2019.

Significant construction contracts	CR
07.02.2019 The Company acting as the Leader of the Consortium with COMSA S.A.U. (the Partner) signed today a contract with Municipality of Cracow, represented by Director of the Board of Municipal Infrastructure and Transport of Cracow, which covers conducting of construction works falling under the contract for the task "The renovation of tramway track on Krakowska Street at the section Rollego Street – Dietla Street along with renovation of current road system, sidewalks, paths, technical infrastructure, turnout node on Krakowska-Dietla-Stradomska as well as renovation of Dietla Street at the section Bożego Ciała Street – Augustiańska Street and renovation of existing Piłsudski Bridge across the Vistula River" The net value of the contact is PLN 76,592,220.49. The works are to be finished within 10 months after the date of handing over the construction site, as well as the possibility of using tramway tracks for tram traffic within 8 months after the date of handing over the construction site.	2/2019
22.05.2019 The Company made a statement on the withdrawal, for reasons attributable to the ordering party, from the contract concluded on 19 April 2017 by the Contractor from the Kujawsko-Pomorskie Voivodeship No. ZDW.N4.363.02.2016, whose subject was the implementation of the task 'Expansion of the provincial road no. 548 Stolno-Wąbrzeźno from km 0 + 005 to km 29 + 619, excluding the motorway junction in the city of Lisewo from km 14 + 144 to km 15 + 146' ('Agreement') in the unfinished part of the Agreement.	9/2019
13.06.2019 The Company in order to ensure the continuity of financing the operations conducted by the Company until it obtains long-term financing, the Company signed the bridging financing documentation to the total amounts: - 31.000.000,00 PLN of a working loan opened in term contracts, which was made available under a Loan Agreement; - 33.000.000,00 PLN guarantee lines that have been made available under the Loan Agreement; - 70.618.725,62 PLN guarantee lines granted on the basis of Bilateral Warranty Lines; and - 20.000.000,00 PLN of a loan granted under the Loan Agreement.	12/2019
21.06.2019 the Company signed: 1. an annex to the loan agreement concluded on 13 June 2019 2. an annex to the agreement on the unification of selected terms and conditions of guarantee agreements and surety agreement dated 13 June 2019.	19/2019
24.06.2019 The Company signed annex to agreement regarding bridging financing concluded on 13 June 2019, according to which: (i) the loan availability period was extended until June 28, 2019 and (ii) the loan repayment date was changed to July 31, 2019.	20/2019
26.06.2019 The Company signed annex No. 2 to the loan agreement concluded on June 13, 2019 between the Company and COMSA S.A.U. Pursuant to Annex No. 2 to the Loan Agreement, the period of making the loan granted to the Company pursuant to the Loan Agreement was extended until July 29, 2019.	21/2019
26.06.2019 The Company signed annex No. 2 to the agreement on the unification of selected terms and conditions of guarantee agreements and surety agreement dated 13 June 2019. Pursuant to Annex No. 2 to the Agreement, the period of availability of guarantee lines was extended until July 29, 2019 (inclusive).	22/2019
27.06.2019 The Company signed an annex to the agreement between creditors concluded on June 13, 2019. According to the Annex, the period of cooperation between entities that are parties to the Agreement between Creditors has been extended until 30 July 2019.	24/2019

Other	CR
18.01.2019 The Company made public dates of publication of periodic reports in 2019.	1/2019
18.02.2019 The Company published the preliminary financial results for the period of 12 months ended on 31 December 2018.	3/2019
18.02.2019 The Company adopted a resolution on the commencement of actions aimed at refinancing the Company's existing banking financing and recapitalizing the Company by way of issue of new shares.	4/2019
29.03.2019 The Company changed terms of periodic reports publication.	5/2019
23.04.2019 The Company has decided to recognize write-off of the value of investments in subsidiaries in Trakcja PRKiI's balance sheet in the amount of PLN 10.746 thousand and the value of goodwill in Trakcja Group's consolidated balance sheet in the amount of PLN 24.243 thousand.	6/2019
26.04.2019 AB Kauno tiltai has concluded a sales agreement for companies in UAB Pletros investicijos with its registered office in Lithuania and transfer of rights and obligations, including legally for claims arising from the loan agreement concluded between AB Kauno Tiltai and the company being sold.	7/2019
06.05.2019 The Company informed that in published „Standalone annual report of Trakcja PRKiI for the financial year 2018” and „Consolidated annual report of Trakcja Group for the financial year 2018”, as a result of mistake the Issuer published an incorrect document.	8/2019
23.05.2019 The Management Board of Trakcja PRKiI convened the Ordinary General Meeting of Trakcja PRKiI S.A. as at June 19, 2019 at 9:00 in Warsaw, in the Grodno hall at the Polonia Palace Hotel, Al. Jerozolimskie 45.	10/2019
31.05.2019 The Management Board of Trakcja PRKiI convened the Extraordinary General Meeting of Trakcja PRKiI S.A. as at June 28, 2019 at 9:00 in Warsaw, in the Chicago hall at the Polonia Palace Hotel, Al. Jerozolimskie 45	11/2019
17.06.2019 The Company informed that on May 31, 2019, the District Court for the capital city of Warsaw in Warsaw, XVIII Commercial Division under the reference number XVIII GU 543/19, received a motion from Impression for declaration of bankruptcy including the liquidation of the Company's assets, including with an application to secure the Company's assets by appointing a temporary court supervisor. In addition, the Company has determined that Impression has been requested to fill in the formal deficiencies of the above-mentioned application and, as a result, it is currently not subject to further court proceedings.	13/2019
18.06.2019 The Powszechne Towarzystwo Emerytalne PZU Spółka Akcyjna with its registered office in Warsaw, being the shareholder of the Company, submitted the candidature of Mr. Michał Hulbój as a member of the Company's Supervisory Board.	14/2019
18.06.2019 The Company informed that it had received from the shareholder COMSA S.A. draft resolution regarding the matter foreseen in item 11 of the agenda of the Ordinary General Meeting of the Company. According to the content of the proposed draft resolution, the changes proposed by the Shareholder are related to, among others with the conclusion by the Company on 13 June 2019 of a loan agreement. It was indicated that the submitted projects are aimed at clarifying the content of the draft resolution published by the Company's Management Board.	15/2019
19.06.2019 The Management Board of Trakcja PRKiI S.A. informed that today the Ordinary General Meeting of Trakcja PRKiI S.A. appointed the Supervisory Board of the Company.	16/2019
19.06.2019 The Company made public the content of resolutions adopted by the Ordinary General Meeting of the Company, which was held on June 19, 2019.	17/2019
19.06.2019 The Company forwarded a list of shareholders holding at least 5% of the total number of votes at the Ordinary General Meeting of the Company, which was held on 19 June 2019 in Warsaw.	18/2019

26.06.2019 The Company informed that on June 26, 2019 it received from COMSA, S.A.U. being a shareholder of the Company notification of the intention of the Shareholder to request a break in the proceedings of the Extraordinary General Meeting of the Company, convened for June 28, 2019, until July 12, 2019.	23/2019
28.06.2019 The Management Board of Trakcja PRKiI announced a break in the deliberations until 12 July 2019, until 9:00.	25/2019
28.06.2019 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 on June 28, 2019.	26/2019

Events subsequent to the end of the reporting period, which are not reflected in the financial statements for the first half-year of 2019, are presented below.

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
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; 2. annex to the loan agreement concluded on June 13, 2019 changing the loan repayment date.	33/2019
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 – Klaipeda section from 99.29 to 100.47 km'	34/2019
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; 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.	40/2019
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

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 PRKił 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 PRKił 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

43. Cyclicity and seasonality of operations

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 second and third quarters and the lowest in the first quarter.

44. Reclassification of financial assets due to changes in their purpose or use

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

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

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

46. Information on dividends paid or declared

In the first half-year of 2019, Trakcja PRKił S.A. did not pay any dividends.

In the first half-year of 2018, Trakcja PRKił S.A. did not pay any dividends.

On June 26, 2018 the Company's Annual General Meeting adopted a resolution, according to which the Company's profit for 2017 in the amount of PLN 32,039,476.84 would be allocated as follows:

- the amount of PLN 5,139,954.80 (i.e. PLN 0.1 per share) to pay dividends,

- the amount of PLN 26,899,522.04 to increase the supplementary capital.

The number of shares entitled to dividends is 51,399,548.

The Annual General Meeting decided that the dividend date would be September 25, 2018 and that dividends would be paid on October 15, 2018.

47. 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 November 20, 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 statement of claim was submitted to the Regional Court in Warsaw on December 29, 2017, but has not yet been served on LWI. Therefore it is impossible to precisely indicate the expected closing date 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" that a part of the lump-sum fee due to the Parent Company and unpaid by PKP PLK S.A. be paid to it for the groundless submission of the partial withdrawal from the agreement. 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. 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 POLiŚ 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 POIiŚ 7.1-30 “Modernisation of railway line E3/C-E 30, section Kraków – Rzeszów, phase III” Tender proceedings 2.3” in the total amount of PLN 2 829 000.00.

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

On 27 August 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 6,675,193.36 PLN (in words: six million six hundred seventy five thousand one hundred ninety three zlotys and thirty six groszy) along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement No 90/132/121/00/17000031/10/I/I of 16 December 2010 for “Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 111,500 - 133,600 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2 "specified in the Contractor's Applications No. 72 (gas pipeline) and No. 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,283,547.59 and capitalized interest on the principal for the period from 6 October 2017 to 27 August 2018. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

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

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 63,735,593.52 (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. In the opinion of the Management Board of the Parent Company, such disclosure may provide the parties to court proceedings with information that may be used in the ongoing proceedings against the interests of the subsidiary AB Kauno tiltai.

48. Transactions with related entities

Intragroup transactions are made at arm's length. These transactions are excluded from the condensed consolidated financial statements.

The total amounts of transactions made between the related entities in the period covered by the condensed consolidated financial statements and in the comparable period are presented below.

Related entities	Financial year	Sale to related entities	Purchases from related entities
Shareholders of parent company:			
COMSA S.A.	1.01.2019 - 30.06.2019	169	753
	1.01.2018 - 30.06.2018	1 521	1 250
Total			
	1.01.2019 - 30.06.2019	169	753
	1.01.2018 - 30.06.2018	1 521	1 250

Please also find below information on receivables from and liabilities towards the related entities as at balance sheet date and as at the end of the comparable period.

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities
Shareholders of parent company:			
COMSA S.A.	30.06.2019	3 858	2 844
	31.12.2018	4 038	2 117
Total			
	30.06.2019	3 858	2 844
	31.12.2018	4 038	2 117

The Parent Company and its shareholder, COMSA S.A., have signed an agreement for granting to Trakcja PRKił S.A. a licence for the 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 was concluded at arm's length.

49. Remuneration of the Parent Company's Management Board and Supervisory Board members

The Management Board of the Parent Company is the key management of the Group.

The remuneration of the Parent Company's Management Board has been presented in the table below.

Remuneration of the Management Board	Period ended			
	30.06.2019		30.06.2018	
	In parent company	In subsidiaries	In parent company	In subsidiaries
Salaries and other current employee benefits	1 666	248	2 434	607
post-employment benefits	589	-	150	-
Benefits due to termination of employment	273	-	-	-
Total	2 528	248	2 584	607

Remuneration of the Supervisory Board of the Parent Company:

Remuneration of the Supervisory Board	Period ended			
	30.06.2019		30.06.2018	
	In parent company	In subsidiaries	In parent company	In subsidiaries
Salaries and other current employee benefits	516	386	498	501
Total	516	386	498	501

50. 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 PRKił 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.

In connection with Note 5 of the consolidated quarterly report of the Trakcja Group for the 3 months ended on March 31, 2019, the Company's Management Board presents the update regarding the issues described in the above note to the financial statements.

Going concern

These financial statements for the six-month period ended June 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

The condensed additional information and explanations constitute an integral part hereof.

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 6 months ended on 30 June 2019, the Company recorded net loss of PLN 18,906 thousand, and the net negative working capital amounted to PLN 104,268 thousand.

As at June 20, 2019, the Company's financial liabilities due to credits and lease amounted to a total of PLN 239,967 thousand (long-term part PLN 85,006 thousand, short term part PLN 154,961 thousand).

As at June 30, 2019, trade liabilities were at PLN 293,337 thousand, including outdated at PLN 151,080 thousand, which the Company pays from current inflows to a possible extent.

The Company is in the process of negotiations with financial institutions regarding long-term financing.

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

General situation of the Company and action undertaken

The Company recorded the following results for the 6 months ended on June 30, 2019:

- Gross result on sales: PLN 426 thousand (H1 2018: PLN 3,392 thousand)
- EBITDA: PLN -8.931 thousand (H1 2018: PLN 8,513 thousand)
- Net result: PLN -18,906 thousand (H1 2018: PLN 1,356 thousand)

In the years 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, the prices of infrastructural construction, costs of subcontracting and costs of labour increased noticeably. This was related with generating lower margins on executed contracts.

Factors that had most significant effect on sales and the results of H1 2019 include:

- Sales seasonality, characteristic for entities in the building industry, which is linked with a substantially lower level of revenues in the first half and generating a significant amount of sales revenues in the second half of a calendar year;
- Settlement of low-margin construction contracts won during more difficult years and before the significant increase of production costs.

The current contract portfolio in comparison to December 31, 2018 decreased by approximately 12% and as at June 30, 2019 amounted to approximately PLN 1.9 billion net. in the period 01.01.2019 – 31.06.2019, the Company signed agreements with the total value of above PLN 123.5 million net, of which most exceeded investor budgets.

In H1 2019, the Company's Management Board undertook negotiations with PKP PLK to amicably settle court disputes. The Company's Management Board is negotiation the receipt of payment due to contract claims proceeded in court from PKP PLK, the total amount of which as at the date of publication of this semi-annual report amounts to approximately PLN 155,504 thousand (gross amount along with interest capitalized as at the date of filing the law suit). The Company is conducting negotiations with PKP PLK with the participation of State Treasury Solicitor's Office (Prokuratoria Generalna). The value of remaining contractual claims asserted by the Company out of court is at PLN 165,294 thousand. At this stage, the Company's Management Board cannot determine the end date of negotiations, whereas the financial effect was explained in Note 5 to these financial statements.

In addition, the Company's Management Board informs that on May 22 this year 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 value of the Agreement was agreed by the Parties at PLN 83,796,445.61 gross. The Company assesses the value of claims to be asserted by the Contractor from the Ordering Party in connection with the withdrawal for reasons attributable to the Ordering Party at the amount of at least PLN 11 million due to settlements of performed and accepted works, and at PLN 8,379,644.56 due to contractual penalties. Other details are described in RB 9/2019.

Apart from activities affecting the improvement of future financial results, the Company's Management Board is mainly concentrating on the Company's liquidity. The Company is running an active policy in terms of liquidity management, monitoring liquidity in short and long term, and also conducts weekly monitoring of cash flow aiming at maintaining a stable level of available financing. To maintain liquidity, the Company undertakes activities aiming at obtaining contracts foreseeing advance payments. The Company places emphasis on the optimization of invoicing processes through shortening the period between execution of works and invoicing completed works.

As at June 30, 2019 the Company held cash and cash equivalents in the amount of PLN 27,639 thousand, as well as unused credit lines in the amount of PLN 22,314 thousand.

As at the date of signing these financial statements, the Company held cash and cash equivalents in the amount of PLN 22,001 thousand, as well as unused credit lines in the amount of PLN 2,212 thousand. The Company estimates that the demand for target additional financing (in account of debt bridge financing obtained to date in the amount of PLN 51 million, described below) will be at PLN 190 - 210 million, which it plans to obtain through increasing debt financing and an increase of capital.

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"d 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.

New contracts won

The Parent Company continues to actively participate in tender procedures for the railway and road construction markets, 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 significantly exceed investor budgets are more and more frequently accepted by contracting authorities.

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

- a) "Redevelopment of track systems and accompanying infrastructure at the E59 railway line, Choszczno - Stargard section, within the scope of the project entitled "Works at the E59 railway line, Poznań Główny – Szczecin Dąbie section (Company's share - PLN 275 million);

b) "Renovation of railway lines no. 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleiszów – Cieszyn/Wiśła Głębce", part A (Company's share - PLN 248 million);

c) Redevelopment of the intersection: Grójecka, Harfowa, Raclawicka streets (Company's share - PLN 11 million);

d) Design and construction of the railway section of 7.4 km Sofia - Voluyak - LOT 0 (Company's share - PLN 125 million).

The Company was selected as the contractor, and the Management Board expects an invitation to sign contracts in w 2019.

Operations undertaken by the Company post balance-sheet date:

1. The Company signed a contract for the following construction works: "Redevelopment of the track system along with accompanying infrastructure at the E59 railway line, Stargard – Szczecin Dąbie section, within the scope of the project entitled "Works at the E59 line, Poznań Główny – Szczecin Dąbie section", with net value assigned to the Company in the amount of PLN 280 million, within which the Company expects a prepayment of up to 10% of the contract value, and two contracts with the total value of PLN 8 million.

2. The Company is finalizing negotiations with financial institutions concerning long-term financing for financing working capital and current operations, including repayment of overdue debt.

To fill the financial gap in the amount of PLN 190-201 million, pursuant to the decision of the Management Board on undertaking activities to refinance the existing bank debt of the Company and its additional capitalization (rb no. 4/2019 of February 18, 2019), the Company - after obtaining bridge financing - is continuing negotiations with banks and insurance companies on credit and guarantee financing as well as the required additional capitalization. The Company is negotiation participation in credit financing and additional capitalization with the following financial institutions: mBank S.A., Credit Agricole Bank Polska S.A., Bank Pekao S.A., shareholder of COMSA, and with two entities the names of which cannot be disclosed at this point. The Company is negotiation participation in guarantee financing with the following entities: STU Ergo HESTIA S.A., KUKA S.A., PZU S.A., Generali TU S.A., CREDENDO, AXA Ubezpieczenia TUIR S.A., InterRisk S.A., TUIR Allianz Polska S.A., Gothaer TU S.A., UNIQA TU S.A. Simultaneously, the Company is in the process of negotiating new bank guarantee limits. The Extraordinary Shareholders Meeting on capital increase and changes in the Company Deed is planned on September 13, 2019. Further significant steps in the process will be notified in relevant reports.

The Company is planning to finalize the process of obtaining new financing and capital decrease in third quarter of this year. The prolongation of this end date in comparison to earlier assumptions is a consequence of the complexity of the entire process. The Company received a letter of intent from the COMSA shareholder, with a confirmation of willingness to participate in both bridge financing and capital increase. Finalizing the process within the indicated deadline will substantially reduce the risk of a threat to going concern.

The on June 24, 2019 the Company signed a termsheet on long-term financing, which was the suspending condition of payment of funds from bridge financing. Due to negotiations in process, as well as arrangements on long-term financing parameters, the Company is not publishing any details of the aforementioned document.

3. 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 is expecting a prepayment n the sale of the property at ulica Oliwska in Warsaw. The prepayment is to amount to PLN 3.5 million, meaning 20% of the expected sales price.

According to the Company's Management Board, conducted analyses and undertaken measures satisfactorily neutralize the risk to liquidity. In the Company's opinion, conducted actions will allow to financially secure the business and will prepare the Company for execution of projects on a larger scale.

Risk of failure of undertaken activities

The Company's Management Board has prepared these financial statements with the assumption of continued operation. The Company's continued operation depends on the effective conclusion of debt refinancing. Any failure in expected effects of undertaken refinancing activities may lead to a threat to the Company's continued operation. In

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

1. Negotiations with the Company's creditors on debt restructuring along with simultaneous actions admitted by law in terms of protecting the Company and the interest of creditors and shareholders.
2. Operational restructuring consists of selling assets, which are not used in the Company's operations, including shares and stock in subsidiaries, tangible fixed assets.
3. Limitation of the Company's scope of operations.

Warsaw, September 10, 2019

Management Board:

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Person responsible for keeping the accounting records:

Sławomir Krysiński

Head of Financial Reporting Trakcja Group



TRAKCJA PRKiI S.A.

CONDENSED FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2019

PREPARED IN ACCORDANCE WITH

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKił S.A. has approved the condensed financial statements of Trakcja PRKił S.A. for the period from January 1, 2019 to June 30, 2019.

The condensed financial statements for the period from January 1, 2019 to June 30, 2019 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

Information included herein is presented in the following sequence:

1. Income statement for the period from January 1, 2019 to June 30, 2019, which shows a net profit of PLN **18,906** thousand.
2. Statement of comprehensive income for the period from January 1, 2019 to June 30, 2019, which shows the positive total comprehensive income of PLN **18,897** thousand.
3. Balance sheet as at June 30, 2019, which shows the total assets and total equity and liabilities of PLN **1,308,468** thousand.
4. Statement of cash flows for the period from January 1, 2019 to June 30, 2019, which shows a decrease in the total net cash flows by PLN **33,812** thousand.
5. Statement of changes in equity for the period from January 1, 2019 to June 30, 2019, which shows a decrease in the equity by PLN **18,896** thousand.
6. Selected explanatory notes.

The condensed financial statements have been drawn in thousands of Polish zlotys, unless explicitly stated otherwise.

Certain financial and operational 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.

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Warsaw, September 10, 2019

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INCOME STATEMENT

	Note	1.01.2019 - 30.06.2019 <i>Unaudited</i>	1.01.2018 - 30.06.2018 <i>Unaudited</i>
Continued operations			
Sales revenue	5	423 451	412 280
Cost of goods sold	6	(423 025)	(408 888)
Gross profit (loss) on sales		426	3 392
Cost of sales, marketing and distribution	6	(1 139)	(1 379)
General and administrative costs	6	(17 316)	(13 161)
Other operating revenues	7	1 025	670
Other operating costs	8	(3 839)	(1 102)
Operating profit (loss)		(20 843)	(11 580)
Financial revenues	9	4 757	13 345
Financial costs	10	(7 245)	(3 093)
Gross profit (loss)		(23 331)	(1 328)
Income tax		4 425	2 684
Net profit (loss) from continued operations		(18 906)	1 356
Net profit for the period		(18 906)	1 356
Profit per share attributable to shareholders in the period (PLN per share)			
- basic		(0,37)	0,03
- diluted		(0,37)	0,03

STATEMENT OF COMPREHENSIVE INCOME

	Note	1.01.2019 - 30.06.2019 <i>Unaudited</i>	1.01.2018 - 30.06.2018 <i>Unaudited</i>
Net profit for the period		(18 906)	1 356
Other comprehensive income:			
Other comprehensive net income that will be reclassified to profit or loss:		9	(42)
Foreign exchange differences on translation of foreign operations	11	9	(42)
Total other comprehensive income		9	(42)
Total comprehensive income for the period		(18 897)	1 314

BALANCE SHEET

	Note	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
ASSETS			
Non-current assets		714 635	703 516
Tangible non-current assets	12	173 792	170 144
Intangible assets	12	50 903	51 608
Investment properties	15	19 833	17 613
Investments in subsidiaries	13	425 495	425 495
Other financial assets		8 863	4 511
Deferred tax assets		29 987	25 562
Accruals		5 762	8 583
Current assets		593 833	553 301
Inventory	17	65 079	50 361
Trade and other receivables	18	270 417	253 130
Other financial assets		8 612	14 596
Cash and cash equivalents	19	27 639	61 451
Accruals		9 854	9 910
Contracts with customers assets	16	208 407	160 028
Assets held for sale		3 825	3 825
TOTAL ASSETS		1 308 468	1 256 817
Equity and liabilities			
Equity		520 809	539 705
Share capital	20	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		(18 906)	(86 687)
Foreign exchange differences on translation of foreign operations		(19)	(28)
Total equity		520 809	539 705
Long-term liabilities		89 559	67 079
Interest-bearing loans and borrowings	21	85 006	60 989
Provisions	23	2 910	3 955
Liabilities due to employee benefits		1 643	2 135
Short-term liabilities		698 100	650 033
Interest-bearing loans and borrowings	21	154 961	144 823
Trade and other liabilities	22	370 530	313 292
Provisions	23	41 659	52 575
Liabilities due to employee benefits		9 443	9 540
Accruals		445	574
Contracts with customers liabilities	16	121 062	129 229
TOTAL EQUITY AND LIABILITIES		1 308 468	1 256 817

STATEMENT OF CASH FLOWS

Note	1.01.2019 - 30.06.2019 Unaudited	1.01.2018 - 30.06.2018 Unaudited
Cash flows from operating activities		
Gross profit from continued operations	(23 331)	(1 328)
Adjustments for:	(30 189)	(80 890)
Depreciation	9 975	7 157
FX differences	(194)	12
Net interest and dividends	(448)	(10 701)
Profit on investment activities	(152)	(25)
Change in receivables	(10 643)	20 249
Change in inventory	(14 718)	(32 530)
Change in liabilities, excluding loans and borrowings	51 499	7 087
Change in prepayments and accruals	2 748	(2 519)
Change in provisions	(11 961)	(1 999)
Change in construction contracts	-	(67 662)
Change in settlements from contracts	(56 546)	-
Income tax paid	-	133
Other	257	(97)
Foreign exchange differences on translation of foreign operations	(6)	5
Net cash flows from operating activities	(53 520)	(82 218)
Cash flows from investment activities		
Sale (purchase) of intangible assets and tangible non-current assets	(418)	(14 623)
- acquisition	(866)	(14 682)
- sale	448	59
Loans	-	(2 000)
- repaid	-	(2 000)
Financial assets	1 695	2 597
- granted or acquired	3 971	4 178
- repaid	(2 276)	(1 581)
Dividend received	-	9 494
Net cash flows from investment activities	1 276	(4 532)
Cash flows from financial activities		
Proceeds on account of taken borrowings and loans	32 589	78 343
Repayment of borrowings and loans	(2 716)	(4 626)
Interests and commissions paid	(3 945)	(2 536)
Payment of liabilities under financial lease agreements	(7 497)	(3 855)
Inflows (outflows) due to other financial liabilities	-	(21)
Net cash flows from financial activities	18 431	67 305
Total net cash flows	(33 813)	(19 445)
Cash at start of period	61 451	20 618
Cash at end of period	19 27 639	1 173

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
				Actuarial gains/ (losses)	Results from previous years			
As at 01.01.2019 Audited	41 120	309 984	5 808	391	269 117	(28)	(86 687)	539 705
As at 01.01.2019 after adjustments	41 120	309 984	5 808	391	269 117	(28)	(86 687)	539 705
Net profit for the period	-	-	-	-	-	-	(18 906)	(18 906)
Other comprehensive income	-	-	-	-	-	9	-	9
Total comprehensive income	-	-	-	-	-	9	(18 906)	(18 897)
Distribution of profit	-	-	-	-	(86 687)	-	86 687	-
Other changes	-	-	1	-	-	-	-	1
As at 30.06.2019 Unaudited	41 120	309 984	5 809	391	182 430	(19)	(18 906)	520 809
As at 01.01.2018 Audited	41 120	309 984	5 804	391	242 252	7	32 040	631 598
IFRS 9 implementation	-	-	-	-	(401)	-	-	(401)
As at 01.01.2018 after adjustments	41 120	309 984	5 804	391	241 851	7	32 040	631 197
Net profit for the period	-	-	-	-	-	-	1 356	1 356
Other comprehensive income	-	-	-	-	-	(42)	-	(42)
Distribution of profit	-	-	-	-	26 900	-	(26 900)	-
Divided payment	-	-	-	-	-	-	(5 140)	(5 140)
Other changes	-	-	2	-	3	-	-	5
As at 30.06.2018 Unaudited	41 120	309 984	5 806	391	268 754	(35)	1 356	627 376

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2018 Audited	41 120	309 984	5 804	391	242 252	7	32 040	631 598
Changes of accounting standards	-	-	-	-	(401)	-	-	(401)
As at 1.01.2017 after adjustments	41 120	309 984	5 804	391	241 851	7	32 040	631 197
Net profit for the period	-	-	-	-	-	-	(86 687)	(86 687)
Other comprehensive income	-	-	-	-	-	(35)	-	(35)
Total comprehensive income	-	-	-	-	-	(35)	(86 687)	(86 722)
Distribution of profit	-	-	-	-	26 900	-	(26 900)	-
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

SELECTED EXPLANATORY NOTES

1. General information

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 Company is located at Żłota 59 in Warsaw. The term of the Company is unspecified.

According to the Articles of Association, Trakcja PRKił S.A. 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.

These condensed financial statements cover the period of 6 months ended June 30, 2019 and include comparative information for the period of 6 months ended June 30, 2018 and as at December 31, 2018.

These financial statements were approved for publication by the Management Board on September 10, 2019. The financial statements form part of the consolidated half-yearly report that contains also the condensed consolidated financial statements of Trakcja Group ('Group'), whose parent company is the Company.

The composition of Trakcja Group and other general information about the Company have been presented in Note 2 of the selected explanatory notes to the Group's condensed consolidated financial statements for the period of 6 months ended June 30, 2019.

The ultimate parent company in Trakcja Group is COMSA S.A., a Spanish company, which prepares the consolidated financial statements that include, among many, the data of Trakcja Group.

2. Accounting principles and changes therein in the half-year concerned

2.1. Significant values based on professional judgement, estimates and assumptions

Significant values based on professional judgement and estimates are described in detail in Note 6 to the annual financial statements of Trakcja PRKił S.A. for 2018. Apart from the amendments related to the entry into force of IFRS 16 (more information in note 2.4) and examining court claims with regard to contracting authorities in budgets of long-term contracts (more information in note 5) in the 1st half of the year 2019, there have been no material changes to the accounting estimates, assumptions and professional judgement of the management subject to verification as on the balance sheet day of 30 June 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.

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 Company follows the professional judgement. The assumptions made for this purpose are presented in Note 4 of the Notes to the annual financial statements of Trakcja PRKiI for 2018.

In the first half-year of 2019, the Company 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 Company's Management Board classifies property as tangible non-current assets or investment properties depending on their intended use by the Company.

Classification of joint contractual arrangements

The Company 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 legal form of the arrangement, as well as the terms thereof agreed by the parties.

Control over related entities

The parent company exercises control over the 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 first half of the year, the Parent Company did not take control of any significant entity.

Estimate uncertainty

Determining the timing of satisfaction of performance obligations

Sale of goods

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

- a. the Company has a present right to payment for the asset,
- b. the customer has legal title to the asset,
- c. the Company has transferred physical possession of the asset,
- d. the customer has the significant risks and rewards of ownership of the asset,
- e. the customer has accepted the asset.

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

Sale of construction services

Performance obligations related to the implementation of long-term construction contracts are satisfied over time in connection with the fact that the customer controls an asset which is created or enhanced by the entity throughout the implementation period. In the opinion of the Company, 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 Company, however, in the Company'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 Company 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 Company 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 Company expects, at contract inception, that the period between the moment when the Company transfers the good or service and the moment of payment will not exceed one year.

The transaction price of contracts for which the Company expects at contract inception that the period between the moment when the Company 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 Company recognises interest expense, whereas for payment terms longer than 12 months, the Company recognises interest income.

In order to estimate the significant financing component, it is necessary to determine the discount rate. The Company 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 Company 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 Company 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 Company deems insignificant in the light of the entire contract, the Company 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 Company assesses all material facts and events which affect the existence of economic triggers to use the option of prolongation, or not using the option of termination. The assessment is made in case of a significant event or a significant change in circumstances affecting the assessment.

Useful lives of asset components due to usage rights

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

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The largest companies that are members of Trakcja 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. The change in the provisions for additional works is presented in Note 23.

Provisions for contractual penalties

The Company 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 Company 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 Company's forecast. The Company'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 Company'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 Company reviews the adopted economic useful lives using current estimates. In the first half of 2019, no significant changes were made to the amortisation and depreciation rates applied by the Company.

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 June 30, 2019, there were no circumstances indicating the possibility of a change in the value of investment property, therefore the Company did not make a valuation as at that date.

Impairment of financial assets

In assessing whether financial assets did not lose their value, available and generally applicable valuation methods were used, taking into account the future cash flows forecasted by the Company in relation to the assets held.

In determining the value of expected credit losses, the available and commonly used valuation methods were used, taking into account the forecasts of future cash flows of the Company in relation to the assets held.

Approach regarding investments in AB Kauno Tiltai

The company does not individually identify the cost of acquisition of individual companies as part of an investment made on April 19, 2011 regarding the purchase of shares of a number of companies, ie AB Kauno Tiltai, Lithold AB and Silentio Investments Sp. z o.o., which was based on one general agreement for the entire transaction. In the aforementioned contract the total method of payment for the entire package of the acquired companies was defined, thus stating the total purchase price of the entire package of companies, and not each of the companies separately. The company does not see the practical possibility of dividing the purchase price paid. The Company annually tests the impairment of this investment as a whole and during the year at subsequent balance sheet dates, ie March 31, June 30 and September 30, the Company analyzes the premises regarding the possibility of changing the value of the investment. The carrying amount of the investment in AB Kauno as at June 30, 2019 is presented in note 13 of this report. Note 14 presents data on the impairment test concerning shares in AB Kauno Tiltai.

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 selected explanatory notes to the 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 27.

Write-down to trade receivables and other receivables

Pursuant to IFRS 9, the Company recognizes write-downs on the account of expected credit losses due to trade receivables and other receivables. In terms of trade receivables, the Company 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 the expected credit loss is presented in Note 27.

Fair value and its measurement

Some assets and liabilities of the Company 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 24 and 25.

Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, 41 and 47 of the selected explanatory notes to the consolidated financial statements for 2018.

2.2. Basis for financial statements preparation

The 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 financial statements are presented in Polish zlotys ("PLN") and all amounts are expressed in thousands of Polish zlotys, unless stated otherwise.

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, they exist circumstances indicating a threat to the continued operation of the Company. Details are described in note 4.

The condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the Company's report for the year ended on December 31, 2018.

The Polish zloty is the Company's measurement currency and the reporting currency in the condensed financial statements, whereas the Bulgarian lev (BGN) is the currency of the establishment of Trakcja PRKił S.A. in Bulgaria and the Ukrainian hryvnia (UAH) is the currency of the establishment in Ukraine.

2.3. Accounting principles

The condensed financial statements for the period from January 1, 2019 to June 30, 2019 are prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the relevant accounting standards applicable to interim financial reporting approved by the European Union. The presentation of the financial statements is based on IAS 34 "Interim financial reporting" with the same principles being applied for the current and comparable periods and with the comparable period being adjusted accordingly to the changes in the accounting and presentation principles adopted in the current period except for the changes described below.

The accounting principles adopted by the Company are described in detail in its annual financial statements for the financial year ended December 31, 2018, published on April 30, 2019 and in the condensed consolidated financial statements for the period of 6 months of 2018.

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

In the period covered by the condensed financial statements for the first half of 2019, the following changes to the accounting principles and principles of drawing up financial statements have been introduced:

- 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.

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

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.

Other amendments to existing standards and interpretation, for the first time applied in 2019, have been described in the abridged consolidated financial statement for the period of 6 months ended on 30 June 2019 in note 10.1. They have had no material impact on the Company's consolidated financial statement for the 1st half of the year 2019.

Changes introduced by the Company independently

In the period covered by the condensed financial statements for the first half-year of 2019, there were no other changes to the accounting principles and the preparation of the financial statements.

Standards and amendments to standards issued by the IASB

In these separate financial statements, the Company resolved not to adopt early any standards or interpretations prior to their effective dates.

Standards and amendments to standards adopted by the IASB, but not yet approved by the EU have been described in note 10.2 of the abridged consolidated financial statement for the period of 6 months ended on 30 June 2019. According to the Company's estimates, new standards, amendments to existing standards and interpretation would have no material impact on the financial statement, if they were applied by the Company on the balance sheet day.

Amendments to existing standards, which were issued by the IASB and approved by the EU, but have not yet entered into force, have been described in note 10.3 of the abridged consolidated financial statement for the period of 6 months ended on 30 June 2019. The Company is in the process of estimating the impact of introducing the above standards on the financial statement drawn up for the periods past the date of entering into force of these standards.

3. Description of factors and events exerting a significant impact on the financial performance in the first half-year of 2019

In the first half of 2019, Trakcja PRKił S.A. achieved sales revenues in the amount of PLN 423,451 thousand PLN, which increased by 3% compared to the same period last year. The cost of sales for the six months of 2019 amounted to PLN 423,025 thousand and increased compared to the comparable period by 3%. Gross profit on sales amounted to PLN 426 thousand and was lower by PLN 2,966 thousand compared to the previous period. Gross profit margin on sales in the first half of 2019 amounted to 0.1% and decreased by 0.7 p.p. in relation to the comparable period.

The factors with the most material impact on the level of the gross profit margin from the 1st half of the year 2019, comprise settling low margin contracts obtained in the previous years, which were more difficult for tenders, and before the significant increase in manufacturing costs. Furthermore, the above was influenced by the seasonality of sales characterised with significantly lower level of generated revenues in the first half of the year and generating a significant part of revenues from sales in the second half of the calendar year.

General management costs amounted to PLN 17,316 thous. and increased by 31.6%, i.e. by the amount of PLN 4,155 thous. in comparison with the comparable period, which mainly resulted from the costs of the due diligence process related to the process of refinancing and recapitalising the Company (of which the Company informed in the Current Report no. 4/2019) in the amount of PLN 1,514 thous. and resignation from charging the management fee on the subsidiary, which in the first half of the previous year decreased the costs of general management. Costs of sales, marketing and distribution amounted to PLN 1,139 thous. and dropped by PLN 240 thous. Other operating revenues amounted to PLN 1,025 thous. and increased by PLN 355 thous. with regard to the 1st half of the year 2018. This increase was mainly caused by the profit from sales of non-financial fixed assets having the value of PLN 350 thous. Other operating costs amounted to PLN 3,839 thous. and increased by PLN 2,737 thous. with regard to the 1st half of the year 2018, which was caused by, among others, enforcement costs of the debt of PLN 1,807 thous. For the period of 6 months of the year 2019 the Company generated a loss on the operating activity in the amount of PLN 20,843 thous., with PLN 11,580 thous. loss on the operating activity for the 1st half of the year 2018.

The Company's financial revenues for the period from January 1 to June 30, 2019 amounted to PLN 4,757 thousand. and decreased in relation to the comparable period by PLN 8,588 thousand, which results from the fact that the Company recognized lower revenues from received dividends from subsidiaries by PLN 8,478 thousand in relation to the same period of the comparable year. Financial costs in the first half of 2019 increased by PLN 4,152 thousand and totaled PLN 7,245 thousand. This increase resulted from the increase of costs due to interests, including liabilities by PLN 2,398 thous., on leasing by PLN 1,089 thous., on credits and loans by PLN 691 thous.

In the analyzed period, the Company incurred a gross loss of PLN 23,331 thousand. This result was lower by PLN 22,003 thousand compared to the same period of the previous year, in which the Company reached gross loss in the amount PLN 1,328 thousand.

The Company ended the 1st half of the year 2019 with net loss in the amount of PLN 18,906 thous., this result was lower by PLN 20,262 thous. in comparison with the result generated in the 1st half of the year 2018.

The balance sheet total as at June 30, 2019 amounted to PLN 1,308,468 thousand and was higher by PLN 51,651 thousand from the balance sheet total at the end of 2018.

The value of fixed assets as at June 30, 2019 was PLN 714,635 thousand and grew by an amount PLN 11,119 thousand, which is an increase of 1.6% compared to non-current assets as at December 31, 2018.

Current assets increased by 7.3% compared to December 31, 2018 and they reached the value of PLN 593,833 thousand. Trade receivables and other receivables increased by PLN 17,287 thous., whereas capital and equivalent decreased by PLN 33,812 thous. In turn, inventories rose by PLN 14,718 thousand to the level of PLN 65,079 thousand, which is related to the preparation of the Company for the implementation of large-scale projects. On the balance sheet day contract assets amounted to PLN 208,407 thous. and increased in comparison with the end of the previous year by PLN 48,379 thous.

The Company's equity as at June 30, 2019 totaled PLN 520,809 thousand and dropped by PLN 18,897 thousand, i.e. by 3.5% compared to December 31, 2018.

Long-term liabilities as at June 30, 2019 amounted to PLN 89,559 thousand and increased by PLN 22,480 thousand, i.e. by 33.5% compared to the balance as at December 31, 2018. The main increase factor thereof consisted in the increase in the status of credits and loans by PLN 24,017 thous.

Short-term liabilities reached PLN 698,100 thousand and rose by PLN 48,067 thousand, i.e. by 7.4% compared to the balance at the end of the previous year. The aforementioned increase was influenced by the increase in the balance

of trade liabilities and other liabilities by the amount of PLN 57,238 thous., and thus, by 18.3% in the analysed period in comparison with the value as on 31.12.2018.

The company started the year 2019 with cash presented in the cash flow statement in the amount of PLN 61,451 thousand and ended the period of six months with the balance of cash in the amount of PLN 27,639 thousand. Net cash flow for the six-month period of 2019 was negative and totaled PLN 33,812 thousand, which is a decrease of PLN 14,367 thousand compared to the same period of 2018.

4. Risk to going concern and actions taken and planned by the Management Board

In connection with Note 5 of the consolidated quarterly report of the Trakcja Group for the 3 months ended on March 31, 2019, the Company's Management Board presents the update regarding the issues described in the above note to the financial statements.

Going concern

These financial statements for the six-month period ended June 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 6 months ended on 30 June 2019, the Company recorded net loss of PLN 18,906 thousand, and the net negative working capital amounted to PLN 104,268 thousand.

As at June 20, 2019, the Company's financial liabilities due to credits and lease amounted to a total of PLN 239,967 thousand (long-term part PLN 85,006 thousand, short term part PLN 154,961 thousand).

As at June 30, 2019, trade liabilities were at PLN 293,337 thousand, including outdated at PLN 151,080 thousand, which the Company pays from current inflows to a possible extent.

The Company is in the process of negotiations with financial institutions regarding long-term financing.

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

General situation of the Company and action undertaken

The Company recorded the following results for the 6 months ended on June 30, 2019:

- Gross result on sales: PLN 426 thousand (H1 2018: PLN 3,392 thousand)
- EBITDA: PLN -8.931 thousand (H1 2018: PLN 8,513 thousand)
- Net result: PLN -18,906 thousand (H1 2018: PLN 1,356 thousand)

In the years 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, the prices of infrastructural construction, costs of subcontracting and costs of labour increased noticeably. This was related with generating lower margins on executed contracts.

Factors that had most significant effect on sales and the results of H1 2019 include:

- Sales seasonality, characteristic for entities in the building industry, which is linked with a substantially lower level of revenues in the first half and generating a significant amount of sales revenues in the second half of a calendar year;
- Settlement of low-margin construction contracts won during more difficult years and before the significant increase of production costs.

The current contract portfolio in comparison to December 31, 2018 decreased by approximately 12% and as at June 30, 2019 amounted to approximately PLN 1.9 billion net. in the period 01.01.2019 – 31.06.2019, the Company signed agreements with the total value of above PLN 123.5 million net, of which most exceeded investor budgets.

In H1 2019, the Company's Management Board undertook negotiations with PKP PLK to amicably settle court disputes. The Company's Management Board is negotiation the receipt of payment due to contract claims proceeded in court from PKP PLK, the total amount of which as at the date of publication of this semi-annual report amounts to approximately PLN 155,504 thousand (gross amount along with interest capitalized as at the date of filing the law suit). The Company is conducting negotiations with PKP PLK with the participation of State Treasury Solicitor's Office (Prokuratoria Generalna). The value of remaining contractual claims asserted by the Company out of court is at PLN 165,294 thousand. At this stage, the Company's Management Board cannot determine the end date of negotiations, whereas the financial effect was explained in Note 5 to these financial statements.

In addition, the Company's Management Board informs that on May 22 this year 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 value of the Agreement was agreed by the Parties at PLN 83,796,445.61 gross. The Company assesses the value of claims to be asserted by the Contractor from the Ordering Party in connection with the withdrawal for reasons attributable to the Ordering Party at the amount of at least PLN 11 million due to settlements of performed and accepted works, and at PLN 8,379,644.56 due to contractual penalties. Other details are described in RB 9/2019.

Apart from activities affecting the improvement of future financial results, the Company's Management Board is mainly concentrating on the Company's liquidity. The Company is running an active policy in terms of liquidity management, monitoring liquidity in short and long term, and also conducts weekly monitoring of cash flow aiming at maintaining a stable level of available financing. To maintain liquidity, the Company undertakes activities aiming at obtaining contracts foreseeing advance payments. The Company places emphasis on the optimization of invoicing processes through shortening the period between execution of works and invoicing completed works.

As at June 30, 2019 the Company held cash and cash equivalents in the amount of PLN 27,639 thousand, as well as unused credit lines in the amount of PLN 22,314 thousand.

As at the date of signing these financial statements, the Company held cash and cash equivalents in the amount of PLN 22,001 thousand, as well as unused credit lines in the amount of PLN 2,212 thousand. The Company estimates that the demand for target additional financing (in account of debt bridge financing obtained to date in the amount of PLN 51 million, described below) will be at PLN 190 - 210 million, which it plans to obtain through increasing debt financing and an increase of capital.

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"d 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.

New contracts won

As it has been the case so far, the Company intends to actively participate in tender procedures in the railway and road market, which are currently characterised with a smaller number of participants. Lower pressure from competition results from the market saturation with investment with regard to the capacity potential of construction companies in the Polish market. The current tendency in the market demonstrates that contractors' bids significantly exceeding investment budgets are more and more frequently accepted by contracting authorities.

The Company has placed the most favourable bid in the following tenders:

- a) "Redevelopment of track systems and accompanying infrastructure at the E59 railway line, Choszczno - Stargard section, within the scope of the project entitled "Works at the E59 railway line, Poznań Główny – Szczecin Dąbie section (Company's share - PLN 275 million);
- b) "Renovation of railway lines no. 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleiszów – Cieszyn/Wisła Głębce", part A (Company's share - PLN 248 million);
- c) Redevelopment of the intersection: Grójecka, Harfowa, Raclawicka streets (Company's share - PLN 11 million);
- d) Design and construction of the railway section of 7.4 km Sofia - Voluyak - LOT 0 (Company's share - PLN 125 million).

The Company was selected as the contractor, and the Management Board expects an invitation to sign contracts in w 2019.

Operations undertaken by the Company post balance-sheet date:

1. The Company signed a contract for the following construction works: "Redevelopment of the track system along with accompanying infrastructure at the E59 railway line, Stargard – Szczecin Dąbie section, within the scope of the project entitled "Works at the E59 line, Poznań Główny – Szczecin Dąbie section", with net value assigned to the Company in the amount of PLN 280 million, within which the Company expects a prepayment of up to 10% of the contract value, and two contracts with the total value of PLN 8 million.
2. The Company is finalizing negotiations with financial institutions concerning long-term financing for financing working capital and current operations, including repayment of overdue debt.

To fill the financial gap in the amount of PLN 190-201 million, pursuant to the decision of the Management Board on undertaking activities to refinance the existing bank debt of the Company and its additional capitalization (rb no. 4/2019 of February 18, 2019), the Company - after obtaining bridge financing - is continuing negotiations with banks and insurance companies on credit and guarantee financing as well as the required additional capitalization. The Company is negotiation participation in credit financing and additional capitalization with the following financial institutions: mBank S.A., Credit Agricole Bank Polska S.A., Bank Pekao S.A., shareholder of COMSA, and with two entities the names of which cannot be disclosed at this point. The Company is negotiation participation in guarantee financing with the following entities: STU Ergo HESTIA S.A., KUKA S.A., PZU S.A., Generali TU S.A., CREDENDO, AXA Ubezpieczenia TUiR S.A., InterRisk S.A., TUiR Allianz Polska S.A., Gothaer TU S.A., UNIQA TU S.A. Simultaneously, the Company is in the process of negotiating new bank guarantee limits. The Extraordinary Shareholders Meeting on capital increase and changes in the Company Deed is planned on September 13, 2019. Further significant steps in the process will be notified in relevant reports.

The Company is planning to finalize the process of obtaining new financing and capital decrease in third quarter of this year. The prolongation of this end date in comparison to earlier assumptions is a consequence of the complexity of the entire process. The Company received a letter of intent from the COMSA shareholder, with a confirmation of willingness to participate in both bridge financing and capital increase. Finalizing the process within the indicated deadline will substantially reduce the risk of a threat to going concern.

The on June 24, 2019 the Company signed a termsheet on long-term financing, which was the suspending condition of payment of funds from bridge financing. Due to negotiations in process, as well as arrangements on long-term financing parameters, the Company is not publishing any details of the aforementioned document.

3. 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 is expecting a prepayment n the sale of the property at ulica Oliwska in Warsaw. The prepayment is to amount to PLN 3.5 million, meaning 20% of the expected sales price.

The Management Board of the Company believes that conducted analyses and undertaken steps sufficiently neutralise the risk of losing liquidity. In the Company's opinion conducted activities shall allow securing funding of conducted activity and shall prepare the Company to implement a larger scale of projects.

Risk of failure of undertaken activities

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

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

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

5. Revenue from contracts with customers

Main types of products and services	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Construction and assembly services	410 751	400 149
Design services	2 929	5 433
Equipment rental	3 639	1 056
Production (switchgears, supporting structures, bituminous masses, etc.)	4 663	2 975
Deliveries of goods and materials	681	1 980
Other	788	686
Total	423 451	412 280

Distribution of revenues by country	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Poland	422 810	408 790
Germany	-	171
Hungary	260	3 072
Ukraine	381	247
Total	423 451	412 280

Distribution of revenues due to recipients	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Government and local government institutions	407 803	381 988
Private sector	15 648	30 292
Total	423 451	412 280

	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Distribution of revenues due to the duration of contracts		
Up to 12 months	221 533	94 121
Over 12 months	201 918	318 159
Total	423 451	412 280

All agreements concerning construction contracts are based on a fixed price. All revenues from contracts are recognized using the percentage of completion method. In turn, revenues related to the sale of materials and other services are recognized at the time of transfer of the goods.

The Company's Management Board is negotiating receiving payment due to the contractual claims proceeded before the court from PKP PLK, the total of which as on the day of the publication hereof amounts to approx. PLN 155,504 thous. (the amount gross with interests capitalised on the day of filing the suit). On the grounds of the conducted internal analyses and opinions of external advisors, the Company includes in long-term contracts' budgets court claims against contracting authorities. The amount of court claims submitted by the Company against contracting authorities included in the long-term contracts' budgets was adjusted with the risk ratio and the probability ratio. The amount of claims possible to be obtained by the Company is between PLN 35-50 m. The amount was estimated on the basis of expert opinions and Company's estimates on the grounds of the historical data and analysis of particular contracts. The Management Board does not provide the accurate amount of claims included in the financial statement due to the interest of pending negotiations with the contracting authority.

6. Operating expenses

Costs by type:

	Period ended	
	30.06.2019	30.06.2018
	<i>Unaudited</i>	<i>Unaudited</i>
Depreciation	9 975	7 157
Consumption of materials and energy	99 256	118 767
External services	261 645	243 803
Taxes and charges	1 699	1 439
Payroll	58 289	56 245
Social security and other benefits	14 537	13 649
Other types of costs	14 288	6 000
Total costs by type	459 688	447 059
Change in inventories, products and prepayments	(15 537)	(5 994)
Cost of manufacture of products for the entity's own needs (negative value)	(3 361)	(19 575)
Cost of sales, marketing and distribution (negative value)	(1 139)	(1 379)
General and administrative costs (negative value)	(17 316)	(13 161)
Manufacturing cost of products sold	422 335	406 950
Value of materials and goods sold	690	1 938
Cost of goods sold	423 025	408 888

7. Other operating revenues

	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Received penalties and fines	-	57
Redeemed liabilities	89	139
Profit on sale of non-financial non-current assets	375	25
Other	561	449
Total	1 025	670

8. Other operating costs

	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Paid costs of litigation	431	31
Receiveables write-off	7	7
Paid fines, compensation	1 807	-
Other	1 594	1 064
Total	3 839	1 102

The other item includes mainly own costs due to the sale of other services, costs of third party liability insurance and non-deductible VAT.

9. Financial revenue

	Period ended	
	30.06.2019 <i>Unaudited</i>	30.06.2018 <i>Unaudited</i>
Financial revenues from interest, including:	404	456
- bank interest	81	23
- loan interest	54	46
- receivables	-	281
- other	269	106
Income from received dividends	4 350	12 828
Profit from exchange rate differences	3	61
Total	4 757	13 345

In the first half-year of 2019, the Company recognised revenues from dividends in the amount lower by PLN 8,478 thousand than their balance in the analogous period of the previous year.

10. Financial costs

	Period ended	
	30.06.2019	30.06.2018
	Unaudited	Unaudited
Financial costs on account of interest, including:	6 497	2 336
- interest on loans and borrowings	2 133	1 442
- on liabilities	2 486	88
- on factoring	-	21
- on leasing	1 823	734
- on liability from employee benefits	46	51
- other	9	-
Costs of commissions for advance payment guarantee	406	389
Financial commission paid	246	368
Other financial costs	96	-
Total	7 245	3 093

11. Income tax recognized in other comprehensive income

	Period ended	
	30.06.2019	30.06.2018
	Unaudited	Unaudited
Foreign exchange differences on translation of foreign operations		
Gross amount	9	(42)
Net amount	9	(42)

12. Tangible non-current assets and intangible assets

From January 1, 2019 to June 30, 2019 the Company purchased tangible non-current assets and intangible assets in the amount of PLN 4,362 thousand (PLN 27,303 thousand in the comparable period).

From January 1, 2019 to June 30, 2019 the Company sold tangible non-current assets and intangible assets in a total book value of PLN 87 thousand (PLN 21 thousand in the comparable period).

The structure of fixed assets is as follows:

As at June 30, 2019	Lands	Buildings and premises	Technical equipment	Means of transport	Other Fixed assets	Fixed assets under	Total
Own	14 085	2 584	11 833	16 863	2 435	29 698	77 498
Used under a rental, lease or other contract, including lease agreements, perpetual usufruct of land	2 419	4 273	42 158	47 444	-	-	96 294
As at January 01, 2019	Lands	Buildings and premises	Technical equipment	Means of transport	Other Fixed assets	Fixed assets under	Total
Own	14 161	2 713	12 637	14 076	2 801	31 120	77 508
Used under a rental, lease or other contract, including lease agreements, perpetual usufruct of land	2 439	5 812	40 783	52 106	-	-	101 140

Below, the change in the status of fixed assets used on the grounds of the agreement classified as leasing according to IFRS 16 has been presented:

	Lands	Buildings and premises	Technical equipment	Means of transport	Total
Balance on January 1, 2019	2 439	5 812	40 783	52 106	101 140
Depreciation for the six months of 2019	(20)	(2 486)	(1 113)	(2 513)	(6 132)
Assets components from new lease agreements	-	947	2 488	705	4 140
Other increases / decreases	-	-	-	(2 854)	(2 854)
Balance as at June 30, 2019	2 419	4 273	42 158	47 444	96 294

13. Investments in subsidiaries and entities consolidated under the equity method

As at June 30, 2019 the Company held the following shares in subsidiaries:

- shares in AB Kauno Tiltai with its registered office in Kaunas in the total amount of PLN 353,362 thousand which is 96.84% of the share capital of AB Kauno Tiltai. Trakcja PRKił holds a total of 98.09% (96.84% directly and 1.25% indirectly) of the share capital of AB Kauno Tiltai. The indirect shareholding results from the acquisition of own shares by the subsidiary.
- shares in PRK 7 Nieruchomości Sp. z o.o. with its registered office in Warsaw in the amount of PLN 17,169 thousand which is 100% of its share capital;
- shares in Torprojekt Sp. z o.o. with its registered office in Warsaw in the amount of PLN 1,400 thousand which is 82.35% of its share capital;
- shares in Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. in the amount of PLN 29,466 thousand which is 99.70% of its share capital;
- shares in Dalba Sp. z o.o. in the amount of PLN 385 thousand which is 100% of its share capital;
- shares in PDM Białystok S.A. in the amount of PLN 204 thousand which is 94.62% of its share capital;
- shares in Bahn Technik Wrocław Sp. z o.o. in the amount of PLN 23,508 thousand which is 100% of its share capital.

14. Impairment test on investment and goodwill in intangible assets

As at June 30, 2019, the following prerequisites occurred in AB Kauno tiltai indicating the possible impairment of investments. There were no indications identified the need to test the impairment of other investments. As at the balance sheet date, the Company's financial statements contain goodwill of PLN 48,732 thousand (31 December 2018: PLN 48,732 thousand), recognised under intangible assets. Goodwill was created as a result of the acquisition of and merger with PRK-7 S.A. in 2009 and PRKił S.A. in 2013, and the acquisition of shares in PRK 7 Nieruchomości. Goodwill resulting from the merger with PRK-7 S.A. and recognised in intangible assets (PLN 46,681 thousand) and goodwill resulting from the merger with PRKił S.A. and recognised in intangible assets (PLN 2,051 thousand) were allocated to the cash-generating unit ("CGU") that consisted of the following companies: Trakcja PRKił, Torprojekt Sp. z o.o. and Bahn Technik Wrocław Sp. z o.o. As at 30 June 2019, there were no indications that the value of property could change.

The most crucial premises indicating the need to conduct the impairment test on AB Kauno tiltai investment:

1. A delay in announcing tenders in Lithuania
2. An amendment of the Lithuanian companies' contracts' portfolio structure – worsening of margins with regard to the decrease in the average value of road contracts in Lithuania. Additional factor affecting margins

constituted tightening requirements regarding the quality of road projects implemented by the contracting authority.

The most crucial premises of the possibility of impairment of CGU Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.:

1. Settling low margin construction contracts obtained in previous years more difficult for tenders and before the significant increase in manufacturing costs;
2. The balance sheet value of net assets of the company Trakcja PRKił S.A. is higher than the value of their market capitalisation on the balance sheet day. (IAS 36, par. 12d)

Therefore, the impairment test on investment in the company AB Kauno Tiltai and the impairment test on goodwill allocated to CGU were conducted on 30 June 2019. For the purposes of the impairment test, the related party was treated as a separate unit generating cash flows. The recoverable amount of the investment is determined on the basis of value-in-use calculations. These calculations use cash flow forecasts for a 4,5 year period. Cash flows exceeding the 4,5 year period have been estimated by calculating the residual value calculated using discount rates computed as the weighted average cost of equity and foreign equity. The growth rate in the residual period has been adopted at a level of 2% and it does not exceed the long-term inflation rate. The Management Board stipulates budget margin on the grounds of historical results, updated contractual budgets and its market development forecasts. The applied discount rate is a post-tax rate reflecting a specific risk regarding particular segments not recognised in cash flow forecasts, calculated on the grounds of the CAPM.

Basic assumptions for the purposes of the test on impairment of the investment:

As at 30.06.2019	AB Kauno Tiltai
WACC before taxation	8,9%
EBITDA margin	4.6% - 7.3%
Growth rate in the residual period	2,0%

As at 31.12.2018	AB Kauno Tiltai
WACC before taxation	10,2%
EBITDA margin	3,7% - 7,3%
Growth rate in the residual period	2,0%

In the years 2018 and 2019, the transport infrastructure construction market in Lithuania was characterised by fragmentation of tenders which was related with tenders being entered by competitors characterised with lower fixed costs, which resulted in a higher pressure on the price offer. An additional factor affecting margins constituted tightening the contracting authorities's requirements regarding road projects implementation. It resulted in obtaining lower margins on performed contracts in the 1st half of 2019. In the Parent Company's Management Board's opinion, current worsening of the situation in the Lithuanian construction market is temporary. Currently, the Management Board expects announcement of larger tenders, which should result in increasing revenues and margins in the future. Furthermore, tighter requirements regarding works in the road market should be taken into consideration by all market bidders. Moreover, announcement of tenders within the "Rail Baltica" project is planned in the next years, which, in the Parent Company's Management Board's opinion should have a positive impact both, on revenues and obtained margins.

Basic assumptions made for the purposes of the impairment test of the company CGU Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.:

As at 30.06.2019	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.
WACC before taxation	11,9%
EBITDA margin	4,4% - 7,7%
Growth rate in the residual period	2,0%

As at 31.12.2018	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.
WACC before taxation	12,8%
EBITDA margin	3,2% - 8%
Growth rate in the residual period	2,0%

In the years 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, the prices of infrastructural construction, costs of subcontracting and costs of labour increased noticeably. It was related to achieving lower margins on implemented contracts, as a result of which EBITDA CGU in the 1st half of the year 2019 was lower than the results achieved in the previous years. Currently, tender procedures in the railway and road market are characterised with smaller number of participants. Furthermore, the current tendency in the market demonstrates that contractors' bids significantly exceeding investment budgets are more and more frequently accepted by contracting authorities. As on 30 June 2019, the contract portfolio of Trakcja PRKił S.A. amounted to PLN 1,870 m, of which PLN 123.5 m comprise agreements signed in the 1st half of the year 2019, whose expected average margins are higher than the ones currently achieved. In the Parent Company's Management Board's assessment, current worsening of the situation in the construction market is temporary. The announced investment plans in the railway structure within the NCP programme allowed the Group to assume generating revenues in the following years at a similar or higher level than in the previous years. The assumed EBITDA margin in the residual period amounts to 5.8%.

As a result of carried out tests, impairment of AB Kauno tiltai investment was not stated as on June 30, 2018.

The sensitivity analysis indicates that the significant factors influencing estimates of use value of cash flow generating centres are as follows: profitability of executed construction contracts, assumed level of a discount rate and growth rate of revenues in infrastructural construction markets in Poland and Lithuania.

Below, the sensitivity analysis of the recoverable amount of investment in AB Kauno tiltai with regard to the amendment of particular indexes used in the impairment test has been presented.

Factor applied	Reasonably possible change of the factor	Liabilities due to employee benefits	
		increase	decrease
EBITDA	+/- 2,5%	16 532	(16 532)
WACC	+/- 0,25 p.p.	(20 956)	22 834

Analiza wrażliwości dla CGU składającego się ze spółek: Trakcja PRKił, Torprojekt Sp. z o.o. oraz BTW Sp. z o.o.

The selected explanatory notes constitute an integral part hereof.

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	23 868	(23 868)
WACC	+/- 0,25 p.p.	(16 369)	17 422

The Company analyzed the sensitivity of the change in EBITDA +/- 2.5% and WACC +/- 0.25 pp., as a result of which it was found that a reasonable change in assumptions in all of the above cases would not result in the need to recognize an impairment write-down.

15. Investment properties

Investment properties are measured by the Company at fair value. The Company estimates their values as at December 31 on the basis of valuations carried out as at such a date by independent experts. Throughout the year, as at the consecutive balance sheet dates, i.e. March 31, June 30 and September 30, the Company assesses whether there are any indications that the fair value may need to be changed.

The most recent valuation of investment properties by an independent expert was carried out as at December 31, 2018. As at June 30, 2019 the Company stated that there were no indications that the values of investment properties changed significantly.

In addition, in connection with the implementation of IFRS 16 "Lease" from January 1, 2019, the Company recognizes assets related with the right of use due to the right of perpetual usufruct of land - in investment real estate.

The structure of investment properties is presented below:

	Own real estate	Assets due to the right of use	Total
Balance as at January 1, 2018	17 174	-	17 174
Acquisitions	-	-	-
Transfers from Fixed Assets	-	-	-
Change in fair value measurement	439	-	439
Depreciation	-	-	-
Balance as at December 31, 2018	17 613	-	17 613
IFRS 16 implementation	-	2 236	2 236
Acquisitions	-	-	-
Change in fair value measurement	-	-	-
Depreciation	-	(16)	(16)
Balance as at June 30, 2019	17 613	2 220	19 833

16. Settlements under contracts with customers

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Asset on account of contracts with customers	208 407	160 028
Surplus of revenues resulting from degree of advancement over invoiced revenues	193 829	139 823
Advances paid towards contracts being performed	14 578	20 205
Liabilities on account of contracts with customers	121 062	129 229
Surplus of invoiced revenues over revenues resulting from degree of advancement	26 773	15 982
Advances received towards contracts being performed	94 289	113 247

17. Inventory

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Materials	58 650	47 380
Semi-finished goods and products in progress	6 103	2 764
Finished goods	458	349
Merchandise	20	20
Total, gross inventory	65 231	50 513
Inventory revaluation write-offs	(152)	(152)
Materials	58 524	47 255
Semi-finished goods and products in progress	6 104	2 764
Finished goods	431	322
Merchandise	20	20
Total, net inventory	65 079	50 361

18. Trade and other receivables

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Gross trade receivables, before discounting	257 268	243 415
Total, gross trade receivables	257 268	243 415
including:		
- receivables from related entities	3 338	681
Budgeted receivables	1	3
Receivables claimed in court	1 605	3 479
Other receivables from third parties	28 903	16 689
Receivables from sale of property	53 000	53 000
Amounts held	1 851	3 540
including:		
- amounts held from related entities	18	18
Total, gross trade and other receivables	342 628	320 126
Expected credit loss	(72 211)	(66 996)
Total	270 417	253 130

19. Cash and other equivalents

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Cash in hand	10	57
Cash at bank	7 879	35 463
Other cash - deposits	19 750	25 931
Total	27 639	61 451

20. Share capital

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Total	51 399 548	51 399 548

The Company's share capital is PLN 41,119,638.40 and is divided into 51,399,548 shares with a par value of PLN 0.8 each, which give entitlement to the same number of votes at the Company's General Meeting. All shares are fully paid-up.

21. Interest-bearing loans and borrowings

Long-term interest-bearing loans and borrowings:

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Bank loans	15 123	-
- investment loans	15 123	-
Loans from other entities	6 322	20 673
- project purpose loans	6 322	20 673
Lease liabilities	63 561	40 316
Total	85 006	60 989

Short-term interest-bearing loans and borrowings:

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Bank loans	124 243	106 690
- working loans	5 059	13 912
- overdraft	-	16 781
- working loans	119 184	75 997
Loans from related parties	11 724	21 760
Loans from other entities	985	2 053
- project purpose loans	985	2 053
Lease liabilities	18 009	14 320
Total	154 961	144 823
Total short and long term loan and credits	239 967	205 812

Credits and loans

As at 1.01.2019 **151 176**

Audited

Credits and loans received	32 559
Repayment of loans and credits	(2 727)
Accrued interest	2 104
Interest paid	(1 818)
Foreign exchanges	(170)
Transfer to lease liabilities	(22 727)

As at 30.06.2019 **158 397**

Unaudited

including	
- long-term	136 952
- short-term	21 445

In H1 2019 the Company transferred an investment loan of PLN 22,727 thousand to lease liabilities, since the contract meets the definition of lease according to IFRS 16.

Structure of lease liabilities

	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Long-term leasing liability	63 561	43 943
Short-term leasing liability	18 009	15 918
Total	81 570	59 862

Maturity analysis of lease liabilities according to contracts:

Undiscounted lease liabilities by contract	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Within 1 year	20 853	17 052
Within 1 to 5 years	51 555	44 306
Over 5 years	17 503	2 582
Total undiscounted lease liabilities	89 911	63 940

Present value of the minimum lease payments	30.06.2019	31.12.2018
	<i>Unaudited</i>	<i>Audited</i>
Within 1 year	18 009	14 320
Within 1 to 5 years	46 879	27 103
Over 5 years	16 682	13 213
Total	81 570	54 636

Costs related to lease contracts:

	1.01.2019 - 30.06.2019 <i>Unaudited</i>
Depreciation	6 133
Interest	1 823
Total leasing costs	7 956

Cash flow from lease contracts in the period from January 1, 2019 to June 30, 2019 were negative and amounted to PLN -9,320 thousand.

22. Trade and other liabilities

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Trade liabilities, before discounting	264 580	224 831
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	264 580	224 831
including:		
- liabilities from related entities	23 103	10 027
Amounts held	28 757	27 430
Budgetary liabilities	69 157	55 567
Payroll liabilities	2 866	2 639
Other liabilities towards third parties	5 170	2 825
Total trade and other liabilities	370 530	313 292

Trade liabilities and amounts held:

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Trade liabilities before discounting	293 337	252 261
With maturity within 12 months	282 125	240 202
With maturity over 12 months	11 212	12 059
Discounting of liabilities	-	-
Total, Trade liabilities after discounting	293 337	252 261

23. Provisions

As at 1.01.2019	56 530
<i>Audited</i>	
Recognized	14 773
Exchange differences on translating foreign entities	-
Used	(26 552)
Reversed	(182)
As at 30.06.2019	44 569
<i>Unaudited</i>	
including	
- long-term	2 910
- short-term	41 659

As at 31 December 2018, the balance of provisions for warranty works amounted to PLN 6,372 thousand and the value of bonuses provisions was at the level of PLN 3 763 thousand. During the first half of 2018, the Company created provisions for bonuses in the amount of PLN 3,002 thousand, for losses on contracts in the amount of PLN 10,509 thousand and for warranty works worth PLN 563 thousand. In addition, in the analyzed period, the Company terminated provisions for warranty works in the amount of PLN 1,356 thousand and also used reserves for the same purpose in the amount PLN 1,029 thousand. The company also used reserves for correction works in the amount of PLN 912 thousand and provisions for losses on contracts in the amount of PLN 25,016 thousand.

24. Fair value of financial instruments

In the first half-year of 2019, the Company did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual 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 therefore their fair values are close to their carrying amounts.

For the shares held in other entities (including the related entities), the Company is unable to reliably determine their fair value due to the fact that they are not listed on the active market. In keeping with the accounting policy adopted by the Company, such shares are measured at cost less any impairment losses. A test for impairment was performed as at June 30, 2019, because there were indications of the possible impairment of investment in AB Kauno tiltai. The description was made in note 14.

In the first half-year of 2019, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

25. Assets and liabilities measured at fair value

The Company measures at fair value such categories of assets and liabilities as investment properties and financial derivatives. In the first half-year of 2019, the measurement method applied to the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Company's Annual Financial Statements for 2018.

30.06.2019				
	Unaudited	Level 1	Level 2	Level 3
Investment properties:	17 613	-	-	17 613
Office property	17 613	-	-	17 613
- land	14 049	-	-	14 049
- buildings	3 564	-	-	3 564

31.12.2018				
	Audited	Level 1	Level 2	Level 3
Investment properties:	17 613	-	-	17 613
Office property	17 613	-	-	17 613
- land	14 049	-	-	14 049
- buildings	3 564	-	-	3 564

Level 1 – quoted market prices for similar assets or liabilities in active markets;

Level 2 – prices in active markets other than quoted market prices, set directly (by comparison with actual transactions) or indirectly (by application of measurement methods based on actual transaction);

Level 3 – prices other than prices in active markets.

In the first half-year of 2019, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

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

In the 1st half of the year 2019 the Company did not introduce any changes to the classification of financial assets.

27. Change in impairment losses and write-downs

	Inventory	Receivables	Total
As at 1.01.2019			
<i>Audited</i>	152	66 996	67 148
Recognized	-	7 011	7 011
Used	-	(232)	(232)
Reversed	-	(1 566)	(1 566)
As at 30.06.2019			
<i>Unaudited</i>	152	72 210	72 362

28. Contingent and other off-balance-sheet-items

	30.06.2019 <i>Unaudited</i>	31.12.2018 <i>Audited</i>
Contingent receivables		
From related entities due to:	65 216	89 206
Received guarantees and sureties	63 925	88 366
Bills of exchange received as collateral	1 291	840
Total contingent receivables	65 216	89 206
Contingent liabilities		
From related entities due to:	2 400	-
Provided guarantees and sureties	2 400	-
From other entities due to:	9 516 251	2 513 844
Provided guarantees and sureties	670 778	897 239
Promissory notes	639 013	449 589
Mortgages	129 000	181 979
Assignment of receivables	1 020 434	887 692
Assignment of rights under insurance policy	37 000	40 483
Security deposits	18 405	24 612
Other liabilities	7 001 621	32 250
Total contingent liabilities	9 518 651	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 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 on 30 June 2019 and as on 31 December 2018 the remaining contingent liabilities concerned pledges by registration.

As at June 30, 2019, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 1,128 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 PLN 3,548 thousand as at June 30, 2019 (PLN 4,501 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 June 30, 2018 are sufficient to mitigate the recognised and measurable tax risk.

29. Transactions with related parties

Transactions with related entities are made at arm's length.

Please also find below information on receivables from and liabilities towards the related entities as at balance sheet date and as at the end of the comparable period.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial income due to dividends received
Shareholders:						
COMSA S.A.	1.01.19-30.06.19	2	753	-	-	-
	1.01.18-30.06.18	-	1 250	-	-	-
Subsidiaries:						
PRK7 Nieruchomości Sp. z o.o.	1.01.19-30.06.19	32	232	-	118	218
	1.01.18-30.06.18	175	4	-	5	157
Torprojekt Sp. z o.o.	1.01.19-30.06.19	172	954	-	-	418
	1.01.18-30.06.18	172	1 849	-	-	125
AB Kauno Tiltai	1.01.19-30.06.19	65	8	-	127	-
	1.01.18-30.06.18	1 537	-	-	-	9 349
PEUIM Sp. z o.o.	1.01.19-30.06.19	117	-	-	11	1 055
	1.01.18-30.06.18	13	-	-	-	2 761
PDM Białystok S.A.	1.01.19-30.06.19	42	-	36	-	-
	1.01.18-30.06.18	-	-	28	-	-
Dalba Sp. z o.o.	1.01.19-30.06.19	6	502	18	-	-
	1.01.18-30.06.18	3	1 031	18	-	-
AB Kauno Tiltai Lenkijos skyrius	1.01.19-30.06.19	108	-	-	-	-
	1.01.18-30.06.18	5 151	10	-	-	-
BTW Sp. z o.o.	1.01.19-30.06.19	3 319	4 404	-	-	2 659
	1.01.18-30.06.18	317	2 293	-	-	436
Trakcja Ukraina Sp. z o.o.	1.01.19-30.06.19	200	-	-	-	-
	1.01.18-30.06.18	-	-	-	-	-
Trakcja Infra Sp. z o.o.	1.01.19-30.06.19	181	-	-	-	-
	1.01.18-30.06.18	-	-	-	-	-
Total	1.01.19-30.06.19	4 244	6 853	54	256	4 350
	1.01.18-30.06.18	7 368	6 437	46	5	12 828

The selected explanatory notes constitute an integral part hereof.

The total amounts of transactions made between the related entities in the period covered by the condensed financial statements and in the comparable period are presented below.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders:					
COMSA S.A.	30.06.2019	-	2 844	-	-
	31.12.2018	6	2 117	-	-
Subsidiaries:					
Bahn Technik Wrocław Sp. z o.o.	30.06.2019	1 349	3 238	-	-
	31.12.2018	266	4 402	-	-
PRK7 Nieruchomości Sp. z o.o.	30.06.2019	299	462	-	9 212
	31.12.2018	70	253	-	6 594
TORPROJEKT Sp. z o.o.	30.06.2019	472	207	-	-
	31.12.2018	25	510	-	-
AB Kauno Tiltai	30.06.2019	112	15 227	-	-
	31.12.2018	47	97	-	15 166
PEUIM Sp. z o.o.	30.06.2019	1 055	-	-	2 511
	31.12.2018	-	886	-	-
PDM Białystok S.A.	30.06.2019	14	-	2 101	-
	31.12.2018	6	-	2 065	-
Dalba Sp. z o.o.	30.06.2019	7	1 113	1 067	-
	31.12.2018	-	1 750	1 049	-
AB Kauno Tiltai Lenkijos skyrius	30.06.2019	-	12	-	-
	31.12.2018	130	12	-	-
Trakcja Ukraina Sp. z o.o.	30.06.2019	-	-	-	-
	31.12.2018	101	-	-	-
Trakcja Infra Sp. z o.o.	30.06.2019	30	-	-	-
	31.12.2018	30	-	-	-
Total	30.06.2019	3 338	23 103	3 168	11 723
	31.12.2018	681	10 027	3 114	21 760

The selected explanatory notes constitute an integral part hereof.

Trakcja PRKil S.A. and its shareholder, COMSA S.A., have signed an agreement for granting to the Company 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 is concluded at arm's length.

Trakcja PRKil S.A. and its subsidiary, AB Kauno Tiltai, concluded an agreement for the provision by the Issuer of support services to the subsidiary in the area of finance management, strategic management and human resources management. The Issuer's remuneration is determined at arm's length as the costs incurred by the Issuer as a result of the services provided plus a fixed margin. In the 1st half of the year 2019 the Company resigned from collecting a fee.

30. Remuneration of the Management Board members and Supervisory Board members

The total value of remuneration and other benefits for the Management Board members in the first half-year of 2019 was PLN 2,776 thousand, including PLN 2,528 thousand recognised as costs of the parent company and PLN 248 thousand recognised as costs of its subsidiaries.

In the comparable period of 2018, the total value of remuneration and other benefits for the Management Board members was PLN 3,191 thousand, including PLN 2,584 thousand recognised as costs of the parent company and PLN 607 thousand recognised as costs of its subsidiaries.

The total value of remuneration and other benefits for the Supervisory Board members in the first half-year of 2019 was PLN 902 thousand, including PLN 516 thousand recognised as costs of the parent company and the remaining amount of remuneration, namely PLN 386 thousand, recognised as costs of its subsidiaries.

In the comparable period of 2018, the total value of remuneration and other benefits for the Supervisory Board members was PLN 999 thousand, including PLN 498 thousand recognised as costs of the parent company and the remaining amount of remuneration, namely PLN 501 thousand recognised as costs of its subsidiaries.

Remuneration of the Management Board	Period ended			
	30.06.2019		30.06.2018	
	In parent company	In subsidiaries	In parent company	In subsidiaries
Salaries and other current employee benefits	1 666	248	2 434	607
Post-employment benefits	589	-	150	-
Benefits due to termination of employment	273	-	-	-
Total	2 528	248	2 584	607

Remuneration of the Supervisory Board	Period ended			
	30.06.2019		30.06.2018	
	In parent company	In subsidiaries	In parent company	In subsidiaries
Salaries and other current employee benefits	516	386	498	501
Total	516	386	498	501

31. Events subsequent to the end of the reporting period, which are not reflected in the financial statements for the first half-year of 2019

Significant events subsequent to the end of the reporting period have been presented in Note 42 of the interim consolidated financial statements of Trakcja Group for the 6-month period ended June 30, 2019.

Warsaw, September 10, 2019

Management Board:

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Person responsible for keeping the accounting records:

Elżbieta Okuła

Chief Accountant



TRAKCJA CAPITAL GROUP

REPORT ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2019

prepared pursuant to § 90 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws of 2014, item 133), as amended.

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

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Figures provided in this Report on the Activities of the Group are presented in thousand Polish zloty, unless explicitly stated otherwise. Financial information herein is prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union. This Report on the Activities of the Group does not cover all information or disclosures required in the annual report on the activities and it should be read together with the Group's consolidated financial statements for the year ended December 31, 2017. We would also like to emphasise forward-looking statements (e.g. may, will, expect, consider, estimate), because they are based on certain assumptions subject to risk and uncertainty. Therefore, the Group is not responsible for such information.

1. Business Activities of Trakcja Group

1.1 General information on the Group

Trakcja Group ("Trakcja Group" or "Group") is one of the leading entities on the Polish and Lithuanian railway and road infrastructure construction market.

The Group's activities concentrate on the comprehensive performance of works relating to a widely understood railway and road infrastructure with the use of modern machinery. The Group specialises in providing engineering and construction services in the following scope: design, construction and modernisation of railway and tramway lines, railway and tramway electrification system and power lines, as well as construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and associated elements of railway and road infrastructure. In addition, Trakcja Group may perform general construction works, including the preparation of construction sites and the construction and modernisation of structures, as well as structural works and finishing works. The key part of the Group's core business is the construction of buildings both for railway infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and for general purposes (residential and commercial). The services provided also include the development of power systems and remote control systems. For over seventy years, the Group members have been responsible for comprehensive medium and high voltage power systems in the new and modernised and renovated railway power facilities. The Group modernised several thousand kilometres of railway lines and provided power to over 10,000 kilometres of railway lines. It also constructed and modernised over 450 traction substations and 380 track section cabins.

In the road construction sector, the Group specialises in the construction and alteration of roads, motorways, bridges, viaducts, airports, water ports and public utility infrastructure systems. Since its establishment, i.e. since 1949, AB Kauno Tiltai, a member of the Group and the largest company in the infrastructure construction sector in the Baltic countries, has constructed over 100 bridges and viaducts and has been responsible for constructing and reconstructing numerous roads in Lithuania.

The Group's main attributes include its ability to execute the comprehensive performance of projects within its own capacity in all industries (railway track works, engineering facilities and overhead contact lines), its portfolio of contracts awarded and:

- its highly-qualified management along with the customer-orientated team,
- its wide experience of professional performance and coordination of works completed in a timely manner and according to the highest European standards,
- its modern machinery.

The Group has a competitive advantage over other companies, and its position on the market of services relating to the railway and road infrastructure both in Poland and in Baltic countries is grounded and stable.

The long-term market practice enabled the Group to develop management techniques for the projects performed, which ensure that the companies are able to complete the works assigned to them within the agreed schedules and simultaneously the required quality is maintained and the special requirements of investors are met.

The majority of the projects implemented by the Group are financed, in particular, with funds granted by European Union and Polish government. Their implementation requires the European procedures to be strictly complied with, which has also an effect on the quality of the services provided and products manufactured.

1.2 Changes in the Group and their consequences

In H1 2019, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred. The Group's organisational structure is presented in the diagram in Note 2 to the condensed consolidated financial statements for the six months ended June 30, 2019.

1.3 Types of products and services

The scope of activities in Trakcja Group has not changed compared to the one presented in note 2. Report on the Activities of the Trakcja Group in 2018.

1.4 Significant construction contracts

In the course of the 1st half of the year 2019 Trakcja Capital Group signed agreements of total value of approximately PLN 0.47 bn net, which constitutes a decrease by 33% in comparison with the analogous period in 2018. At the end of June 2019 the procurement portfolio amounted to approximately PLN 2.3 bn net, which constitutes an increase by approximately 14% with regard to the procurement portfolio at the end of June 2018. Taking into account own capacity potential, the Group conducts a balanced policy of acquiring contracts, which is confirmed with the size of the procurement portfolio. The above data is presented with an exclusion of a part of revenues attributable to consortium members and do not cover the most beneficial bids expected to be signed.

The Parent Company signed with the Municipality of Krakow, represented by the Director of the Board of the Communal Infrastructure and Transport (Zarząd Infrastruktury Komunalnej i Transportu) in Krakow, the agreement on the performance of the following construction works: "Reconstruction of the tramway tracks along Krakowska street at the section from Rollego street to Dietla street with the reconstruction of the existing road network, pavements, paths, accompanying technical infrastructure, Krakowska - Dietla - Stradomska junction with the reconstruction of Dietla street at the section from Bożego Ciała street to Augustiańska street and with the reconstruction of the existing Piłsudski bridge over the Vistula." The net value of the agreement amounts to 76,592,220.49 zloty. The works are to be executed within 10 months as of the day of the handover of the construction site with a reservation that obtaining track practicability for tramway traffic shall be provided within 8 months as of the day of the handover of the construction site. Other terms and conditions of the Agreement do not vary from the terms and conditions commonly used for this type of agreements. The above information was communicated in the Current Report no. 2/2019 of 7 February 2019.

Furthermore, past the balance sheet date and before publication of this statement:

The Parent Company signed, as the consortium leader, the agreement on the performance of construction works with PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw (the "Contracting Authority"): "Reconstruction of the railway network with the accompanying infrastructure on railway line E59, section Stargard – Szczecin Dąbie within the project »Works on railway line E59 at the section Poznań Główny – Szczecin Dąbie«" (the "Agreement"). The net total value of the Agreement amounts to 560,684,521.66 zloty. Due to the performance thereof the Company shall receive remuneration in the amount of 50% of its total value i.e. 280,342,260.83 zloty net. Works being the subject of the Agreement are to be executed until 30.11.2020. The above information was communicated in the Current Report no. 28/2019 of 4 July 2019.

AB Kauno tiltai signed the agreement with the Lithuanian Road Administration in the Ministry of Transport and Communication (the "Contracting Authority") to perform construction works: "Reconstruction of the national road of national significance A1 Vilnius - Kaunas- Klaipėda section from 99.29 to 100.47 km". The total net value of the Agreement amounts to EUR 26,727,512.06 (PLN 115,446,815.59). Works being the subject to the Agreement have to be finished within 17 months as of the date of its entry into force. This period does not include the period of suspending

works, which shall start on 15 December 2019 and end on 15 March 2020. The above information was communicated in the current report no. 34/2019 of 8 August 2019.

The Trakcja Group mainly executes railway and road contracts in Polish and Lithuanian market. The equipment and human potential of the Group allows performance of large contracts for several dozens or hundreds of millions. The largest contracts performed by the Group in the 1st half of the year 2019 are presented in the table below (the amount of the contract given with consideration of the value of works allocated to consortium members):

Lp.	Name of the contract	Net amount of the contract (PLN million)	Type of work
1.	Project and construction of the S61 express road in Szczuczyn-Budzisko (National border) with the division into tasks: Task No. 2: section Elk Południe node - Wysokie node (along with the wyplot along the national road 16)	558	road
2.	Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III (Dębica - Sędziszów Małopolski)	430	railway
3.	Designing and execution of construction works as part of the project "Works on railway lines No. 140, 148, 157, 159, 173, 689, 691 on the section Chybie - Żory - Rybnik - Nędza / Turze"	405	railway
4.	Execution of construction works in LCS Łowicz – section: Sochaczew – Żychlin and section: Placencja – Łowicz Główny as part of the task "Works on the E20 railway line on the Warszawa-Poznań section – other works, section: Sochaczew-Swarzędz"	394	railway
5.	Development of detailed designs and execution of works for LCS Warszawa Okęcie as part of the Project POIiŚ 7.1-19.1.a. pn. "Modernization of the railway line No. 8, section Warsaw Okęcie - Radom (LOTA, B, F)"	381	railway
6.	Design and execution of works within the framework of the project construction of the Szczecin Metropolitan Railway using the existing sections of railway lines No. 406, 273, 351 - task A pn. "Modernization of railway line No. 406 on the section Szczecin Główny - Police"	376	railway
7.	Design and execution of construction works on the E20 railway line, section: Siedlce-Terespol within the task "Works on the E20 railway line on the Siedlce - Terespol section, stage III - LCS Terespol"	376	railway
8.	Modernizacja linii kolejowej E 30/C-E 30, odcinek Kraków – Rzeszów, etap III; na odcinku Sędziszów Małopolski – Rzeszów Zachodni w km 133,600 – 154,900	313	railway
9.	Design and construction of the S-5 expressway on the section from the Szubin junction (with the junction) to the Jaroszewo junction (with the junction) of about 19.3 km in length	281	road
10.	Implementation of construction works under the Tender No. 1 - Modernization of the Jaworzno Szczakowa - Trzebinia section (km 1,150 - 0.000 line No. 134, km 15,810 - 29,110 lines No. 133) as part of the project "Modernization of the E 30 railway line, Zabrze section - Katowice - Kraków, stage IIb "	271	railway
11.	"Reconstruction of track layouts along with accompanying infrastructure on the E59 railway line section Poznań Główny - Rokietnica" as part of the project "Works on the E 59 railway line on the Poznań Główny - Szczecin Dąbie section" (Updated contract value, not including the contingent amount)	203	railway
12.	Task A: Preparation of project documentation and execution of the construction works under the project „Revitalization of railway line no. 405, section: voivodeship border – Słupsk-Ustka”, Task B: Design and building of railway traffic control equipment from railway station Szczecinek km 71,480 to km 104,515 within the project „Increase of safety and liquidation of operating dangers at the rail network”	175	railway
13.	Modernization of the E59 railway line on the Wrocław - Poznań section, stage III - section Czempin - Poznań	164	railway
14.	Designing and execution of works under the project construction of the Szczecin Metropolitan Railway using the existing sections of railway lines No. 406, 273, 351 - Task B pn. "Modernization of selected passenger infrastructure on railway lines No. 273, 351 and 401"	105	railway
15.	Order regarding the design and execution of construction works - optimization of the energy transmission network in north-eastern Lithuania and its preparation for the operation of a synchronous transmission network in continental Europe (order No. 189494)	103	energetic

The most significant construction contracts concluded by the Trakcja Group members in the first half-year of 2019 are the following (the contract amounts specified include the construction works allocated to consortium members):

No.	Name of the contract	Net amount of the contract (PLN million)	Company	The type of contract
1.	Construction of a bridge in Mälarbanan, Veddestabron	80	AB Kauno tiltai	road
2.	Reconstruction of the tram track along Krakowska St. on the section from ul. Rollego to Dietla Street along with the reconstruction of the existing road system, pavements, paths, accompanying technical infrastructure, junction Krakowska - Dietla - Stradomska along with the reconstruction of Dietla Street on the section from Corpus Christi St. to Augustiańska St. and with the reconstruction of the existing Piłsudski bridge across the Vistula River	77	Trakcja PRKił S.A.	urban
3.	Kaunas City Taikos Ave. Renovations	42	AB Kauno tiltai	road
4.	Reconstruction of the railway viaduct at Brasas station	39	AB Kauno tiltai	railway
5.	National Road No. 195 Reconstruction of the section Kėdainiai - Krekenava, from 5.00 to 16.90 km and reconstruction of the bridge over Kruosta 8.039 km	37	AB Kauno tiltai	road
6.	Construction of a primary school building with infrastructure at Dzika Street in Ząbki	35	PRK7 Nieruchomości	cubature
7.	Reconstruction of the overhead contact line along with accompanying works on the Racibórz - Chałupki section and the culvert at 49.872 of the 151 railway line as part of the investment project: 'Works on the E-59 railway line on the section Kędzierzyn Koźle - Chałupki (State Border)'	28	Trakcja PRKił S.A.	railway
8.	Reconstruction of the A6 Kaunas-Zarasai-Daugavpils national road 8.6 km	25	AB Kauno tiltai	road
9.	Other contracts	107	-	various
TOTAL		470		

1.5 Strategy and directions of the Group's development

In the first half-year of 2019, the Group successfully continued organizational and legal restructuring in order to achieve effects of synergy, operational effectiveness and increasing the financial power.

In 2019 Trakcja Group expects to improve the Group's performance, guided by the following strategic principles:

- development through organic growth;
- implementation of the contract-orientated organisational structure;
- enhancement of effectiveness and efficiency through a better organisation of works, better use of synergies, and incentive schemes;
- substantial improvement in cash flow management,
- refunding the existing bank indebtedness,
- recapitalising the Parent Company,
- using own forces in the contracts' execution to a larger extent,
- increasing the emphasis on innovativeness, which shall positively influence improvement of the profitability of executed contracts,
- sales on non-operating assets,
- selective approach to the performance of contracts under consortium agreements.

Key success factors of Trakcja Group include both the incentive systems that encourage employees to seek further improvements in operational activities and the knowledge-sharing systems between the Group members.

Active policy on liquidity management of the Parent Company

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is primarily focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective, aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company undertakes actions aimed at winning contracts which provide for advance payments. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the ordering party at the initial stage of a contract. The Parent Company places great emphasis on shortening the period between the completion of works and their invoicing. The Parent Company's activities related to the liquidity situation are described in Note 50 to the consolidated financial statements for the first half of 2019.

Active participation in tender procedures

The Parent Company will continue to actively participate in tender procedures for the railway and road construction markets, 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 significantly exceed investor budgets are more and more frequently accepted by contracting authorities.

Strengthening the Group's position on the Polish railway market of construction and assembly services

In 2018 and subsequent years, the Management Board of Trakcja PRKiI expects to focus its operations on the Polish railway market of construction and assembly services and to strengthen its market position on the road market. This objective can be achieved thanks to the effective organisational and financial support for the tendering and contracting area and for the contract implementing area through the establishment of new units, in particular, the Production Preparation and Project Optimisation Department.

A key goal in the area of financial management will be a more effective working capital management. Its expected effects include better financial liquidity, minimisation of demand for working capital and maintenance of the Company's debt at a safe level. The expected effects thereof include better financial liquidity, minimising the demand for working capital and maintaining safe level of the Group's indebtedness, which shall allow undisturbed continuation of the operating activity.

Strengthening the Group's position on other markets

In 2017 the Group established branches of the Parent Company and AB Kauno Tiltai in Ukraine. In addition, Trakcja Ukraina Sp. z o.o. was established in Ukraine along with two subsidiaries: Trakcja Infra Sp. z o.o. and Trakcja Asfalt Sp. z o.o. In 2018, contracts for the renovation of streets in Dnipro were executed. In 2018, sales of contracted construction services reported by the Ukrainian subsidiaries reached PLN 53 million. Whereas, in the first half of the year 2019 the sales of contract services from contracts acquired by the subsidiaries in Ukraine amounted to PLN 21 m.

Furthermore, in 2018 the Parent Company's activity in the German market was continued intensively. The first contract – "eHighway" in Western Germany was successfully executed. The scope of works also included elements of the contact line on two five-kilometre long sections of highway A5. The company's entry into the stage of executing projects was related to the registration of Trakcja PRKiI S.A. in relevant offices and institutions in the territory of Germany (SOKA Bau, the Tax Office, the Customs Office, the Chamber of Industry and Commerce IHK, the Chamber of Industry and Commerce AHK, etc.), which increases performance effectiveness in the next projects. Moreover, formal requirements related to conducting activity by Trakcja PRKiI S.A. in Germany were met. The construction certification VOB was maintained in 11 categories and procedures extending the scope of certification with another industries have been initiated. In 2019, the Deutsche Bahn certification procedure was started, opening the possibilities of placing bids to the central contracting authority in the railway industry. Recently, the company has actively participated in public procurement in Germany, placing bids mostly in the bridge and cubature industry.

1.6 Brief description of significant accomplishments or failures in the first half of 2019

The significant achievements of the Group during the 6 months ended June 30, 2019 include:

- Signing new contracts worth PLN 0,47 billion (excluding the part attributable to consortium members)
- Further reconstruction of the order portfolio,
- Obtaining bridge financing.

2. Present and forecast condition of Trakcja Group

Below, in order to discuss the financial situation, the Issuer presents selected APM indexes, since, in his opinion, they provide a source of additional (apart from the data presented in financial statements), valuable information on the financial and operating situation, as well as facilitate the analysis and assessment of financial results achieved by the Company in the course of particular reporting periods. The company presents specific, alternative performance measurements, as they constitute standard measurements and indexes commonly used in financial analysis. Selection of alternative performance measurements was preceded with the analysis of their usefulness with regard to delivering to the investor useful information on the financial situation, cash flows and financial effectiveness, as well as, in the Company's opinion, it allows optimal assessment of the achieved financial results.

2.1 Description of factors and events exerting a significant impact on the financial performance in the first half of 2019

2.1.1 Overview of the Income Statement

CONSOLIDATED PROFIT & LOSS ACCOUNT	1.01.2019 - 30.06.2019 <i>Unaudited</i>	1.01.2018 - 30.06.2018 <i>Unaudited</i>	Change	Change %
Sales revenues	655 422	578 851	76 571	13%
Cost of goods sold	(655 876)	(567 983)	(87 893)	15%
Gross profit (loss) on sales	(454)	10 868	(11 322)	-104%
Cost of sales, marketing and distribution	(3 087)	(3 059)	(28)	1%
General and administrative costs	(32 804)	(26 199)	(6 605)	25%
Other operating revenues	2 008	1 685	323	19%
Other operating costs	(3 931)	(1 462)	(2 469)	169%
Operating profit (loss)	(38 268)	(18 167)	(20 101)	111%
Financial revenues	2 491	2 214	277	13%
Financial costs	(9 226)	(6 983)	(2 243)	32%
Gross profit (loss)	(45 003)	(22 936)	(22 067)	96%
Income tax	9 182	2 333	6 849	294%
Net profit (loss) for the period	(35 821)	(20 603)	(15 218)	74%

In the first half of 2019, the Trakcja Group generated revenues of PLN 655,422 thousand, which increased by 13% compared to the same period last year. The cost of sales in the six-month period of 2019 increased by 15% and reached the value of PLN 655,876 thousand.

The Group ended the 1st half of the year 2019 with gross loss on sales in the amount of PLN 454 thous., which means a drop in the profit by 104%. The gross profit margin in the discussed period of time amounted to -0.1% and was by 2.0 p.p. lower than in the analogous period in the year 2018.

The factors with the most material impact on the level of the gross profit margin from the 1st half of the year 2019, comprise settling low margin contracts obtained in the previous years which were more difficult for tenders and before the significant increase in the manufacturing costs. Furthermore, the above was influenced by the seasonality of sales characterised with a significantly lower level of generated revenues in the first half of the year and generating a significant part of revenues from sales in the second half of the calendar year. Furthermore, the impact on the decrease in the gross profit margin in comparison with the analogous period in the previous year, comprised the release of provision on losses on the Kyviskies contract and receivables write-offs according to IFRS 9 in the Lithuanian subsidiary AB Kauno Tiltai in the first half of 2018.

The costs of sales, marketing and distribution were recorded at PLN 3,087 thousand. They were higher by % compared to the comparable period.

General administrative expenses amounted to PLN 32,804 thousand and grew by 25% compared to the first half of last year. The factors influencing the increase in the costs of general management comprised, among others: costs of due diligence process conducted in the Parent Company related to the process of refinancing and recapitalising the Parent Company (about which the Parent Company informed in the Current Report no. 4/2019), to the amount of PLN 1,514 thous., developing activity in Ukraine, which influenced the increase in costs by PLN 738 thous.; moreover, in the first half of the year 2018, in the Lithuanian company AB Kauno Tiltai provision to bonuses in the amount of PLN 1,217 thous. was released, which caused a lower cost base in the comparable period of time.

Other operating revenues for the period of 6 months of 2019 amounted to PLN 2,008 thous. and increased by PLN 323 thous. with regard to the comparable period of time. Other operating costs achieved the value of PLN 3,931 thous. and were higher by PLN 2,469 thous. in comparison with the costs from the 1st half of the previous year, which was influenced by, among others, the costs of the recovery of debts in the Parent Company to the amount of PLN 1,807 thous.

The Group completed the first half of 2019 with a loss from operating activities in the amount of PLN 38,268 thousand which is a decrease in the operating result by PLN 20,101 thousand compared to the same period of the previous year, in which the operating profit totaled PLN 18,167 thousand. The loss from operating activities results from the reduction of the gross profit margin on sales in the discussed period, which was affected by the factors described above.

In the first half of 2019, the Group generated financial revenues in the amount of PLN 2,491 thousand, which was higher by 13% related to the comparable period. The financial costs in the analyzed period rose by 32% and reached PLN 9,226 thousand. The increase in financial costs mainly resulted from increasing the costs due to interests on liabilities.

In the period analyzed, the Group recorded a gross loss of PLN 45,003 thousand, which is a decrease by PLN 22,067 thousand in relation to the first half of 2018 that ended with a gross loss of PLN 22,936 thousand.

In the 1st half of the year 2019 the income tax increased the net result by PLN 9,182 thous. The increase of the net result by the income tax went up by PLN 6,849 thous. in comparison with the analogous period in the previous year.

The Group ended the first half of 2019 with a net loss of PLN 35,821 thousand, while in the corresponding period of the previous year, the Group generated a net loss of PLN 20,603 thousand, which means a decrease in net profit by the amount PLN 15,218 thousand compared to the result for the first half of 2018.

In the 1st half of the year 2019 the net profit margin reached -5.5%, which means a decrease by 1.9 p.p. in comparison with the 1st half of the year 2018.

2.1.2 Overview of the Balance Sheet

The key items of the consolidated balance sheet of Trakcja Group as at June 30, 2019 in comparison with their balances as at December 31, 2018 are presented in the table below:

	30.06.2019	31.12.2018	Change	Change %
	<i>Unaudited</i>	<i>Audited</i>		
CONSOLIDATED ASSETS				
Non-current assets	729 842	720 882	8 960	1%
Tangible non-current assets	301 182	297 285	3 897	1%
Investment properties	22 664	20 445	2 219	11%
Goodwill from consolidation	306 912	308 782	(1 870)	-1%
Intangible assets	51 672	52 348	(676)	-1%
Investments in other units	25	25	-	0%
Other financial assets	6 762	4 511	2 251	50%
Deferred tax assets	34 175	28 416	5 759	20%
Long-term receivables	188	-	188	-
Prepayments	6 262	9 070	(2 808)	-31%
Current assets	932 432	822 054	110 378	13%
Inventory	128 571	86 854	41 717	48%
Trade and other receivables	421 056	328 890	92 166	28%
Income tax receivables	3 043	3 900	(857)	-22%
Other financial assets	10 379	13 773	(3 394)	-25%
Cash and cash equivalents	36 675	116 687	(80 012)	-69%
Prepayments	13 446	13 313	133	1%
Assets from contracts with customers	267 481	206 887	60 594	29%
Assets held for sale	51 781	51 750	31	0%
TOTAL ASSETS	1 662 274	1 542 936	119 338	8%

As at June 30, 2019 the balance sheet total of Trakcja Group amounted to PLN 1,662,274 thousand and grew by PLN 119,338 thousand in comparison with its balance as at the end of 2018, which is an increase of 8%.

As at June 30, 2019 the non-current assets were PLN 729,842 thousand and rose by PLN 8,960 thousand. This increase resulted mainly from increasing tangible fixed assets by PLN 3,897 thous. and assets due to deterred tax – by PLN 5,759 thous.

Current assets as at June 30, 2019 totaled PLN 932,432 thousand and rose by PLN 110,378 thousand, which is an increase of 13% compared to December 31, 2018. This increase predominantly resulted from increasing the status of trade receivables and other receivables by PLN 92,166 thous. and contract assets by PLN 60,594 thous. In addition, the level of cash and cash equivalents decreased by PLN 80,012 thousand. This is a result of a large rise in the number of contracts executed in the first half of 2019, which was associated with high involvement of the working capital of the Group.

	30.06.2019	31.12.2018	Change	Change %
	<i>Unaudited</i>	<i>Audited</i>		
CONSOLIDATED EQUITY AND LIABILITIES				
Equity attributable to shareholders of parent entity	605 132	645 539	(40 407)	-6%
Share capital	41 120	41 120	-	0%
Share premium account	309 984	309 984	-	0%
Revaluation reserve	5 770	5 768	2	0%
Other capital reserves	272 327	383 833	(111 506)	-29%
Retained earnings	(35 747)	(111 006)	75 259	-68%
Foreign exchange differences on translation of foreign operations	11 678	15 840	(4 162)	-26%
Non-controlling interests	8 873	8 841	32	0%
Total equity	614 005	654 380	(40 375)	-6%
Total liabilities	1 048 269	888 556	159 713	18%
Long-term liabilities	100 712	93 112	7 600	8%
Interest-bearing bank loans and borrowings	77 922	66 371	11 551	17%
Provisions	11 871	13 004	(1 133)	-9%
Liabilities due to employee benefits	4 602	4 810	(208)	-4%
Provision for deferred tax	6 259	8 858	(2 599)	-29%
Derivative financial instruments	8	8	-	0%
Other liabilities	50	61	(11)	-18%
Short-term liabilities	947 557	795 444	152 113	19%
Interest-bearing bank loans and borrowings	215 281	132 559	82 722	62%
Trade and other liabilities	489 869	407 341	82 528	20%
Provisions	49 103	59 101	(9 998)	-17%
Liabilities due to employee benefits	16 239	16 572	(333)	-2%
Accruals	499	711	(212)	-30%
Liabilities from contracts with customers	138 410	141 258	(2 848)	-2%
Liabilities of group to be classified as held for sale	38 156	37 902	254	1%
Total equity and liabilities	1 662 274	1 542 936	119 338	8%

In the first half-year of 2019, the total equity dropped by PLN 40,375 thousand, in comparison with its balance as at December 31, 2018, and amounted to PLN 614,005 thousand as at June 30, 2019.

As at June 30, 2019 the long-term liabilities were PLN 100,712 thousand and grew by PLN 7,600 thousand (i.e. by 8%). The rise resulted primarily from the increase in the balance on interest-bearing loans and borrowings by PLN 11,551 thousand as at June 30, 2019 in relation to the amount as at December 31, 2018.

Short-term liabilities as at June 30, 2019 amounted to PLN 947,557 thousand and increased by PLN 152,113 thousand, i.e. by 19%, compared to the end of last year. This increase mainly resulted from increasing the value of interest-bearing credits and loans with the amount of PLN 82,722 thous., which was influenced by, among others, using the credit facility in Nordea DnB Bank by the subsidiary Kauno in the amount of EUR 14,000 thous. (PLN 59,528 thous.). Moreover, an increase in the value of trade liabilities and other liabilities by PLN 82,528 thous. to the level of PLN 489,869 thous. was noted.

2.1.3 Overview of the Statement of Cash Flows

The key items of the consolidated statement of cash flows of Trakcja Group for the period ended June 30, 2019 and for the period ended June 30, 2018 are presented in the table below:

CONSOLIDATED CASH FLOW ACCOUNT	1.01.2019 - 30.06.2019 <i>Unaudited</i>	1.01.2018 - 30.06.2018 <i>Unaudited</i>	Change	Change %
Cash at start of period	116 675	112 172	4 503	4%
Net cash flows from operating activities	(150 574)	(183 814)	33 240	-18%
Net cash flows from investment activities	(1 850)	(21 876)	20 026	-92%
Net cash flows from financial activities	72 572	109 640	(37 068)	-34%
Total net cash flows	(79 852)	(96 050)	16 198	-17%
Cash at end of period	36 663	16 122	20 541	127%

In the first half year 2019 the net cash flows from operating activities were negative and amounted to PLN 150,574 thousand. The value decreased compared to the same period of the previous year by PLN 33,240 thousand. In the 1st half of the year 2019 the net cash due to the investment activity showed negative balance in the amount of PLN 1,850 thous., whereas, in comparison with the previous period – it increased by PLN 20,026 thous. The net cash flow balance due to financial activity in the 1st half of the year 2019 was positive and amounted to PLN 72,572 thous. Net cash flows from financial activities in the first half of 2019 was positive and reached PLN 37,068 thousand. The main factor influencing the decrease of cash flow due to the financial activity constituted a decrease of the inflow due to loans and credits by PLN 34,603 thous.

At the beginning of 2019, the Group's cash disclosed in the consolidated statement of cash flows was PLN 116,675 thousand, while ended the first half of 2019 with cash balances disclosed in the consolidated cash flow statement in the amount of PLN 36,663 thousand. In the reported period, negative net cash flows in the amount of PLN 79,852 thousand.

2.1.4 Overview of profitability ratios

Sales profitability ratios show the relationship between sales and costs and their impact on profit. The level of these ratios determines the ability to generate profit through sales.

Profitability ratios achieved in the first half of 2019 compared to the first half of 2018 recorded a decrease. The gross sales profit margin decreased by 2.0 pp. in first half of 2019 as compared to the same period last year and was -0.1%. The main reasons for the reduction of the gross profit margin on sales are described in note 2.1.1. The operating profit, including depreciation and amortization (EBITDA) was PLN -19,596 thousand and dropped by PLN 16,563 thousand as compared to the first half year 2018. The EBITDA margin fell by 2.5 pp. and reached -3.0%. The operating profit margin decreased by 2.7 pp. and totaled -5.8%. In the analyzed period the net profit margin was -5.5% and was lower by 1.9 pp. from the margin of the comparable period.

The return on equity (ROE) decreased by 2.9 pp. in relation to the previous year and was -5.7%. The return on assets (ROA) amounted to -2.2% and was lower by 0.8 pp. lower than in the preceding year.

	1.01.2019 - 30.06.2019 <i>Unaudited</i>	1.01.2018 - 30.06.2018 <i>Unaudited</i>	Change
PROFITABILITY RATIOS			
Gross sales profit margin	-0,1%	1,9%	-1,9%
EBITDA	(19 596)	(3 033)	(16 563)
EBITDA profit margin	-3,0%	-0,5%	-2,5%
Operating profit margin	-5,8%	-3,1%	-2,7%
Net profit margin	-5,5%	-3,6%	-1,9%
Return on equity (ROE)	-5,7%	-2,8%	-3,0%
Return on assets (ROA)	-2,2%	-1,4%	-0,8%

The above ratios have been calculated in accordance with the following formulas:

Gross sales profit margin = Gross profit on sales / revenues on sales

EBITDA = operating profit + depreciation and amortisation

EBITDA profit margin = (operating profit + depreciation and amortisation) / revenues on sales

Operating profit margin = operating profit / revenues on sales

Net profit margin = net profit / revenues on sales

Return on equity (ROE) = net profit / average annual equity

Return on assets (ROA) = net profit / average annual assets

2.2 Assessment of financial resources management

As at the end of the first half-year of 2019 Trakcja Group had cash in the amount of PLN 36,663 thousand and its total debt (loans, borrowings and finance lease) were PLN 293,203 thousand. The liquidity situation of the Parent Company is described in note 50 to the condensed financial statements of Trakcja PRKiI S.A. for the period of 6 months ended June 30, 2019.

The Group is at a disposal of unused credit facilities (overdraft facilities and working capital facilities) in the amount of PLN 22.3 m, which guarantees to the Trakcja Group companies the continuity of financing the current contract activity.

The Parent Company is in the course of activities aimed at financing existing bank indebtedness and recapitalising the Company by issuing new shares, which was communicated in the Current Report no. 4/2019. On 13 June 2019, the Parent Company signed the bridge financing documentation. Details regarding the process of measures undertaken in the scope of obtaining long-term financing have been presented in note 50 to the consolidated half-yearly financial statement for the period of 6 months ended on 30 June 2019. The information indicating the ongoing concern risk has been presented in the same note to the half-yearly consolidated financial statement for the period of 6 months ended on 30 June 2019.

The Trakcja Group conducts a well-developed cooperation with banks and insurance institutions in order to ensure relevant level of financing, as well as bank and insurance guarantees enabling performance of planned construction contracts. By renegotiating existing credit agreements and establishing business relations with new banks and insurance institutions, Trakcja Group controls its liquidity position and extends its external financing sources. The Group uses many offered banking products and various financing sources (overdraft facilities, investment credits, financial leasing, contract financing) in order to minimise financial costs and optimise financial liquidity management.

2.2.1 Liquidity ratios

All liquidity ratios in the Trakcja Group decreased at the end of the 1st half of the year 2019 in comparison with the end of 2018.

As on 30 June 2019, the working capital in Trakcja Group was negative and amounted to PLN -14,626 thous., which constituted a decrease by PLN 41,947 thous. in comparison with the working capital at the end of 2018.

As at the end of the first half-year of 2019 the current ratio amounted to 0.98 and was lower by 0.05 than the current ratio as at December 31, 2018. The quick ratio was 0,83 and by 0.09 lower compared to the ratio at the end of 2018. The immediate liquidity ratio amounted to 0.04. The liquidity situation of the Parent Company has been described in more details in note 50 to the half-yearly consolidated financial statement of the Trakcja Group for the period of 6 months ended on 30 June 2019.

	30.06.2019	31.12.2018	Change
LIQUIDITY RATIOS	Unaudited	Audited	
Working capital	(14 626)	27 321	(41 947)
Current ratio	0,98	1,03	(0,05)
Quick ratio	0,83	0,92	(0,09)
Cash ratio	0,04	0,15	(0,11)

The above ratios have been calculated in accordance with the following formulas

Working capital = current assets - short-term liabilities

Current ratio = current assets / short-term liabilities

Quick ratio = (current assets - inventory - prepayments - construction contracts from assets) / short-term liabilities

Cash ratio = (cash and cash equivalents + derivatives from assets) / short-term liabilities

2.2.2 Financing structure ratios

The Group monitors its capital structure using debt ratios.

The financing structure ratios changed negatively with regard to the factors described above:

As at June 30, 2019 the equity to assets ratio was 0.36. The equity to non-current assets ratio decreased from 0.90 at the end of 2018 to 0.83 as at June 30, 2019. The debt ratio was 0.64 at the end of the first half of 2019. This means that the company's assets are financed in 64% by foreign sources of financing - liabilities. In addition, the debt to equity ratio increased from 1.39 at the end of 2018 to 1.75 in the first half of 2019.

	30.06.2019	31.12.2018	Change
FINANCING STRUCTURE RATIOS	<i>Unaudited</i>	<i>Audited</i>	
Equity to assets ratio	0,36	0,42	-0,06
Equity to non-current assets ratio	0,83	0,90	-0,07
Debt ratio	0,64	0,58	0,06
Debt to equity ratio	1,75	1,39	0,36

The above ratios have been calculated in accordance with the following formulas

Equity to assets ratio = Equity attributable to shareholders of parent entity / total assets

Equity to non-current assets ratio = Equity attributable to shareholders of parent entity / non-current assets

Debt ratio = (Total assets - Equity attributable to shareholders of parent entity) / Total assets

Debt to equity ratio = (Total assets - Equity attributable to shareholders of parent entity) / Equity attributable to shareholders of parent entity

2.2.3 Loans and borrowings

As at June 30, 2019 the loans and borrowings granted to Trakcja Group were as follows:

Name of company	Lender Borrower	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKił S.A.	mBank S.A.	overdraft facility	20 000	PLN	30.09.2019	WIBOR O/N + margin	20 018
Trakcja PRKił S.A.	mBank S.A.	working capital credit	50 000	PLN	27.09.2019	WIBOR 1M + margin	50 000
Trakcja PRKił S.A.	mBank S.A.	working capital credit	15 000	PLN	30.09.2019	WIBOR 1M + margin	14 999
Trakcja PRKił S.A.	mBank S.A.	working capital credit	15 000	PLN	30.09.2019	WIBOR 1M + margin	14 998
Trakcja PRKił S.A.	mBank S.A.	investment credit	21 500	PLN	30.09.2021	WIBOR 1M + margin	11 382
Trakcja PRKił S.A.	Pekao S.A.	overdraft facility	20 000	PLN	30.08.2019	WIBOR 1M + margin	19 168
Trakcja PRKił S.A.	De Lage Landen Leasing Polska S.A.	Other	1 147	PLN	25.04.2020	variable rate	984
Torprojekt Sp. z o.o.	ING Bank Śląski S.A.	working capital credit	1 900	PLN	31.08.2019	WIBOR 1M + margin	1 676
Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumasch inen, Gessellschaft m.b.H.	investment credit	1 800	EUR	24.03.2020	fixed rate	2 126
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	overdraft facility	3 000	PLN	odnawialny	WIBOR 1M + margin	1 379
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	investment credit	2 500	PLN	30.12.2020	WIBOR 1M + margin	1 047
AB Kauno Tiltai	Nordea	overdraft facility	3 000	EUR	31.08.2019	EURIBOR 1M + margin	3 112
AB Kauno Tiltai	Dnb	overdraft facility	3 000	EUR	31.08.2019	EURIBOR 3M + margin	-
AB Kauno Tiltai	Nordea Dnb	working capital credit	1 400	EUR	14.01.2020	EURIBOR 3M + margin	1 701
AB Kauno Tiltai	Nordea Dnb	working capital credit	14 000	EUR	31.08.2019	EURIBOR 3M + margin	59 422
Total							202 012

The interest rate of the loans received is the WIBOR/EURIBOR rate plus a bank margin. Bank margins depend on a bank and fixed repayment date of the loan.

As at June 30, 2019 the total loans and borrowings granted to the Group were PLN 202,012 thousand, including the investment loans in the amount of PLN 14,555 thousand, the relates to current liabilities amount of 142,796 thousand PLN, the working capital loans in the amount of PLN 43,677 thousand, other liabilities amount of PLN 984 thousand PLN.

2.3 The Management Board's position as regards previously published forecasts of the Trakcja Group's financial performance

Trakcja Group did not publish any financial forecast for 2019.

2.4 Indication of factors which, in the opinion of the Group, will have an impact on its performance during at least the following half-year

The most important factors that have a significant impact on the financial performance of the Group include the following:

- the ability to win new construction contracts, which on account of the profile of the Group's activities is determined by expenditures on the railway and tramway infrastructure in Poland and Lithuania, as well as in new markets;
- the accuracy of the project cost estimates, as it exerts a direct impact on the decisions regarding the participation in tenders, the valuation of contracts for tenders and as a result the margins on the contracts. The accuracy of the contract cost budget estimates, in turn depends on both methodological and external factors such as changes in prices for materials and services rendered by subcontractors;
- 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;
- the timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity;
- the level of prices of materials, including transport costs;
- growing bargaining power of subcontractors (impact on the level of prices of services provided by them);
- the increasing pressure on margins;
- number of contracts won under the "National Railway Program until 2023" program;
- number of contracts won under the "National Road Construction Program for 2014-2023, with a prospect until 2025";
- the ability to acquire highly qualified staff;
- a decrease in the number of entities participating in tenders on the Polish railway market;
- the ability to further diversify the activity;
- the ability to obtain external financing;
- results of court proceedings.

Moreover, in the future, the Group's financial performance may be affected by amendments to the legal regulations that designate the scope of the Group's activities, including tax regulations and regulations regarding other encumbrances of a public and legal nature, as well as 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;

2.5 Information relevant for the assessment of the Group's employment, assets, financial condition and performance and any changes therein, as well as information relevant for the assessment of the Group's ability to meet its obligations

In addition to the information presented in the condensed consolidated financial statements and this report on the activities of Trakcja Group for the first half of 2019, there are no other information relevant to the assessment of the staff, property, financial situation, financial results of the Group and their changes, or to assess the Group's ability to meet its obligations.

3. Information on shareholders and shares

3.1 Shareholders held, directly or through subsidiaries, at least 5 per cent of the total number of votes at the General Meeting of Shareholders of Trakcja PRKil S.A.

As on 30 June 2019 and as on the day of the publication of this report, the Company's share capital, in compliance with the entry into the National Court Register, amounted to PLN 41,119,638.40 and consisted of 51,399,548 A series ordinary bearer shares with nominal value of PLN 0.80 each. Each share gives the right to one vote at the Company's General Meeting of Shareholders.

According to the knowledge of the Parent Company's Management Board, on the grounds of the received notifications stipulated in Article 69 of the Act on Public Offering and Conditions of Financial Instruments Introduction into an Organised Trading System and on Public Companies, the structure of Shareholders holding, directly or through the agency of subsidiaries, at least 5% of the general number of votes at the Company's General Meeting of Shareholders as on the day of submitting this report, 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%
Other	29 510 661	57,41%	29 510 661	57,41%
Total	51 399 548	100,00%	51 399 548	100,00%

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

From the date of submission of the last periodical report, i.e. on May 30, 2019, the Parent Company did not receive any other notifications from shareholders informing about a change in the share in the total number of votes in the Parent Company.

3.2 Shares of Trakcja PRKil S.A. held by members of the management and supervisory bodies

Od dnia przekazania ostatniego raportu kwartalnego, tj. od 30 maja 2019 roku, nie wystąpiły zmiany w posiadaniu akcji Jednostki dominującej przez osoby zarządzające i nadzorujące.

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.

4. Transactions with related entities

In the first half-year of 2019, all the transactions between the Group members were made at arm's length. Information on the transactions between the Group members is presented in Note 48 to the Condensed Consolidated Financial Statements.

5. Information on sureties for loans or borrowings and on guarantees granted by the Issuer or its subsidiary

In the first half of 2019 neither the Issuer nor its subsidiaries did grant any sureties for loans or borrowings or any guarantees to any entity or its subsidiary, whose the total value of existing sureties and guarantees would be significant.

6. 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 PRKiL 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 November 20, 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 PRKiL 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 Parent Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the 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 Parent Company submitted a replica as response to the suit. Currently, it is not possible to accurately specify the forecasted date of ending the case. The Parent Company forecasts that the valid determination can 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) on PLN 7,500,000.00 from November 17, 2017 to the payment date,
- 2) on PLN 12,756,000.00 from December 8, 2017 to the payment date,
- 3) on 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" that a part of the lump-sum fee due to the Parent Company and unpaid by PKP PLK S.A. be paid to it for the groundless submission of the partial withdrawal from the agreement. On 12 December 2017 the Parent Company extended the claim to the amount of PLN 50,517,012.38 (including PLN 5,336,177.01 of interests). 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 18 October 2018 the Parent Company extended the claim to the amount of PLN 51,767,012.38. The Parent Company's damage includes the amount of PLN 1,250,000.00, which the Parent Company was made to pay to the benefit of the Bochnia Powiat in order to comply with the PKP PLK S.A.'s request regarding activating track 1 on the route Bochnia – Brzesko Okocim earlier than agreed on in the Schedule of Works. The case is at the early stage of proceedings and the date of ending it is currently difficult to foresee.

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 POIiŚ 7.1-30 "Modernisation of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3" in the total amount of PLN 2,829,000.00.

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

On 27 August 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 6,675,193.36 PLN (in words: six million six hundred seventy five thousand one hundred ninety three zlotys and thirty six groszy) along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement No 90/132/121/00/17000031/10/I/I of 16 December 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 111,500 - 133,600 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2 "specified in the Contractor's Applications No. 72 (gas pipeline) and No. 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,283,547.59 and capitalized interest on the principal for the period from 6 October 2017 to 27 August 2018. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

On 17 January 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 12,296,388.86 PLN (in words: twelve million two hundred ninety-six thousand three hundred eighty-eight zloty and eighty-six grosz) along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0085/15/Z/I for "Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, 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 POLiŚ 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 POLiŚ 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 no. 3" 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 no. 3" 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 value of the object of dispute amounts to PLN 12,301,072. The case is at the early stage of proceedings and the date of ending it is difficult to foresee.

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 63,735,593.52 (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. In the opinion of the Management Board of the Parent Company, such disclosure may provide the parties to court proceedings with information that may be used in the ongoing proceedings against the interests of the subsidiary AB Kauno tiltai.

7. Description of basic threats and risks related to the remaining six months of the financial year

The factors that may have a significant adverse impact on the Group's financial condition:

- 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 managerial and engineering staff,
- currency risk,
- risk associated with the volatility of prices for materials,
- interest rate risk,
- risk associated with the joint and several liability of the construction consortia members and with the liability for subcontractors,
- risk related to potential penalties for failure to complete contracts,
- risk of underestimating the project costs,
- risk of rising prices of building materials,
- risk related to the implementation of construction contracts,
- risk related to obtaining new contracts,
- risk related to supply logistics,
- risk related to the conditions and procedures for the settlement of tenders and the implementation of projects,
- the risk related to the increase in the portfolio of overdue receivables,
- risk related to financial contracts,
- liquidity risk (described in the note 50 to the additional information and explanations to the abridged consolidated financial statement),
- risk related to the implementation of the strategy,
- risk related to the approach of the financial sector to companies in the construction industry,
- risk related to obtaining financing for the implementation of construction contracts and obtaining contract guarantees,
- risk related to weather conditions,
- the risk related to changes in the law, including tax law.

Warsaw, September 10, 2019

Management Board:

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

MANAGEMENT BOARD'S STATEMENT

The Management Board of Trakcja PRKiI S.A. declares that to the best of his knowledge:

- the condensed consolidated financial statements of Trakcja Group for a of 6-month period ended June 30, 2019 and the comparable data, have been drawn up in compliance with the accounting principles in force and reflect the Group's assets and financial condition as well as its financial performance in a true, reliable and clear manner.
- the condensed financial statements of Trakcja PRKiI for a of 6-month period ended June 30, 2019 and the comparable data, have been drawn up in compliance with the accounting principles in force and reflect the Company's assets and financial condition as well as its financial performance in a true, reliable and clear manner.,
- the report of the Management Board on the activities of Trakcja Group for a of 6-month period ended June 30, 2019 and the comparable data, presents a true picture of the Group's development, achievements, risks, threats and condition.

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Warsaw, September 10, 2019

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

**INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SHAREHOLDERS AND SUPERVISORY BOARD OF TRAKCJA PRKił S.A.**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of the Trakcja PRKił Group ("the Group"), where the parent company is TRAKCJA PRKił S.A. with its registered office in Warsaw at ul. Złota 59 ("the Company", "the Parent Company"), comprising the consolidated balance sheet prepared as at 30 June 2019, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period from 1 January 2019 to 30 June 2019, and notes and explanatory information ("interim condensed consolidated financial statements").

The Parent Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting*, announced in the form of European Commission regulations.

Our responsibility is to form a conclusion on the interim condensed consolidated financial statements based on our review

Scope of Review

We performed the review in accordance with National Standard on Auditing 2410 in the wording of International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, adopted in a resolution passed by the National Council of Certified Auditors.

A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in the wording of International Standards on Auditing. In consequence, a review is not sufficient to obtain assurance that all significant matters that might be identified in an audit, have been identified. Accordingly, we do not express an audit opinion on the accompanying interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting*, announced in the form of European Commission regulations.

Explanatory Paragraph - Significant Uncertainty Relating to Going Concern

We draw your attention to Note 50 "Risk to Parent Company's going concern and actions undertaken and planned by the Parent Company's Management" to the interim condensed consolidated financial statements, which indicates that in the period ended 30 June 2019 the Company incurred a net loss of PLN 18 906 thousand, and that as at that day its short-term liabilities exceeded its current assets by the amount of PLN 104 268. The Company's Management prepared its financial statements on a going concern basis. The Company's ability to continue as a going concern depends on an effective refinancing process. Failure to achieve the anticipated effects of the actions undertaken in the area of refinancing could threaten the Company's ability to continue as a going concern. As stated in Note 50, the above indications along with other information described in the note point to the existence of significant uncertainty, which may give rise to serious doubts as to the Company's ability to continue as a going concern. Our conclusion does not include a qualification in this area.

Explanatory Paragraph - Significant Uncertainty Relating to Recognition of Estimates

We draw your attention to the fact that in Note 13 to the interim condensed consolidated financial statements the Parent Company's Management pointed out the fact that its long-term contract budgets reflect revenues from court claims filed against a customer - PKP Polskie Linie Kolejowe. The amount of the recognized claims was estimated by the Parent Company based on internal analyses, opinions of third party advisors subject to the applicable risk factor and likelihood of recovery. In the opinion of the Parent Company's Management, the amount of claims likely to be recovered by the Parent Company fits within the range of PLN 35-50 million, whilst the final amount will be confirmed in the course of negotiations with the customer.

We draw your attention to the fact that the amount of claims recognized by the Parent Company is based on current estimates and may differ from the amounts actually received from the customer. Our conclusion does not include a qualification in this area.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw
entered on the list of audit firms in number 3355

on behalf of which the review
of financial statements was performed by

Signed with an electronic signature
Krzysztof Maksymik
Certified Auditor No. 11380

Signed with an electronic signature
Dr. André Helin
Managing Partner
Certified Auditor No. 90004

Warsaw, 10 September 2019



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

**INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SHAREHOLDERS AND SUPERVISORY BOARD OF TRAKCJA PRKił S.A.**

Introduction

We have reviewed the accompanying interim condensed financial statements of the TRAKCJA PRKił S.A. with its registered office in Warsaw at ul. Złota 59 ("the Company"), comprising the balance sheet prepared as at 30 June 2019, the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period from 1 January 2019 to 30 June 2019, and notes and explanatory information ("interim condensed financial statements").

Company's Management is responsible for the preparation and presentation of the interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting*, announced in the form of European Commission regulations.

Our responsibility is to form a conclusion on the interim condensed financial statements based on our review

Scope of Review

We performed the review in accordance with National Standard on Auditing 2410 in the wording of International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, adopted in a resolution passed by the National Council of Certified Auditors.

A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in the wording of International Standards on Auditing. In consequence, a review is not sufficient to obtain assurance that all significant matters that might be identified in an audit, have been identified. Accordingly, we do not express an audit opinion on the accompanying interim condensed financial statements.

BDO spółka z ograniczoną odpowiedzialnością sp.k., Sąd Rejonowy dla m. st. Warszawy, XIII Wydział Gospodarczy, KRS: 0000729684, REGON: 141222257, NIP: 108-000-42-12. Biura BDO w Polsce: Katowice 40-007, ul. Uniwersytecka 13, tel.: +48 32 661 06 00, katowice@bdo.pl; Kraków 31-548, al. Pokoju 1, tel.: +48 12 378 69 00, krakow@bdo.pl; Poznań 60-650, ul. Piątkowska 165, tel.: +48 61 622 57 00, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, tel.: +48 71 734 28 00, wroclaw@bdo.pl

BDO spółka z ograniczoną odpowiedzialnością sp.k. jest członkiem BDO International Limited, brytyjskiej spółki i częścią międzynarodowej sieci BDO, złożonej z niezależnych spółek członkowskich

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting*, announced in the form of European Commission regulations.

Explanatory Paragraph - Significant Uncertainty Relating to Going Concern

We draw your attention to Note 4 “Risk to going concern and actions undertaken and planned by the Company’s Management” to the interim condensed financial statements, which indicates that in the period ended 30 June 2019 the Company incurred a net loss of PLN 18 906 thousand, and that as at that day its short-term liabilities exceeded its current assets by the amount of PLN 104 268. The Company’s Management prepared its financial statements on a going concern basis. The Company’s ability to continue as a going concern depends on an effective refinancing process. Failure to achieve the anticipated effects of the actions undertaken in the area of refinancing could threaten the Company’s ability to continue as a going concern. As stated in Note 4, the above indications along with other information described in the note point to the existence of significant uncertainty, which may give rise to serious doubts as to the Company’s ability to continue as a going concern. Our conclusion does not include a qualification in this area.

Explanatory Paragraph - Significant Uncertainty Relating to Recognition of Estimates

We draw your attention to the fact that in Note 5 to the interim condensed financial statements the Company’s Management pointed out the fact that its long-term contract budgets reflect revenues from court claims filed against a customer - PKP Polskie Linie Kolejowe. The amount of the recognized claims was estimated by the Company based on internal analyses, opinions of third party advisors subject to the applicable risk factor and likelihood of recovery. In the opinion of the Company’s Management, the amount of claims likely to be recovered by the Company fits within the range of PLN 35-50 million, whilst the final amount will be confirmed in the course of negotiations with the customer.

We draw your attention to the fact that the amount of claims recognized by the Company is based on current estimates and may differ from the amounts actually received from the customer. Our conclusion does not include a qualification in this area.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw
entered on the list of audit firms in number 3355

**on behalf of which the review
of financial statements was performed by**

Signed with an electronic signature
Krzysztof Maksymik
Certified Auditor No. 11380

Signed with an electronic signature
Dr. André Helin
Managing Partner
Certified Auditor No. 90004

Warsaw, 10 September 2019