CONSOLIDATED QUARTERLY REPORT
FOR THE 3-MONTH PERIOD ENDED MARCH 31, 2021

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

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).

We change the vision into reality

CONTENTS OF THE CONSOLIDATED QUARTERLY REPORT

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the consolidated financial statements of Trakcja Capital Group for the period of 3 months ended March 31, 2021.

The condensed consolidated financial statements for the I quarter of 2021 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union for interim reporting purposes (IAS 34). Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2021 to March 31, 2021, which shows a net loss of PLN **23,255** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2021 to March 31, 2021, which shows the negative total comprehensive income of PLN **26,672** thousand.
3. Consolidated balance sheet as at March 31, 2021, which shows the total assets and total equity and liabilities of PLN **1,354,476** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2021 to March 31, 2021, which shows a decrease in the total net cash flows by PLN **65,506** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2021 to March 31, 2021, which shows a decrease in equity by PLN **26,672** thousand.
6. Notes. The condensed consolidated financial statements have been drawn in thousands of Polish zlotys, unless explicitly stated otherwise

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Arkadiusz Arciszewski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Robert Sobków

Member of the Management Board

Adam Stolarz

Member of the Management Board

Warsaw, May 26, 2021

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I. SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.03.2021	4.5721	4.4773	4.6603	4.6603
31.12.2020	4.4742	4.2279	4.6330	4.6148
31.03.2020	4.3963	4.2279	4.6044	4.5523

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

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

	3 month period ended		3 month period ended	
	31.03.2021		31.03.2020	
	kPLN	kEUR	kPLN	kEUR
Sales revenues	186 946	40 888	217 374	49 445
Cost of goods sold	(195 985)	(42 865)	(224 823)	(51 139)
Gross profit (loss) on sales	**(9 039)**	**(1 977)**	**(7 449)**	**(1 694)**
Operating profit (loss)	(22 733)	(4 972)	(25 252)	(5 744)
Gross profit (loss)	**(26 318)**	**(5 756)**	**(34 194)**	**(7 778)**
Net profit (loss) from continued operations	(23 255)	(5 086)	(29 219)	(6 646)
Net profit for the period	**(23 255)**	**(5 086)**	**(29 219)**	**(6 646)**

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

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

	31.03.2021		31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	575 809	123 556	581 319	125 968
Current assets	778 667	167 085	896 437	194 253
TOTAL ASSETS	**1 354 476**	**290 641**	**1 477 756**	**320 221**
Equity	310 444	66 615	337 116	73 051
Long-term liabilities	293 004	62 872	340 847	73 860
Short-term liabilities	751 028	161 154	799 793	173 310
TOTAL EQUITY AND LIABILITIES	**1 354 476**	**290 641**	**1 477 756**	**320 221**

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

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

	3 month period ended		3 month period ended	
	31.03.2021		31.03.2020	
	kPLN	kEUR	kPLN	kEUR
Cash flows from operating activities	(71 565)	(15 652)	(105 926)	(24 094)
Cash flows from investment activities	44 708	9 778	(4 069)	(926)
Cash flows from financial activities	(38 649)	(8 453)	60 009	13 650
Total net cash flows	**(65 506)**	**(14 327)**	**(49 986)**	**(11 370)**

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

	31.03.2021		31.03.2020	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	135 906	29 450	107 461	25 234
Cash at end of period	**70 400**	**15 106**	**57 475**	**12 625**

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

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

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

The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2019 was 4.2585.

(data in PLN thousand, unless indicated otherwise)

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	1.01.2021 - 31.03.2021 Unaudited	1.01.2020 - 31.03.2020 Unaudited, Modified*
Continued operations		
Sales revenue	186 946	217 374
Cost of goods sold	(195 985)	(224 823)
Gross profit (loss) on sales	**(9 039)**	**(7 449)**
Cost of sales, marketing and distribution	(1 540)	(1 305)
General and administrative costs	(14 347)	(15 825)
Other operating revenues	2 530	2 084
Other operating costs	(337)	(2 757)
Operating profit (loss)	**(22 733)**	**(25 252)**
Financial revenues	887	297
Financial costs	(4 472)	(9 239)
Gross profit (loss)	**(26 318)**	**(34 194)**
Income tax	3 063	4 975
Net profit from continued operation	**(23 255)**	**(29 219)**
Net profit (loss) from discontinued operations	-	-
Net profit for the period	**(23 255)**	**(29 219)**
Attributable to:		
Shareholders of Parent entity	(22 925)	(28 954)
Non-controlling interest	(330)	(265)
Profit per share attributable to shareholders of parent company in the period (PLN per share)		
- basic	(0.26)	(0.33)
- diluted	(0.22)	(0.33)

**The restatement for the period from 01.01 to 31.03.2020 relates to the reclassification of costs between costs of sale, marketing and distribution as well as general management and administrative costs on one hand and own cost of sales on the other hand (for more information, see section 13 heroef)*

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.01.2021 - 31.03.2021 Unaudited	1.01.2020 - 31.03.2020 Unaudited
Net profit for the period	**(23 255)**	**(29 219)**
Other comprehensive income:		
Other net comprehensive income that will be reclassified to profit or loss:	**(3 417)**	**13 116**
Foreign exchange differences on translation of foreign operations	(3 417)	13 116
Total other comprehensive income	**(3 417)**	**13 116**
Total comprehensive income for the period	**(26 672)**	**(16 103)**
Attributable to:		
Shareholders of Parent entity	(26 328)	(16 173)
Non-controlling interest	(344)	70

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED BALANCE SHEET

	Note	31.03.2021 Unaudited	31.12.2020 Audited
ASSETS			
Non-current assets		**575 809**	**581 319**
Tangible non-current assets		280 558	285 257
Intangible assets		53 101	52 261
Goodwill from consolidation		134 123	138 537
Investment properties		26 568	26 587
Investments in other units		27	27
Other financial assets		9 119	6 425
Deferred tax assets		64 147	63 607
Long-term receivables		87	104
Prepayments		8 079	8 514
Current assets		**778 667**	**896 437**
Inventory		114 311	113 145
Trade and other receivables		349 309	420 101
Income tax receivables		805	968
Other financial assets		6 944	4 640
Cash and cash equivalents		70 808	136 178
Prepayments		16 281	13 095
Contracts with customers assets		215 172	203 273
Assets held for sale		5 037	5 037
TOTAL ASSETS		**1 354 476**	**1 477 756**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of Parent entity		**305 238**	**331 594**
Share capital		69 161	69 161
Revaluation reserve		7 082	7 082
Other capital reserves		329 955	329 955
Retained earnings		(132 710)	(109 785)
Foreign exchange differences on translation of foreign operations		31 750	35 181
Non-controlling interest		**5 206**	**5 522**
Total equity		**310 444**	**337 116**
Long-term liabilities		**293 004**	**340 847**
Interest-bearing loans and borrowings		236 989	281 152
Bonds		27 985	27 832
Provisions	26	22 420	21 355
Liabilities due to employee benefits		3 663	3 690
Provision for deferred tax		1 873	4 998
Deferred revenue		50	1 792
Other financial liabilities		24	28
Short-term liabilities		**751 028**	**799 793**
Interest-bearing loans and borrowings		94 115	86 131
Bonds		189	194
Trade and other liabilities		393 640	436 658
Provisions	26	52 054	53 706
Liabilities due to employee benefits		16 095	16 468
Other financial liabilities		114	112
Defered revenue		10 283	5 973
Contracts with customers liabilities		184 538	200 551
Total equity and liabilities		**1 354 476**	**1 477 756**

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED STATEMENT OF CASH-FLOWS

	Note	1.01.2021 - 31.03.2021 Unaudited	1.01.2020 - 31.03.2020 Unaudited
Cash flows from operating activities			
Gross profit from continued operations		**(26 318)**	**(34 194)**
Adjustments for:		**(45 247)**	**(71 732)**
Depreciation		9 352	9 439
FX differences		352	2 300
Net interest and dividends		3 230	4 435
Profit on investment activities		(937)	(654)
Change in receivables	25	18 101	20 209
Change in inventory		(838)	(16 459)
Change in liabilities, excluding loans and borrowings		(44 498)	(60 107)
Change in prepayments and accruals		(308)	376
Change in provisions		(813)	(7 933)
Change in settlements in contracts		(28 504)	(23 483)
Change in financial derivatives		-	(1)
Income tax paid		(234)	(684)
Other		(159)	1 054
Foreign exchange differences on translation of foreign operations		9	(224)
Net cash flows from operating activities		**(71 565)**	**(105 926)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		49 620	(2 261)
- acquisition		(4 440)	(4 884)
- sale		54 060	2 623
Financial assets		(4 977)	(1 857)
- sold or repaid		1	2 686
- granted or acquired		(4 978)	(4 543)
Interest received		65	49
Net cash flows from investment activities		**44 708**	**(4 069)**
Cash flows from financial activities			
Proceeds on account of taken borrowings and loans		12 192	71 960
Repayment of borrowings and loans		(43 566)	(3 711)
Interest paid		(3 206)	(4 389)
Payment of liabilities under financial lease agreements		(4 069)	(3 859)
Other		-	8
Net cash flows from financial activities		**(38 649)**	**60 009**
Total net cash flows		**(65 506)**	**(49 986)**
Cash at start of period		**135 906**	**107 461**
Cash at end of period		**70 400**	**57 475**

The cash excluded from the cash flow statement as at March 31, 2021 and March 31, 2020 relates to blocked funds on the property development project accounts in the amount of PLN 408 thousand and PLN 12 thousand, respectively.

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
				Share premium	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2021 Audited	**69 161**	**-**	**7 082**	**269 641**	**(1 020)**	**61 334**	**35 181**	**(109 785)**	**331 594**	**5 522**	**337 116**
Net profit for the period	-	-	-	-	-	-	-	(22 925)	(22 925)	(330)	(23 255)
Other comprehensive income for the period	-	-	-	-	-	-	(3 431)	-	(3 431)	14	(3 417)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(3 431)**	**(22 925)**	**(26 356)**	**(316)**	**(26 672)**
As at 31.03.2021 Unaudited	**69 161**	**-**	**7 082**	**269 641**	**(1 020)**	**61 334**	**31 750**	**(132 710)**	**305 238**	**5 206**	**310 444**

(data in PLN thousand, unless indicated otherwise)

	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 1.01.2020 Audited	**69 161**	**340 561**	**7 082**	**(4 635)**	**(1 152)**	**281 975**	**12 681**	**(285 430)**	**420 243**	**5 241**	**425 484**
Net profit for the period	-	-	-	-	-	-	-	(28 954)	(28 954)	(265)	(29 219)
Other comprehensive income for the period	-	-	-	-	-	-	12 781	-	12 781	335	13 116
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**12 781**	**(28 954)**	**(16 173)**	**70**	**(16 103)**
Other	-	-	-	-	-	318	-	-	318	-	318
As at 31.03.2020 Unaudited	**69 161**	**340 561**	**7 082**	**(4 635)**	**(1 152)**	**282 293**	**25 462**	**(314 384)**	**404 388**	**5 311**	**409 699**

(data in PLN thousand, unless indicated otherwise)

	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
				Share premium	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2020 Audited	**69 161**	**340 561**	**7 082**	**-**	**(1 152)**	**277 340**	**12 681**	**(285 430)**	**420 243**	**5 241**	**425 484**
Net profit for the period	-	-	-	-	-	-	-	(109 785)	(109 785)	(201)	(109 986)
Other comprehensive income for the period	-	-	-	-	132	-	22 500	-	22 632	389	23 021
Total comprehensive income	**-**	**-**	**-**	**-**	**132**	**-**	**22 500**	**(109 785)**	**(87 153)**	**188**	**(86 965)**
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(214 510)	-	285 430	-	-	-
Issue of bonds convertible into shares	-	-	-	-	-	178	-	-	178	-	178
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Other	-	-	-	-	-	(1 674)	-	-	(1 674)	97	(1 577)
As at 31.12.2020 Audited	**69 161**	**-**	**7 082**	**269 641**	**(1 020)**	**61 334**	**35 181**	**(109 785)**	**331 594**	**5 522**	**337 116**

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These condensed consolidated financial statements of Trakcja Group cover the period of 3 months ended March 31, 2021.

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

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

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

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

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

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

On July 29, 2020, the District Court for the City of Warsaw in Warsaw registered the change in the Articles of Association regarding the change of the Company's business name from "Trakcja PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".

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 al. Jerozolimskie 100 in Warsaw.

The term of the Parent company and their subsidiaries is unspecified.

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:

The Company specialises in the following types of activity:

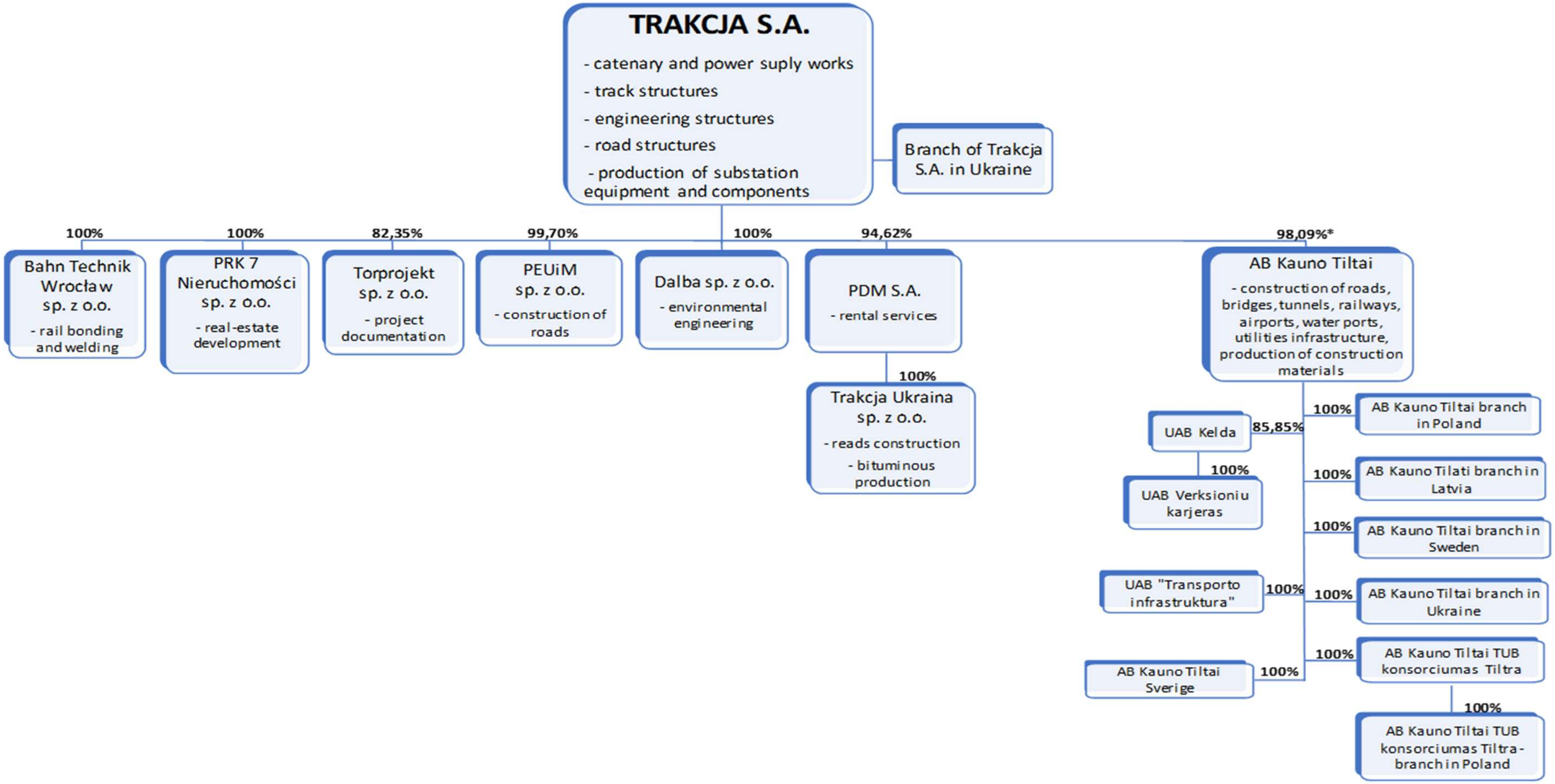
- construction and overhaul of rail tracksfoundation;
- foundation and network works
- installation of traction substations and section cabs;
- installation of high and low voltage overhead and cable lines;
- installation of local supply and control cables;
- manufacturing of products (high, medium and low voltage switching stations, contact line 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 passes, roads and accompanying elements of rail and road infrastructure;
- construction and modernization of tram and trolleybus infrastructure.

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

These consolidated financial statements were approved by the Group's Management Board on May 26, 2021.

2. Composition of the Group

Trakcja S.A. is the Parent Company of Trakcja Group. The Group's composition and structure as at March 31, 2021 is presented in the diagram below.



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

3. Changes in the Group structure and their consequences

On March 9, 2021, in line with the decision of October 20, 2020, the liquidation process of UAB Taurakelis and UAB Kedainiu Automobiliu Keliai, which formed a part of the AB Kauno Tiltai Group, was completed. The Parent Company has settled the winding-up of the above-mentioned companies by March 31, 2021,

Apart from the above, there were no changes in the structure of the Trakcja Group in the I quarter of 2021 including as a result of the merger of units, obtaining or loss of control over subsidiaries and long-term investments, as well as a result of division, restructuring or cessation of business.

4. Parent Company's Management Board

As at March 31, 2021 the Parent Company's Management Board was composed of the following members:

- Marcin Lewandowski - President of the Management Board;
- Paweł Nogalski - Vice-President of the Management Board;
- Arkadiusz Arciszewski - Vice-President of the Management Board;
- Aldas Rusevičius - Vice-President of the Management Board;
- Robert Sobków - Member of the Management Board;
- Adam Stolarz - Member of the Management Board;

During the I quarter of 2021 and after the balance sheet date, no changes occurred in the composition of the Management Board.

5. Parent Company's Supervisory board

As at March 31, 2021 the Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Jorge Miarnau Montserrat - Deputy Chairman of the Supervisory Board;
- Michał Hulbój - Deputy Chairman of the Supervisory Board;
- Krzysztof Tenerowicz - Member of the Supervisory Board;
- Klaudia Budzisz - Member of the Supervisory Board;
- Miquel Llevat Vallespinosa - Member of the Supervisory Board;
- Fernando Perea Samarra - Member of the Supervisory Board.

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

6. Parent Company's Shareholdership

As at March 31, 2021 and as at the preparation hereof, the Parent Company's share capital, in accordance with the entry in the National Court Register, was PLN 69,160,780.80 and was divided into 51,399,548 series A ordinary bearer shares and 10,279,909 series B ordinary bearer shares and also 24,771,519 series C registered shares with a par value of PLN 0.80 per share. Each share constitutes one vote at the General Meeting of Shareholders. All shares are fully paid-up.

(data in PLN thousand, unless indicated otherwise)

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

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	28 399 145	32.85%	28 399 145	32.85%
Agencja Rozwoju Przemysłu S.A.[1]	16 117 647	18.64%	16 117 647	18.64%
OFE PZU "Złota Jesień"[2]	8 332 694	9.64%	8 332 694	9.64%
Other shares	33 601 490	38.87%	33 601 490	38.87%
Total	**86 450 976**	**100.00%**	**86 450 976**	**100.00%**

[1] On May 24, 2021, in the current report 12/2021, the Company informed that on November 25, 2020, the Company has received from Agencja Rozwoju Przemysłu S.A.(„ARP") and PKP Polskie Linie Kolejowe S.A. ("PKP PLK") notice provided under Article 87 (1) (5) read jointly with Article 69 (1) (1) read jointly with Article 69b (1 and 2) of the Act of July 29, 2005 on Public Offerings, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies – that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of adding votes at the disposal of ARP following the concluding of an understanding between ARP and PKP PLK stipulated under Article 87 (1) (5) of the Act on Public Offerings. The contents of the notice received by the Company constitute a schedule hereto. Publication of the above the notification was delayed on November 25, 2020 in accordance with the decision of the Management Board of the Company.

[2] OFE PZU „Złota Jesień" is represented by Powszechne Towarzystwo Emerytalne PZU S.A.

On May 8, 2020 the Parent company adopted a resolution to allot bonds convertible into the Series:

- for ARP 11,764,705 secured registered bonds series F convertible into series D shares with a nominal value of PLN 1.70 each, with a total nominal value of PLN 19,999,998.50 ("Series F Bonds") entitling to take up 11,764,705 shares D series companies.
- for COMSA 4 514 405 unsecured registered G series bonds convertible into D series shares with a nominal value of PLN 1.70 each, with a total nominal value of PLN 7 674 488.50 and ("Series G Bonds") entitling to subscribe for 4 514 405 D series shares of the Company.

The entitlement to exchange Bonds for Series D shares may be exercised by December 31, 2022, and this entitlement may be exclusively exercised with regard to all or some Bonds (however, in each instance no less than 10% of the Bonds), provided that 12 months have lapsed since the issue date and within the last 3 weeks of each calendar quarter until the buy-out date, inclusively. The Bonds mature on December 30, 2022. The Bonds may be redeemed early in cases stipulated in provisions of law and in circumstances standard for this type of bonds, as specified in the Series F Bonds Issue Terms and the Series G Bonds Issue Terms.

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

Since the publication of the most recent periodic report for the year 2020, i.e. since April 15, 2021 there have been no changes in the number of shares in the parent company held by members of the management and supervision bodies.

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

8. Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on May 26, 2021.

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 2020. During the 3 months ended on March 31, 2021 no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at March 31, 2021.

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

9.1. Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 47 of the Notes to the consolidated financial statements for 2020. In the three months ended March 31, 2021, the Group did not change the measurement method for financial instruments measured at fair value.

In the I quarter of 2021, 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 properties into the category of property, plant and equipment, inventories or investment properties depending on their intended use by the Group.

Allocation of goodwill to cash generating units

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

Classification of joint contractual arrangements

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

Control over related entities

The parent company exercises control over subsidiaries,when it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent Company’s Management Board states that it exercises control over individual entities based on the following:

Trakcja holds 100% of shares in PRK 7 Nieruchomości sp. z o.o. and has full control over the subsidiary. Trakcja has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości sp. z o.o.

Trakcja holds 100% of shares in Bahn Technik Wrocław sp. z o.o. and has full control over the subsidiary. Trakcja has become the owner of Bahn Technik Wrocław sp. z o.o. through the acquisition of its shares.

Trakcja holds 82.35% of shares in Torprojekt sp. z o.o. and has full control over the subsidiary. Trakcja has become the owner of Torprojekt sp. z o.o. through the acquisition of its shares.

Trakcja holds 99.70% of shares in PEUiM. sp. z o.o. and has full control over the subsidiary. Trakcja has become the owner of PEUiM sp. z o.o. through the acquisition of shares.

Trakcja holds 100% of shares in Dalba sp. z o.o. and has full control over the subsidiary. Trakcja has become the owner of Dalba sp. z o.o. through the acquisition of its shares.

Trakcja holds 94.62% of shares in PDM S.A. and has full control over the subsidiary. Trakcja has become the owner of PDM S.A. through the acquisition of its shares.

Trakcja holds 98.09% of shares in AB Kauno Tiltai and has control over the subsidiary. Trakcja has become the owner of AB Kauno Tiltai, which is the parent company of AB Kauno Tiltai Group, through the acquisition of its shares.

Group's composition and shareholdings are presented in Note 2 of the Additional notes to the condensed consolidated financial statements.

9.2. Uncertainty of estimates and assumptions

Evaluation of long-term construction contracts

The Parent Company evaluates long-term construction contracts by employing the method based on expenditure, according to which revenues are recognized on the basis of incurred costs against the total expected expenditure necessary for the performance obligation. The budgets of the various contracts are subject to the formal process of revaluation on the basis of current information, however not more often than once per quarter. Where the incurred expense is not proportionate to the degree of fulfilling the performance obligation, in order to better reflect the degree of fulfilling the obligation, the Parent Company adapts the method based on expenditure in such a manner so as to recognize only such revenues which correspond to the incurred costs.

Where the Group is not able to make a reasonable measurement of the results of fulfilling and performance obligation, then the revenues obtained under the contract in question are recognized only up to the incurred costs, which the Parent Company expects to recover.

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 nonlease 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 warranty works

Provisions for warranty works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of warranty 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 warranty works depends on the segment in which the companies operate and is based on the Group's historical data. This value is assessed on an individual basis and may be increased or decreased as appropriate. Any changes in these assumptions will affect the amount of the provisions.

Provisions for contractual penalties

The Group recognises provisions for contractual penalties in relation to any contracts under completion in the amounts in which they may and are likely to be imposed. Provisions are recognised based on the documentation regarding the contract completion and on the opinion of lawyers who participate in the ongoing negotiations and estimate the Group's potential future liabilities on the basis of their course. The carrying amount of the provisions for contractual penalties as at March 31, 2021 is presented in Note 24 of the Additional notes to the condensed consolidated financial statements.

Measurement of employee benefit liabilities

Employee benefit liabilities for retirement benefits and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account amendments to the remuneration regulations made on September 21, 2020. The amount of the obligation (liability) is contingent on numerous factors, which are used as premises under the actuarial method. One of the basic premises for determining the amount of the liability (obligation) is the discount rate and the average expected rise in wages.

Deferred tax asset

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

Depreciation rates

Depreciation/amortisation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates. During the 3 months ended March 31, 2021, no significant changes were made to the depreciation rates applied by the Group.

Investment property

Investment property is measured at fair value. The value of investment properties is determined by independent appraisers who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Company followed the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property appraisal and rules and method for preparing appraisal reports. Fair value of investment property was measured by way of applying measurement techniques that require a maximum use of observable data. As at March 31, 2021, there were no indications that the value of investment property could change, and therefore the Group did not make a valuation as at that date.

Impairment of goodwill

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company's Management Board. The tests carried out require estimation of the value in use of the cash-generating units ("CGU") based on their future cash flows, which were subsequently discounted to their present value using a discount rate. As at March 31, 2021, there were no indications of impairment of cash-generating units, therefore the Group did not perform the test as at that date.

Impairment of financial assets

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

Impairment of inventories

The Management Board assesses whether there are any premises indicating the possibility of impairment of inventories in accordance with note 9.13 of additional information and explanations in the consolidated financial statements for 2020. Determining the impairment requires estimating the net value possible to obtain for inventories that have lost their useful or useful features. The change in the inventory revaluation write-down has been presented in note 24.

Expected credit loss and impairment of trade and other receivables

Pursuant to IFRS 9, the Group recognises a loss allowance for expected credit losses on trade and other receivables. For trade receivables, the Group applies a simplified approach for receivables analysed on a collective basis – for these receivables, an allowance for lifetime expected credit losses is calculated, regardless of the analysis of changes in credit risk. For other receivables and financial instruments held, the Group recognises an allowance for 12-month expected credit losses if the credit risk is low or has not increased significantly since initial recognition of receivables in the balance sheet and at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. The change in the impairment allowance for trade and other receivables is presented in Note 24.

Fair value measurement and measurement procedures

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Group measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. Detailed information on items measured at fair value is presented in notes 28 and 30. Information on valuation techniques and batch data used to measure the fair value of individual assets and liabilities is disclosed in notes 26, 46, 52 Additional information and explanations in the consolidated financial statements for 2020.

10. 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 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 regard to note 10 to the annual individual financial statements of Trakcja S.A. for the financial year ended on December 31, 2020 and note 11 to the annual consolidated financial statements of the Trakcja Group for the financial year ended on December 31, 2020, the Management Board of the Parent Company hereunder presents the update on issues discussed in the aforementioned notes to financial statements.

Going concern

The financial statement for the 3 months ended on March 31, 2021 was prepared in account of going concern, therefore it does not include any adjustments due to different rules of valuation and classification of assets and liabilities, which would be required if the assumption of the Company's going concern turned out unjustified.

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

Risk to going concern

In the period of 3 months ended on March 31, 2021, the Parent Company recorded net loss of PLN 6,675 thousand, and the net negative working capital amounted to PLN 73,404 thousand.

As at March 31, 2021, financial liabilities due to credits and lease of the Parent Company amounted to a total of PLN 351,050 thousand (long-term part PLN 268,260 thousand, short term part PLN 82,790 thousand). and in the comparable period as at December 31, 2020, they amounted to PLN 386 517 thousand. PLN (long-term part PLN 291 713 thousand, short-term part PLN 94 804 thousand).

As at March 31, 2021, trade liabilities were at PLN 316,053 thousand, including trade liabilities and retained amounts PLN 248, 631 thousand outdated at PLN 119,699 thousand, which the Company pays from current inflows to a possible extent.

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

General situation of the Company and action undertaken

The parent company recorded the following results for the 3 months ended on March 31, 2021:

- gross result on sales: PLN 2,630 thousand (Q1 2020 modified: PLN 1,189 thousand);
- EBITDA: PLN 1,518 thousand (Q1 2020 modified: PLN -3,7111 thousand);
- net result: PLN -6,675 thousand (Q1 2020 modified: PLN -13,200 thousand);
- Equity: PLN 272,971 thousand (as at 31.12.2020: PLN 279,645 thousand).

As at March 31, 2020, the Company's order book was PLN 1,685 million, of which PLN 30.9 million were agreements executed in the I quarter 2021. Further, the Parent Company in 2020 submitted the most favorable bids in public tenders (which have not been resolved until the publication date hereof) for the total amount of PLN 711.4 million and in 2021 in a private tender on the German market for the net amount of PLN 6.4 million.

Implementation of projects optimizing the Company's activities

During I quarter of 2021 and till the publication date, the company continued the implementation of Stage II of the Recovery Plan scheduled for 2020-2021. The Recovery Plan provides that the Company is to take a number of measures (57 new initiatives) with a view of obtaining financial advantages by the Company, improvement of in-house procedures and optimization of its internal structure. Furthermore, in accordance with the financing documentation, the Company provides the credit agent (mBank S.A.) at least once a month with the Management's Board report on the implementation of the Recovery Plan, additionally verified by a consultant.

Continuation of claims negotiations

In the I quarter 2021, the Management Board of the Company carried on negotiations with PKP PLK in order to settle the court disputes in an amicable manner. As of the publication date hereof, the value of contractual claims pursued by Trakcja, its consortium partners and subcontractors in court against PKP PLK amounts to approximately PLN 158.6 million in total (the gross amount together with capitalized interest as of the date when the claim was filed), including the amount due to Trakcja being approximately PLN 120.3 million.

The Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount together with capitalized interest as of the date when the claim was filed), including for the amount due to Trakcja PLN 106.9 million. Detailed information has been provided in note 34 hereto.

As of March 31, 2021, the value of other contractual claims which the Company is pursuing, together with consortium partners and subcontractors, on a contractual basis (out of court) is PLN 299.4 million, including the amount due to Trakcja being PLN 249.5 million.

At the present stage, the Company's Management Board cannot forecast the date of completing negotiations concerning claims pursued in court and their impact on the financial result.

Solicited new significant contracts

The Company, as usual, actively participates in tender procedures in the railroad and road market, which presently entail a large number of players. The increase of competition follows from a decrease of the number of tenders in the investment market against the performance potential of construction companies in the Polish market. The present market tendency indicates that contractors' bids in excess of investor budgets are accepted more frequently by contracting entities.

In the I quarter 2021, the Company has signed the following contracts:

a) On February 11, 2021, the Company executed a contract for "Extension of the traffic system accompanied by construction of a flyover above the railroad tracks in Skarżysko-Kamienna as part of: "Construction of an integrated transport system comprising the reconstruction of the existing traffic system accompanied by the construction of a structure serving as a crossing of the Warsaw-Cracow railroad line no. 8 and a connection between Osiedla Dolna Kamienna (Dolna Kamienna Housing Estate) with Osiedle Przydworcowe (Railway Station Housing Estate) in Skarżysko-Kamienna", detailed information was presented in the current report 4/2021 (contract value – PLN 28.3 million net);

b) on February 10, 2021, a contract for "Installation of pile foundations for lighting masts at the Stargard station - works performed as part of the STG task" (contract value - PLN 0.1 million net);

c) on March 17, 2021, the contract for the "Renovation of the traction and power substation in the field of DC devices (RPS, SKP, RST, SOU, SZW) at the A5 Ursynów station of the I metro line in Warsaw" (contract value - PLN 2.5 million net).

The most advantageous bids submitted during public tenders as at the date of publication of the report for the I quarter of 2021

a) „Reconstruction of railway line no. 7 - Warszawa Wschodnia - Wawer" (value of contract - PLN 422.4 million, net);

b) „Expansion of the Tram Line in Olsztyn" (the Company's share – PLN 163.9 million net);

c) „Construction of the Tram Line in Bydgoszcz" (value of contract - PLN 124.9 million, net);

d) On April 9, 2021, the company submitted the most advantageous bid in a private tender for the "Construction of a new building of the Saarbrücken Police Headquarters" (contract value - PLN 6.4 million net).

The payment of advances has been provided for under the contracts specified in (a) and (b). The advance for the „Reconstruction of railway line no. 7 - Warszawa Wschodnia - Wawer" contract amounts to PLN 42.2 million, net and for the „Expansion of the Tram Line in Olsztyn" contract – PLN 16.4 million, net, and it is renewable. The signing of the agreements for the performance of the foregoing contracts and solicitation of advances will have a favourable impact on the liquidity situation of the Parent Company.

Material agreements executed after the balance-sheet date

a) on April 9, Trakcja S.A. signed a contract for the "Construction of 3 multi-family houses with 26 apartments and an underground garage, Pulheim" (contract value - PLN 2.2 million);

b) on April 19, Trakcja S.A. signed a contract for "Construction of 1 multi-family house with 8 apartments and an underground garage Waldbeerenberg House 3 Baumberg Commune District 3 Plot 3398" (contract value - PLN 1.1 million).

Active policy for the management of the Company's liquidity

In addition to measures aimed at improving financial results in the future, the Management Board of the Company pays close attention to the Company's liquidity situation. Trakcja pursues an active liquidity management policy, monitoring on an ongoing basis short-term and long-term liquidity, and also carries out weekly cash flow monitoring in order to maintain a stable level of available funds. For the purpose of maintaining liquidity, the Company takes measures aimed at acquiring contracts where advance payments are stipulated. Further, Trakcja pursues an active policy of maintaining a low level of receivables, inventory management, sale of key materials to principals at the initial stage of contract implementation and negotiates with subcontractors to extend payment deadlines. The Company puts great emphasis on optimization of invoicing procedures by reducing the time between the completion of works and issuance of the invoice for performed works.

On March 3, 2021, the Company notified in its current report 6/2021 that it received payment for the sale of the real estate at ul. Lotnicza 100 in Wrocław in the total amount of PLN 53,000 thousand, as follows: the Company received a part of the price in the amount of PLN 2,850 thousand; - a part of the price in the amount of PLN 50,150 thousand the buyer transferred by wire transfer to mBank S.A. bank account, in order to repay the Company's entire liability under the working capital facility (in the amount of PLN 50 million, including interest) which allowed to cross out the mortgage that secured the credit.

As of March 31, 2021, Trakcja held cash and cash equivalents in the amount of PLN 3,999 thousand and unused credit lines in the amount of PLN 4,817 thousand.

As of the day preceding that when the financial statement has been approved, the Company held cash in the amount of PLN 5,496 thousand and has unused credit lines in the amount of PLN 786 thousand.

Based on the data and assumptions adopted at the time of publication hereof, a financing gap concerning the Company in the amount of approx. PLN 147-210 million was identified (the financing gap disclosed in the financial statement for 2020 was PLN 159-216 million). The Company emphasizes that the indicated value constitutes an estimate which is imprecise and subject to over time changes depending on assumptions regarding the occurrence of future events and is subject to a high risk of variability over time.

In relation to activities undertaken as part the second round of financing, the Company is currently negotiating with financial institutions and key shareholders as regards additional funding to be granted the Company in the amount necessary to cover the financing gap. The Company expects that the execution of the agreements as part the second round, predicted to take place by the end of the II quarter of 2021, will allow the Company to cover the biggest part of the financing gap existing at the balance-sheet date.

If discussions as part the second round of financing prove unsuccessful, the continuation of operations, in the Company's opinion, will be threatened.

New sources of funding

During the I quarter of 2021 and until the date of publication of this report, the Company is taking intense action with a view of soliciting capital and debt financing, which would allow the coverage of the financial gap discussed in this report. The above, in particular, includes:

1. on May 10, 2021, in the current report No. 9/2021, the Company informed about the convening of the Extraordinary General Meeting of Trakcja S.A. as of September 10, 2021 in order to Adoption of a resolution on increasing the Company's share capital through the issuance of ordinary bearer shares of series E through a private subscription excluding all the pre-emptive rights of the existing shareholders, dematerialization and applying for admission and introduction of series E shares to trading on a regulated market conducted by the Warsaw Stock Exchange and on amending the Articles of Association;
2. on May 24, 2021, the Company has received from its stockholder ARP notice on the concluding of a conditional understanding between ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure, which primarily concerns involvement with the Company, within the framework of which, inter alia, PKP PLK has committed itself to subscribe 250 million shares of the Company's stock, series E, for a total issue price in the amount of PLN 200 million. Detailed information was presented in the current report 10/2021;
3. On May 24, 2021, the Company communicated inside information delayed on 26 November 2020 concerning the receipt of notice from ARP and PKP PLK under Article 87 (1) (5) read jointly with Article 69 (1) (1) read jointly with Article 69b (1 and 2) of the Act of 29 July 2005 on Public Offerings - that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of concluding an understanding between ARP and PKP PLK concerning, inter alia, the exercise of voting rights by ARP by reason of stock held in the Company's share capital in the manner agreed with PKP PLK, as regards the taking over of shares of stock of the new issue by PKP PLK. Public disclosure of the delayed Inside Information follows from receipt by the Company on May 24, 2021 of notice from ARP, as to which the Company provided detailed information in

current report no. 10/2021, to the effect that ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure concluded a conditional understanding on the potential involvement of PKP PLK with the Company. Detailed information was presented in the current report 11/2021;

4. On May 24, 2021, the Company has received on November 25, 2020 ARP and PKP PLK notice that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of adding votes at the disposal of ARP following the concluding of an understanding between ARP and PKP PLK stipulated under Article 87 (1) (5) of the Act on Public Offerings. Detailed information was presented in the current report 12/2021;
5. on May 24, 2021, the Company has received from its stockholder, ARP noticed on the concluding of a non-binding understanding between the Company's stockholders, that is, ARP and COMSA , concerning primarily the acquisition by ARP or an entity under the direct or indirect control of the State Treasury of the Republic of Poland or another entity designated by ARP, previously approved by COMSA of all stock issued by the Company, held by COMSA at a particular moment. The Parties have also agreed in the understanding that ARP or the Designated Buyer shall acquire from COMSA all bonds issued by the Company, held by COMSA at a particular moment. Detailed information was presented in the current report 13/2021;
6. on May 24, 2021, the Company has received from its stockholder, ARP a stockholder representing at least one tenth of the Company's share capital – a motion for supplementing draft resolutions concerning business introduced into the Agenda of the Company's Extraordinary Meeting convened for September 10, 2021 ("EM") accompanied by draft resolutions. The draft resolutions notified by the Stockholder include a new draft resolution concerning resolution on the increase of the Company's share capital and concerning amendment to the Memorandum containing i.a. the following points:
    a. the Company's share capital shall be increased from PLN 69.160.780, by PLN 200,000,000.00 i.e. to PLN 269,160,780.80;
    b. The increase of the Company's share capital shall be effected through the issuance of 250,000,000 ordinary bearer shares of series E, having the nominal value of PLN 0.80 each;
    c. Series E Shares will be covered in full only by cash contributions before the registration of the increase of share capital made by issuing Series E Shares;
    d. the issue of Series E Shares will be conducted by way of private subscription referred to in Article 431 § 2 item 1) of the Code of Commercial Companies as part of an offer addressed to a single investor, i.e. to the company PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw;
    e. the agreement for taking up Series E Shares should be concluded by within 45 (forty five) days from the date of adoption of the resolution.

    Detailed information was presented in the current report 14/2021;
7. The Company is continuing negotiations within the framework of the second financial round with banks, insurance companies and with the ARP with a view of soliciting new debt and guaranty instruments.

Risks related to the SARS CoV-2 pandemic

A detailed description of risks is presented in section 2.5 of the Management Board's Report on the Company's operations.

The development of the SARS CoV-2 pandemic up to this date has had no significant impact on the Company's continued operations in the foreseeable future. Further pandemic-related developments that are difficult to predict at the present time could have an adverse effect on the Company's operations, timely performance of works and costs incurred by the Company.

The ongoing SARS CoV-2 pandemic, which so far has resulted in, inter alia, transport restrictions and an interrupted supply of components and raw materials, may lead to delays in the Company's performance of orders under contracts, where the Company acts as a contractor or a subcontractor, and as a result there may be a risk that principals will submit claims for the Company to pay contractual penalties for the failure to complete the orders on time.

Even though, as of this report publication date, business partners and financial institutions retain the continuity of their operations, the further spread of the SARS CoV-2 and a change in how Company's business partners, courts and entities providing funding to the Company carry on their activities may lead to protracted decision-making processes, which may indirectly impact the Company's day-to-day operations, in particular through:

- limited access to funds that the Company may obtain from the securities market;
- the need to change the delivery times of certain imported materials;
- limited the availability of foreign workers;
- longer acceptance procedures due to customer's personnel working on a remote basis;
- longer administrative and judicial procedures;
- limited mobility;
- the need of remote work and quarantine for certain employees.

As a consequence, the events referred to above may lead to delays in the Company's ability to obtain the funds necessary to perform its financial obligations, to obtain new orders, in the event that the Company does not have the required financial collateral in the form of guarantees or funds necessary to provide a deposit or does not fulfill its contractual obligations. As a result of the detrimental impact of the SARS CoV-2 pandemic on the operations referred to above, the Company's liquidity and financial position may deteriorate. At the same time, the contingent limitations or delays in the implementation of investments for principals, as a consequence of the pandemic, may affect the financial perspectives of the Company in subsequent financial periods. In the Company's assessment, the risk of those risks occurring is medium and as of the financial statement publication date of publication the Company is unable to estimate the impact of these risks on the future financial results and cash flows of the Company.

Events expected to occur after the balance-sheet date

The Company is currently in the process of selling its non-operational assets. The Company is also planning to sell other non-operational assets, including the real estate at ul. Oliwska in Warsaw for the price of PLN 18,000 thousand. The Company expects the transaction to be finalized in the III quarter 2021.

The Management Board of the Company is of the opinion that the analyses conducted and measures taken will, in a satisfactory manner, mitigate the risk of liquidity loss. In the Company's opinion, the measures taken will permit securing the financing in respect of its operations and to prepare the Company for implementing larger projects.

Risk of non-achievement of contractual financial indicators

Parent company, pursuant to the Joint Terms Agreement of September 27, 2019, is required to comply with financial indicators ("Covenants") concerning the Company's current financial condition. The agreement specified that the first verification of whether Trakcja and Trakcja Group fulfilled the Covenants would take place on September 30, 2020, further verifications to occur on a quarterly basis until September 30, 2022. The Company received permissions from financing entities to abandon testing the Covenants on September 30, 2020, December 31, 2020 and March 31, 2021. The next verification of the Covenants in accordance with the aforementioned long-term financing agreement is to take place on June 30, 2021. As of the publication date hereof, it is the opinion of the Management Board of the Company that there is a risk that contractual financial indicators will not be achieved as of June 30, 2021. The Company is currently arranging with financing entities the new dates and values of financial indicators applicable to the Company as part of the second round of financing.

Risk of failure

The Management Board of the Company has prepared the financial statement on the assumption of going concern in a period of at least 12 months until the date when this statement has been approved for publication. The continuation of the Company's operations is depends on whether upon the financial gap can be covered successfully as a result of actions taken within the framework of the second financial round, which takes into account capital, debt and guaranty financial instruments. The Company's Management Board draws particular attention as to the existence of the risk of:

a) a prolongation or failure of the process of signing credit agreements;

b) failure to satisfy the conditional understanding between ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure primarily concerning involvement in the Company, within the framework of which PKP PLK committed itself to subscribe 250 million series E Company shares for a total issue price in the amount of PLN 200 million.

Contingent failure to achieve the expected results of measures implemented in respect of additional financing and claims negotiations may constitute a threat to continued operations of Trakcja

In addition, such factors as the timing of obtaining funds from advance payments, claims as well as adverse COVID-19- related events may affect future deterioration of liquidity.

Taking into account the possible adverse or unforeseen effects of the events referred to in this section as well as contingent postponement of measures ensuring sufficient financing of operations, the Company has the option to take further actions consisting of:

1. commencing negotiations with the Company's creditors concerning debt restructuring combined with taking steps permitted by applicable legal regulations, aimed at protecting the Company and the interests of the creditors and shareholders;

2. as regards the mitigation of the risk concerning the success of increasing the capital specified under b) – the Company is contemplating the taking of a parallel path concerning the divestment of the Company's key assets as an alternative manner of seeking the coverage of the financial gap;

3. conducting operational restructuring involving the sale of assets that are not used in the core operating activities, inter alia shares in subsidiaries, tangible fixed assets;

4. limiting the scope of the Company's operations.

11. Basis for preparation of the consolidated annual financial statements

The consolidated annual financial statements were prepared based on the historical cost approach, except with respect to investment property and derivatives which are measured at fair value.

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

These consolidated annual financial statements have been prepared on the assumption that the Company would continue as a going concern in the foreseeable future As at the date of authorisation of these consolidated financial statements, there are circumstances which would indicate a threat to the Group continuing as a going concern. For details, see Note 10 of the Additional notes to the condensed consolidated financial statements.

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

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

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

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

12. Statement of compliance

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

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

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and the majority of the companies within the Group, as well as the reporting currency in these condensed consolidated financial statements for the I quarter of 2021. The euro is the measurement currency of the companies with their registered offices in Lithuania and the AB Kayno Tiltai branch in Latvia, whereas the Swedish crown (SEK) is the currency of AB Kauno Tiltai Sverige and the Ukrainian hryvnia (UAH) is the currency of Trakcja Ukraina sp. z o.o. and the establishment of Trakcja S.A. in Ukraine.

13. Significant accounting principles

The accounting principles (policy) applied to these condensed consolidated financial statements for the I quarter of 2021 are consistent with those applied to the annual consolidated financial statements for 2020, except for the changes described below. The same principles apply to both the current and comparable period, unless a given standard or interpretation is to be applied only prospectively

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

Amendments to standards applied for the I time in 2021

Company has applied the following amendments to standards for the I time:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform – Phase 2;
- Amendments to IFRS 4 "Insurance Contracts" – postponement of IFRS 9.

The foregoing modifications had no material impact on the Company's accounting policy, applied to date.

Standards and amendments to standards accepted by the IASB, but not yet approved by the EU

The IFRS as approved by the EU do not differ significantly from the measures adopted by the IASB, with the exception of the following standards and amendments thereto, which as at the date of drafting the report, have not been accepted yet for application

- IFRS 14 — Regulatory Deferral Accounts – In accordance with the EU Commissions' Decision, the process of approval of the standard In its preliminary form shall not be initiated before the standard is published In its final form (effective for annual periods beginning on or after January 1, 2016);
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after January 1, 2023);
- Amendment to IFRS 10 — "Consolidated Financial Statements" and IAS 28 Investments in Associates and Joint Ventures" – Sales transactions or contribution of assets between the investor and its associate or joint venture- work leading to the approval of these amendments have been indefinitely postponed by the EU- the effective date has been postponed by the IASB for an indefinite period;

- Amendment to IAS 1 “Presentation of Financial Statements” – and classification of liabilities as short- or long-term - the effective date has been postponed (effective for annual periods beginning on or after January 1, 2023);
- Amendment to IFRS 3 “Business Combinations”. IAS 16 “Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (effective for annual periods beginning on or after January 1, 2022);
- Amendment to various standards “Annual Improvements to IFRSs 2018-2020 Cycle (effective for annual periods beginning on or after January 1, 2022);
- Amendment to IAS 1 “Presentation of Financial Statements” and IFRS 2 Code of Practice (effective for annual periods beginning on or after January 1, 2023);
- Amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (effective for annual periods beginning on or after January 1, 2023);
- Amendment to IFRS 16 “Leasing”: COVID-19-related rent concessions after June 30 2021 (effective for annual periods beginning on or after April 1, 2021).

The foregoing standards and amendments of existing standards would have had no material impact on the financial statements, if they had been applied by the Group on the balance sheet date.

Changes introduced by the Group independently

On June 25, 2020, Management Board of Trakcja adopted a resolution on the adoption of the cost relocation instruction, where a new method of allocating costs of entities and organizational units to individual cost centers was specified. In connection with the above, commencing from July 1, 2020, the Company introduced amendments to the presentation of costs related to the performance of contracts. In line with this instruction, individual rules for reallocation of costs to relevant cost centers were determined for each organizational unit of the Company’s headquarters

In accordance with IAS 8.22 “Retrospective application”: an entity discloses comparative data for each period as if the amended accounting policy had always been applied, which means that the Company should apply the aforementioned amendments as of January 1, 2019 The change introduced by the Company does not affect the Company’s net result and equity, and only constitutes an adjustment in presentation among the elements of the Issuer’s profit and loss account.

The Company has changed the presentation of comparative data from January 1 to March 31 2020. The change had the following impact on the comparative period:

- own cost of sales was increased by PLN 976 thousand;
- costs of sale, marketing and distribution increased by PLN 72 thousand;
- while general management and administrative costs decreased by PLN 1,048 thousand.

14. Description of factors and events that have a significant impact on the financial performance of Trakcja Group in the I quarter of 2021

As at March 31, 2021 the Trakcja Group’s portfolio of construction contracts was PLN 2,631 million (excluding any revenues allocated to consortium members). In the I quarter of 2021, the companies within Trakcja Group signed construction contracts with the total value of PLN 177,8 million (excluding the value of works allocated to consortium members). As of March 31, 2021, the contract portfolio of the Trakcja Group provided for the full capacity utilisation in the next financial year. The participation in new tenders in 2021 will allow the Group to secure, to an even greater extent, its portfolio of contracts for future periods.

Factors that had the most significant bearing on sales revenue and performance in the I quarter of 2021 include seasonality of sales, typical for entities operating in the construction sector and characterised by a much lower level of revenue earned in the I quarter of the year and a significant proportion of sales revenue generated in the second half of the year.

In the I quarter of 2021, Trakcja Group earned sales revenue of PLN 186,946 thousand, down by PLN 30,428 thousand year-on-year. Cost of sales decreased by PLN 28,838 thousand to PLN 195,985 thousand. Gross loss on sales reached PLN 9,039 thousand and increased by PLN 1,590 thousand year-on-year. Gross sales margin decreased by 1.41 p.p. to -4.84% in the I quarter of 2021, while in the corresponding period of 2020 it stood at -3.43%.

A drop in revenues and the gross profit on sales was primarily the result of reduced construction contract performance within the AB Kauno Group during the I quarter of 2021 as against the I quarter of 2020, and, to a lesser degree, within the other subsidiaries of the Trakcja Group. The primary factor which had an impact on reduced performance were difficult weather conditions at the outset of 2021 (constant below-zero temperature), which impeded or prevented the conduct of construction work. On the other hand, during the analogous period of the previous year, meteorological conditions were exceptionally mild, which allowed performance of work already in January.

General and administrative expenses stood at PLN 14,347 thousand and decreased by 9.3% or PLN 1,478 thousand year-on-year. The decrease in expenses was mainly driven by the situation in the parent company who reported an decrease in this item by PLN 1,487 thousand year-on-year, which was caused by a reduction of the expenses of advisory and consulting services, primarily associated with financial restructuring, by an amount of PLN 676 thousand. Furthermore, a drop in expenses in dispersed areas of general management expenses became gradually noticeable due to a number of cost-saving and improvement initiatives conducted in 2020 within the Company.

Net other operating revenue/expenses of the Group came in a amount of PLN 2 193 thousand and increased by PLN 2 866 thousand year-on-year. Growth has been mainly attributed to a decrease by PLN 2,498 thousand of other operating expenses at the Parent Company, and resulted from high expenses during a comparable period, including the write-off of unrecoverable receivables in the amount of PLN 1,591 thousand and expenses of claim enforcement in the amount of PLN 782 thousand.

In the I quarter of 2021, the Group posted an operating loss of PLN 22,733 thousand. Operating loss decreased by PLN 2,519 thousand compared to the I quarter of 2020, when it amounted to PLN 25,252 thousand.

In the period from January 1, 2021 to March 31, 2021, net finance income/costs of the Group came to a negative amount of PLN -3,585 thousand and increased by PLN 5,357 thousand year-on-year. Financial expenses which were lower by PLN 4,767 thousand contributed to the above, including a drop in the costs of interest at the Parent Company by PLN 2,875 thousand The AB Kauno Group also experienced a drop in financial expenses by PLN 1,712 thousand partially caused by lower interest expenses on granted credits due to a smaller use of credit lines and lower costs due to exchange rate differences.

In the period from January 1, 2021 to March 31, 2021, the Group incurred a loss before tax of PLN 26,318 thousand. Loss before tax for the I quarter of 2021 decreased by PLN 7,876 thousand from PLN 34,194 thousand in the I quarter of 2020. Income tax for the I quarter of 2021 increased the net result by PLN 3,063 thousand. The increase in the net result by income tax decreased by PLN 1,912 thousand year-on-year. The Group's net result for the period from January 1, 2021 to March 31, 2021 stood at PLN -23,255 thousand. The net loss decreased compared to the loss for the I quarter of 2020 by PLN 5,964 thousand, which is mainly attributable to balance on other operating activities and lower finance costs.

As at the end of the I quarter of 2021, the Group's total assets amounted to PLN 1,354,476 thousand, a decrease by 8.3% compared to total assets at the end of 2020.

Non-current assets decreased by PLN 5,510 thousand (i.e. by 0.9% of non-current assets as at December 31, 2020 to PLN 575,809 thousand, while current assets decreased by PLN 117,770 thousand, i.e. by 13.1% as compared to current assets as at December 31, 2020, to PLN 778,667 thousand.

The decrease in non-current assets results mainly from the decrease in property, plant and equipment by PLN 4,699 thousand to PLN 280,558 thousand as at March 31, 2021, and the decrease in goodwill from consolidation due to foreign exchange differences from translation by PLN 4,414 thousand to PLN 134,123 thousand as at March 31, 2021. On the other hand, other financial assets have increased by PLN 2,694 thousand the value of which amounted to PLN 9,119 thousand at the end of the I quarter of 2021.

The decrease in current assets was mainly driven by a decrease in receivables by PLN 70,792 thousand, i.e. by 16.9% as compared to December 31, 2020. Cash and equivalents also decreased – by PLN 65,370 thousand or 48% as compared to the end of 2020. On the other hand, assets from contracts with customers increased by PLN 11,899 thousand or 5.9% to PLN 215,172 thousand.

As at March 31, 2021, the Group's total equity decreased by PLN 26,672 thousand compared to December 31 2020, reflecting a net loss of PLN 23,255 thousand incurred in the I quarter of 2021.

As at March 31 2021, long-term liabilities reached PLN 293,004 thousand and decreased by PLN 47,843 thousand or 14% as compared to December 31, 2020. Interest-bearing credits and loans decreased by PLN 44,163 thousand and stood at PLN 236,989 thousand at the end of I quarter of 2021.

Short-term liabilities stood at PLN 751,028 thousand, having decreased by 6.1%, i.e. by PLN 48,765 thousand compared to the balance as at December 31, 2020. The decrease was mainly attributable to an decrease in trade and other liabilities by PLN 43,018 thousand. The item of contract with customers liabilities has also decreased by PLN 16,013 thousand reaching a value of PLN 184,538 thousand as at 31 March 2021.

At the beginning of 2021, the Group's cash balance presented in the consolidated statement of cash flows stood at PLN 135,906 thousand, and at the end of the 3-month period it amounted to PLN 70,400 thousand. Net cash flows for the period of 3 months of 2021 were negative and amounted to PLN -65,506 thousand, which is an decrease by PLN 15,520 thousand year-on-year.

15. Seasonality and cyclicality

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

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

During the 3 months ending on March 31, 2021, the Company has not issued, bought out or repaid other debt and capital securities.

After the balance sheet date, on May 10, 2021, in the current report No. 9/2021, the Company informed about the convening of the Extraordinary General Meeting of Trakcja S.A. as of September 10, 2021 in order to Adoption of a resolution on increasing the Company's share capital through the issuance of ordinary bearer shares of series E through a private subscription excluding all the pre-emptive rights of the existing shareholders, dematerialization and applying for admission and introduction of series E shares to trading on a regulated market conducted by the Warsaw Stock Exchange and on amending the Articles of Association;

On May 24, 2021, the Company has received from its stockholder, ARP] a stockholder representing at least one tenth of the Company’s share capital – a motion for supplementing draft resolutions concerning business introduced into the Agenda of the Company’s Extraordinary Meeting convened for September 10, 2021 accompanied by draft resolutions. Among the draft resolutions notified by ARP include a new draft resolution concerning increase of the Company’s share capital containing i.a. the following points:

1. the Company's share capital shall be increased from PLN 69.160.780, by PLN 200,000,000.00 i.e. to PLN 269,160,780.80;
2. The above increase of the Company's share capital shall be effected through the issuance of 250,000,000 ordinary bearer shares of series E, having the nominal value of PLN 0.80 each;
3. Series E Shares will be covered in full only by cash contributions before the registration of the increase of share capital made by issuing Series E Shares;
4. the issue of Series E Shares will be conducted by way of private subscription referred to in Article 431 § 2 item 1) of the Code of Commercial Companies as part of an offer addressed to a single investor, i.e. to the company PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw;
5. the agreement for taking up Series E Shares should be concluded by within 45 days from the date of adoption of the resolution.

Detailed information was presented in the current report 14/2021.

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

In the opinion of the Management Board, in the 3-month period ended March 31, 2021, 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.

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

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

- the ability to win new construction contracts, which on account of the profile of the Group’s activities is determined by expenditures on the railway, energy road and tramway infrastructure in Poland and Lithuania, as well as on new markets;
- efficiency of opening and signing contracts by the Ordering Party;
- competition from other entities and increasing pressure on margins;
- lack of market barriers;
- the joint and several liability of the construction consortia members and with the liability for subcontractors;
- formation of prices of raw materials, building materials and transport costs;
- growing bargaining power of subcontractors (impact on the level of prices of services provided by them);
- the situation on the labor market in Poland and Lithuania;
- exchange rate developments, in particular the euro exchange rate;
- the impact of the Central Bank's monetary policy on changes in loan interest rates;
- the timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity;
- changes of laws governing the scope of the Group’s activities, including tax law and other regulations dealing with public law charges;

- the level of valorisation of construction contracts;
- atmospheric conditions;
- the SARS CoV-2 (COVID-19) epidemic.

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

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

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

- the accuracy of estimating the costs of implemented projects, having a direct impact on decisions on the strategy of participating in tenders, the valuation of contracts for tenders and, as a result, the margins achieved on contracts. The accuracy of estimating budgets for contract costs is in turn related to both methodological and external factors, such as changes in prices of materials and prices for subcontractors, Ability to acquire new construction contracts;
- the number of contracts won as part of investment programs for railway and road infrastructure in Poland and Lithuania;
- ability to acquire highly qualified Staff;
- ability to further diversify operations;
- risk related to obtaining financing for the implementation of construction contracts and obtaining contract guarantees;
- ability to maintain liquidity (described in Note 10 of the Explanatory Notes to these condensed consolidated financial statements);
- ability to satisfy the conditions provided under financial agreements, including the maintenance of financial indices at a prescribed level, as provided under financing agreements;
- results of court proceedings;
- ability to implement the Group’s growth strategy.

19. Risk factors

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

- risk associated with increasing 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 associated with dependence on suppliers;

- risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors;
- risk of bankruptcy of subcontractors;
- 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 joint and several liability of construction consortium members and liability for improper performance of construction work by 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;
- risk related to the increase in the portfolio of overdue receivables;
- risk related to financial contracts, including the risk of exceeding the values of financial ratios specified in the financing agreements;
- liquidity risk (described in the note 50 to the additional information and explanations to the abridged consolidated financial statement);
- risks associated with 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;
- risks associated with weather conditions;
- the risk related to changes in the law, including tax law;
- the risks described in note 10 of this quarterly report.

Extraordinary threats

An extraordinary threat identified as at the date of publication of this report is the risk related to the impact on the Group's operations and financial situation of the COVID-19 coronavirus epidemic and related changes in regulations introduced by the State.

Impact of the SARS CoV-2 (COVID-19) epidemic on the Group's operations and financial position

The Management Board forecasts that should the pandemic and various restrictions associated with it continue, the Group may, inter alia, suffer as follows:

- transport being limited and delivery of components and raw materials being irregular;
- costs of certain services, in particular, transport of materials and raw materials, being increased;
- Excessive length of proceedings concerning administrative decisions with regard to implemented construction contracts.
- availability and efficiency of subcontractors being reduced, the completion by the Group of contracts, may be delayed and as a consequence translate into a risk that the contracting parties may file claims for contractual penalties to be paid by the Group companies for untimely completion of contracts.

Despite the fact that as at the date hereof both the business entities and financial institutions continue their operations, the further spread of the SARS CoV-2 virus may result in the Company's business partners, courts and financial institutions being forced to adapt their operations to the circumstances pending, which may cause delays in obtaining financial funds necessary for the Company to:

- fulfil its financial obligations;
- acquire new contracts, if the Company has no required financial security such as guarantees or deposits;
- meet its obligations under the long-term financing documentation (of which the Company notified in Current Report no. 51/2019 of September 27, 2019) that forms part of the financial restructuring process of the Group.

20. Opinion of the Management Board on the published forecast

The Management Board of Trakcja S.A. did not publish any financial forecast for 2021.

21. Brief description of significant accomplishments or failures in the I quarter of 2021

In the I quarter of 2021, the Trakcja Group recorded a net loss of PLN 23,255 thousand. PLN, which was lower than in the corresponding period of the previous year by PLN 5,964 thousand , when the Group incurred a net loss of PLN 29,219 thousand. For a description of the factors that had a significant bearing on the Group's performance in the I quarter of 2021, see Section 14 of the Additional notes to the condensed consolidated financial statements.

The Group's significant accomplishments in the 3-month period ended March 31, 2021 include the following:

- signing new contracts valued at PLN 177,8 million (excluding the part assigned to consortium partners);
- further rebuilding of the order backlog which, as at March 31, 2021, amounted to PLN 2,631 million for the Group (excluding the portion of revenue attributable to consortium members);
- continued implementation of the Recovery Plan by the Parent Company which provides that the Company will take a number of measures aimed at, among others, obtaining financial benefits by the Company, streamlining internal procedures, optimising the internal structure;
- receipt of payment for the real property situated at ul. Lotnicza 100, Wrocław in the total amount of PLN 53,000 thousand (the Company provided information in this regard in Current Report 6/2021), which took place in the following manner: a part of the price in the amount of PLN 2,850 thousand was received by the Company and a part of the price in the amount of PLN 50,150 thousand was transferred by the buyer to the

bank account with mBank S.A. for the purpose of repaying the Company's whole liability under a working capital loan (in the amount of PLN 50 million including interest);

- on May 24, 2021, the Company has received from its stockholder, ARP notice on the concluding of a conditional understanding between ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure, which primarily concerns involvement with the Company, within the framework of which, inter alia, PKP PLK has committed itself to subscribe 250 million shares of the Company's stock, series E, for a total issue price in the amount of PLN 200 million. Detailed information was presented in the current report 10/2021;

- on May 24, 2021, the Company has received from its stockholder, ARP notice on the concluding of a non-binding understanding between the Company's stockholders, that is, ARP and COMSA concerning primarily the acquisition by ARP or an entity under the direct or indirect control of the State Treasury of the Republic of Poland or another entity designated by ARP, previously approved by COMSA of all stock issued by the Company, held by COMSA at a particular moment. The Parties have also agreed in the understanding that ARP or the Designated Buyer shall acquire from COMSA all bonds issued by the Company, held by COMSA at a particular moment. Detailed information was presented in the current report 13/2021.

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

Information material for the assessment of the Group's and the Parent Company' employment, assets, financial condition and performance and changes therein, as well as information material for the assessment of the Parent Company's ability to meet its obligations are described in Note 10 and 14 of the Additional notes to the condensed consolidated financial statements.

No information material for the assessment of the Group's and the Parent's Company's employment, assets, financial condition and performance and changes therein or for the assessment of the Group's and the Parent Company's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the 3-month period ended on Mach 31, 2021.

23. Earnings (loss) per share

For each period, earnings per share are computed as the quotient of the net profit attributable to shareholders of the Parent Company for the period and the weighted average number of shares in the period. Diluted earnings per share for a reporting period are calculated by dividing net profit attributable to shareholders of the of the Parent Company for the period by the sum of the weighted average number of shares outstanding in the reporting period and all potential dilutive shares.

(data in PLN thousand, unless indicated otherwise)

	3 month period ended	
	31.03.2021 Unaudited	**31.03.2020 Unaudited**
Net profit (loss) from continued operations	(23 255)	(29 219)
Net profit applied to calculate diluted earnings per share	(22 959)	(29 219)
Net profit (loss) on continued operations attributable to the shareholders of the parent company	(22 925)	(28 954)
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	(22 629)	(28 954)
Number of issued shares (pcs)	**86 450 976**	**86 450 976**
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976	86 450 976
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	102 730 086	86 450 976

Earnings (loss) per share attributable to shareholders during the period (in PLN per share):

	3 month period ended	
	31.03.2021 Unaudited	**31.03.2020 Unaudited**
- basic	(0.27)	(0.34)
- diluted	(0.23)	(0.34)

Earnings (loss) per share from continuing operations attributable to shareholders during the period (in PLN per share):

	3 month period ended	
	31.03.2021 Unaudited	**31.03.2020 Unaudited**
- basic	(0.27)	(0.34)
- diluted	(0.22)	(0.34)

Earnings (loss) per share attributable to shareholders of the Parent Company during the period (in PLN per share):

	3 month period ended	
	31.03.2021 Unaudited	**31.03.2020 Unaudited**
- basic	(0.26)	(0.33)
- diluted	(0.22)	(0.33)

(data in PLN thousand, unless indicated otherwise)

24. Change in impairment losses and expected credit loss

	Goodwill	Inventory	Trade receivables	Total
As at 01.01.2021	**262 692**	**2 785**	**97 712**	**363 189**
Audited				
Recognized	-	100	6 436	6 536
Variances due to currency translation	-	23	21	44
Used	-	-	(894)	(894)
Reversed	-	(100)	(1 516)	(1 616)
As at 31.03.2021	**262 692**	**2 808**	**101 759**	**367 259**
Unaudited				

25. Explanatory notes to the consolidated statement of cash flows

The balance sheet change of the state of trade receivables and other receivables on March 31, 2021 amounted to PLN – 70,792, and the change disclosed in the cash flow statement amounted to PLN 18,101 thousand. This difference primarily follows from the fact that the Company received payment for the sale of fixed assets in the amount of PLN 53,530 thousand, including payment for the sale of real property in 2018, situated at ul. Lotnicza 100, Wrocław (the Company provided information in this regard in Current Report 26/2018), for which payment was received in 2021 (the Company provided information in this regard in Current Report 6/2021).

26. Provisions

As at 01.01.2021	**75 061**
Audited	
Recognized	3 524
Foreign exchanges due to currency translation	226
Used	(3 725)
Reversed	(612)
As at 31.03.2021	**74 474**
Unaudited	
including	
- long-term	22 420
- short-term	52 054

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

From January 1, 2021 to March 31, 2021 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 4,758 thousand (as compared to PLN 11,518 thousand in the comparable period of 2020),
From January 1, 2021 to March 31, 2021 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 856 thousand (as compared to PLN 85 thousand in the comparable period).

(data in PLN thousand, unless indicated otherwise)

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

In the I quarter of 2021, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual consolidated financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

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

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

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

In the I quarter of 2021, no fair value was reallocated to level 1, 2 or 3.

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

In the I quarter of 2021, the Group did not change the classification of financial assets due to a change of their purpose or use.

30. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment property and financial derivatives. In the period of 3 months ended March 31, 2021 the measurement method for the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Group's consolidated annual financial statements for 2020.

Items recognized in fair value	Level 1		Level 2		Level 3	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020	31.03.2021	31.12.2020
Derivatives (liability side)	-	-	-	-	-	-
Investment property	-	-	-	-	26 568	26 587
Office properties	-	-	-	-	22 312	22 331
Land properties	-	-	-	-	2 049	2 049
Deposits of natural aggregates	-	-	-	-	2 207	2 207

In the period of 3 months ended March 31, 2021 no reallocations were made to level 1, 2 or 3.

31. Information on segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2020.

Key customers:

In the period of 3 months of 2021, revenues from transactions with external single customers constituted respectively 10% or more of the total revenues of the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below:

The total amount of income obtained in 3 months ended 31.03.2021 from a single customer(thousand PLN).	Operation segment containing the revenues
111 665	Civil construction - Poland

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

(data in PLN thousand, unless indicated otherwise)

Operating segments:

For the period from 1.01.2021 to 31.03.2021 Unaudited	Continued operations						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	149 039	32 031	5 876	186 946	-	-	186 946
Sales between segments	179	288	29	496	-	(496)	-
Total segment revenues	**149 218**	**32 319**	**5 905**	**187 442**	**-**	**(496)**	**186 946**
Results							
Depreciation	6 308	2 947	97	9 352	-	-	9 352
Financial revenues - interests	980	131	50	1 161	-	(274)	887
Financial expenses - interests	3 809	164	42	4 015	-	(274)	3 741
Gross profit	**(12 542)**	**(13 188)**	**(1 617)**	**(27 347)**	**-**	**1 029**	**(26 318)**

For the period from 1.01.2020 to 31.03.2020 Unaudited	Continued operations						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	152 075	57 961	7 338	217 374	-	-	217 374
Sales between segments	419	-	430	849	-	(849)	-
Total segment revenues	**152 494**	**57 961**	**7 768**	**218 223**	**-**	**(849)**	**217 374**
Results							
Depreciation	6 418	2 970	51	9 439	-	-	9 439
Financial revenues - interests	91	78	166	335	-	(164)	171
Financial expenses - interests	4 859	480	3	5 342	-	(164)	5 178
Gross profit	**(21 744)**	**(11 902)**	**(550)**	**(34 196)**	**-**	**2**	**(34 194)**

(data in PLN thousand, unless indicated otherwise)

As at 31.03.2021 Unaudited	Continued operations						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	**1 047 599**	**480 596**	**59 270**	**1 587 465**	**-**	**(297 135)**	**1 290 330**
Assets not allocated to segments							64 146
Total assests							**1 354 476**
Segment liabilities*	**569 237**	**227 519**	**15 834**	**812 590**	**-**	**(61 562)**	**751 028**
Other disclosures:							
Capital expenditures	(1 557)	(3 201)	-	(4 758)	-	-	(4 758)
Impairment of non-financial assets	(100)	-	-	(100)	-	-	(100)

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

As at 31.12.2020 Audited	Continued operations						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	**1 067 483**	**549 149**	**59 311**	**1 675 943**	**-**	**(261 794)**	**1 414 149**
Assets not allocated to segments							63 607
Total assests							**1 477 756**
Segment liabilities*	**593 914**	**276 979**	**14 203**	**885 096**	**-**	**(85 303)**	**799 793**
Other disclosures:							
Capital expenditures	(10 005)	(12 234)	(1 441)	(23 680)	-	-	(23 680)
Impairment of non-financial assets	(925)	(40 467)	-	(41 392)	-	-	(41 392)

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

(data in PLN thousand, unless indicated otherwise)

Geographical segments:

For the period from 1.01.2021 to 31.03.2021 Unaudited	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	154 915	32 031	186 946	-	-	186 946
Sales domestic/ abroad	176	288	464	-	(464)	-
Total segment revenues	**155 091**	**32 319**	**187 410**	**-**	**(464)**	**186 946**

For the period from 1.01.2020 to 31.12.2020 Unaudited	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	157 278	60 096	217 374	-	-	217 374
Sales domestic/ abroad	184	-	184	-	(184)	-
Total segment revenues	**157 462**	**60 096**	**217 558**	**-**	**(184)**	**217 374**

As at 31.12.2020 Unaudited	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	1 098 312	489 153	1 587 465	-	(297 135)	1 290 330
Segment liabilities*	600 978	211 612	812 590	-	(61 562)	751 028

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

As at 31.12.2020 Modified	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	1 117 123	558 820	1 675 943	-	(261 794)	1 414 149
Segment liabilities*	623 970	261 126	885 096	-	(85 303)	799 793

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

(data in PLN thousand, unless indicated otherwise)

32. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2021 Unaudited	31.12.2020 Audited
Contingent receivables		
From related entities due to:	**68 196**	**78 648**
Received guarantees and sureties	66 905	77 965
Bills of exchange received as collateral	1 291	683
Total contingent receivables	**68 196**	**78 648**
Contingent liabilities		
To other entities due to:	**11 062 582**	**11 050 816**
Provided guarantees and sureties	849 829	873 150
Promissory notes	512 887	571 456
Mortgages	5 613 184	5 717 542
Assignment of receivables	1 247 715	1 053 263
Assignment of rights under insurance policy	227 438	227 438
Security deposits	38 316	34 754
Other labilities (registered pledges)	2 573 213	2 573 213
Total contingent liabilities	**11 062 582**	**11 050 816**

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

As at March 31, 2021, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 706 thousand (December 31, 2020: PLN 706 thousand) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. Contingent liabilities arising from the employment contracts signed with employees. As at March 31, 2021 - amounted to PLN 7,133 thousand (as compared to PLN 7,486 thousand as at December 31, 2020).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group’s opinion, the provisions recognised as at March 31, 2021 are sufficient to mitigate the recognised and measurable tax risk.

(data in PLN thousand, unless indicated otherwise)

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

In the I quarter of 2021, neither the Parent Company nor its subsidiaries did grant any sureties for credits or loans or any guarantees to any entity or its subsidiary, whose total value of existing sureties and guarantees is significant.

The list of loans granted in the I quarter of 2021 by the Group's companies, including related entities, is presented in the table below.

Lender	Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
PEUiM Sp. z o.o.	Trakcja S.A.	1 500	PLN	05.02.2021	Wibor 1M + 4%	-	subsidiary
PEUiM Sp. z o.o.	Trakcja S.A.	5 000	PLN	11.03.2021	Wibor 1M + 4%	-	subsidiary

34. Significant court cases and disputes

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

Proceedings concerning the Parent Company:

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

The Parent Company merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja S.A. with its registered office in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. ("PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. with its registered office in Wrocław provided a submission of claims of 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 Parent Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for unpaid invoices and PLN 294,632.29 for interest on late payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Parent Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Parent Company filed a complaint which was overruled. On June 8, 2015, the Parent Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict

Case against Leonhard Weiss International GmbH

As Leonhard Weiss International failed to respond to the statement including a debit note and a request for payment dated October 31, 2017 , the Parent Company decided to take the case to court.

The case against Leonhard Weiss International GmbH ("LWI") for payment due under the sale agreement of 50% of shares in Bahn Technik Wrocław sp. z o.o. The Parent Company has responded to the lawsuit. At present, it is not possible to precisely indicate the expected date of completion of the case.

The 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.

On January 29, 2020 the court issued a decision to initiate the sanative proceedings.

A final judgement was delivered in the matter, which awarded the amount of PLN 2,768,003.20, including interest, in favour of Trakcja, as per the head of claim. Trakcja received an enforcement instrument; however, as Eltrans remains in a state of bankruptcy as at the date of publishing this report, enforcement is not possible at the moment.

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 the State Treasury – GDDKiA

On December 23, 2020, the Company, Masfalt sp. z o.o. and Akcine bendrove "Kauno Tiltai" filed a request for arbitration against the State Treasury – the General Director of National Roads and Motorways, pursuing the amount of PLN 20,453,092.08 in total by way of remuneration for the performance of the essential part of the Agreement no. 186/I-4/2017 of October 23, 2017 for the design and implementation of the project referred to as "Extension of the national road no. 22 on the Czarlin – Knybawa section" and by way of remuneration for materials on the construction site, contractual penalty for the Contractor rescinding the Contract due to the Principal's fault, remuneration for additional works and reimbursement of general construction costs in connection with extending the time necessary to implement the investment. The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

On December 30, 2020, the Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. lodged a claim against the State Treasury – the General Director of National Roads and Motorways, pursuing the amount of PLN 23,860,572.76 in total by way of reimbursement for general construction costs in connection with extending the execution period of the Agreement no. GDDKiA-O/BY-D-3-70-2014/I-4-2811-4/4-2014 of October 12, 2015 for the design and construction of the project referred to as "Design and construction of the S-5 expressway on the Nowe Marzy - Bydgoszcz section – border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships, split into 4 parts. Part 4 – Design and construction of the S-5 expressway at the section from Szubin junction (together with junction) to Jaroszewo junction (together with junction), with a length of approx. 19.3 km", on account of a lump-sum payment for extending the time necessary to implement the investment, reimbursement of costs for performing additional land improvements and capitalized interest. The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

On December 31, 2020, the Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. lodged a claim against the State Treasury – the General Director of National Roads and Motorways, pursuing increased remuneration for the performance of the Agreement no. GDDKiA-O/BY-D-3-70-2014/I-4-2811-4/4-2014 of October 12, 2015 for the design and construction of the project referred to as "Design and construction of the S-5 expressway on the Nowe Marzy - Bydgoszcz section – border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships, split into 4 parts. Part 4 – Design and construction of the S-5 expressway at the section from Szubin junction (together with junction) to Jaroszewo junction (together with junction), with a length of approx. 19.3 km" by the amount of PLN 33,633,917.85 and award of the amount of PLN 33,633,917.85 with statutory interest for delay. The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

Proceedings against PKP PLK

On October 31, 2017, the Parent Company filed a case against PKP PLK for the payment of PLN 46,747,276.90 (including, interest of PLN 4,913,969.34), requesting that compensation be paid to it in connection with extension of the completion date of the agreement entitled: "Design and completion of construction works on the railway line Kraków – Medyka – State border, at the section Podłęże – Bochnia, km 16.000 – 39.000 as part of the project "Modernisation of railway line E 30/C-E30, section Kraków – Rzeszów, phase III" and a part of the lump-sum fee due to the Parent Company and unpaid by PKP PLK due to the submission of an unjustified statement on the withdrawal from the Agreement in part. On December 12, 2017, the Parent Company extended the claim whose current value is PLN 50,517,012.38 (including, interest of PLN 5,336,177.01). The extension pertained to the Parent Company's claims against PKP PLK 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 unreasonably refuses to pay. On October 18, 2018, the Parent Company extended the claim to PLN 51,767,012.38. The damage of the Parent Company includes PLN 1,250,000.00, which the Parent Company was obliged to pay to the Bocheński Poviat in order to satisfy the request of PKP PLK concerning the earlier – than it resulted from the Work Schedule – launching of track 1 on the Bochnia route - Brzesko Okocim. On May 6, 2019, the Parent Company extended the claim to PLN 84,121,127. The Parent Company extended the scope of the claims pursued also by the claims for damages against PKP PLK, including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercor sp. z o.o. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

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

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

On August 27, 2018, the Company filed a lawsuit for payment against PKP PLK seeking the amount of 6,675,193.36 PLN along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement No 90/132/121/00/17000031/10/I/I of December 16, 2010 for “Designing and execution of construction works on the Kraków - Medyka - 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 October 6, 2017 to August 27, 2018.The case is at the early stage of proceedings and its resolution date is difficult to predict.

On October 22, 2018, the Company filed a lawsuit for payment against PKP PLK , 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 March 14, 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 November 29, 2018, the Company filed a lawsuit for payment against PKP PLK 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 November 29, 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, 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 January 17, 2019, the Company filed a lawsuit for payment against PKP PLK seeking the amount of 12,296,388.86 PLN along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0085/15/Z/I for “Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section” due to circumstances within the scope of responsibility of PKP PLK. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On April 3, 2019, the Company filed a lawsuit for payment against PKP PLK seeking the amount of 1,320,495.25 PLN along with statutory interest for delay, as:

a) reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0090/15/Z/I for Construction of civil engineering structures on km 160,857; km 155.170 and km 145.650 of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section" – as regards the Partial Contract A – railway viaduct on km 145.650 in Mosina, due to circumstances within the scope of responsibility of PKP PLK;

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

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

Continued negotiations on claims

In the period of 2021, the Management Board of the Company carried on negotiations with PKP PLK in order to settle the court disputes in an amicable manner. As of the publication date hereof, the value of contractual claims pursued by Trakcja, its consortium partners and subcontractors in court against PKP PLK amounts to approximately PLN 158.6 million in total (the gross amount together with capitalized interest as of the date when the claim was filed), including the amount due to Trakcja being approx. PLN 120.3 million.

The Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount together with capitalized interest as of the date when the claim was filed), including for the amount due to Trakcja – PLN 106.9 million. At the present stage, the Management Board of the Company is unable to determine when the mediation will conclude and its impact on the financial result.

During the I quarter of 2021 and after the balance sheet date, mediation meetings were held, during the course of which the parties presented their settlement proposals as regards court litigation and foundation piles. During the course of mediation, PKP PLK proposed the signing of a preliminary understanding, which would provide for the preliminary arrangements as regards further proceedings with regard to the foundation piles. The parties are presently involved in the drafting of the contents of a preliminary understanding and are simultaneously negotiating the final value of the mediation settlement as regards pending court cases under actions brought forth by Trakcja against PKP PLK.

As of March 31, 2021, the value of other contractual claims which the Company is pursuing, together with consortium partners and subcontractors, on a contractual basis (out of court) is PLN 299.4 million, including the amount due to Trakcja being PLN 249.5 million.

(data in PLN thousand, unless indicated otherwise)

Proceedings concerning subsidiaries:

AB Kauno Tiltai

In 2015 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 69 855 828 (EUR 14,989,556). Pursuant to a decision of the court, this amount was reduced to PLN 4 855 464 (EUR 1,041,878). The share of Trakcja Group in liabilities (if any) that may arise from these proceedings is 65%. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37. According to the Management Board of The Parent Entity those disclosures may reveal information to parties of court proceedings, which can be used in the ongoing proceedings against the interests of the subsidiary AB Kauno Tiltai.

35. Dividends paid and declared

In the I quarter of 2021, the Parent Company did not declare and pay dividends.

36. Information on transactions with related entities

In the third quarter of 2021, the Group companies did not make any significant transactions with their related entities on terms other than at arm's length. Transactions made by the Parent Company and its subsidiaries (related entities) are the arm's length transactions and their nature is a result of the current operations conducted by the Parent Company and its subsidiaries.

Please find below the totals of transactions made with related entities from January 1, 2021 to March 31, 2021:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
COMSA S.A.	1.01.21-31.03.21	-	-	-	140	-	5
	1.01.20-31.03.20	-	-	-	105	-	-
Agencja Rozwoju Przemysłu S.A.	1.01.21-31.03.21	-	-	-	527	-	12
	1.01.20-31.03.20	-	-	-	319	-	-
Total	**1.01.21-31.03.21**	**-**	**-**	**-**	**667**	**-**	**17**
	1.01.20-31.03.20	**-**	**-**	**-**	**424**	**-**	**-**

Please find below information on any receivables from and liabilities towards related entities as at March 31, 2021:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Zobowiązanie z tytułu obligacji	Loans granted	Borrowings received
Shareholders of parent company:						
COMSA S.A.	31.03.2021	96	89	8 070	-	241
	31.12.2020	95	88	7 930	-	241
Agencja Rozwoju Przemysłu S.A.	31.03.2021	-	92	20 104	-	27 651
	31.12.2020	-	92	20 096	-	27 651
Total	**31.03.2021**	**96**	**181**	**28 174**	**-**	**27 892**
	31.12.2020	**95**	**180**	**28 026**	**-**	**27 892**

(data in PLN thousand, unless indicated otherwise)

37. Significant events in the I quarter of 2021 and after the balance sheet date

Please find below a summary of significant events that took place in the I quarter of 2021.

Significant construction contracts	CR
11.02.2021 The Company and the Skarżysko-Kamienna Poviat, on behalf and for the benefit of which the County Roads Management Board in Skarżysko-Kamienna acts, as part of the project: »The construction of an integrated transportation system, including the reconstruction of the existing transportation system and the construction of a road structure to cross the Warsaw-Cracow railway line No. 8 and connect the Dolna Kamienna Housing Estate with the Przydworcowe Housing Estate in Skarżysko-Kamienna.The net value of the contract is PLN 28,281,151.47. The Work is to be completed by 31.12.2022.	4/2021
17.02.2021 The Management Board of Trakcja S.A. has become aware of the fact that on 16 February 2021 a contract was signed between the Issuer's subsidiary, Kauno Tiltai Sverige AB (with its registered office in Sweden), and the Skellefteå City Council ("Employer") for the execution of the following construction works: "New wooden bridge over the Skellefteälven River" ("Contract").The subject of the Agreement is the construction of a new bridge for pedestrian, bicycle and vehicular traffic. The contract covers all the work, including delivery and installation in accordance with the tender documentation.Total net value of the Contract amounts to SEK 202,847,706 (PLN 90,733,778.89 - according to the exchange rate as of the day of signing the contract). The work being the subject of the Contract is to be completed by 31.08.2023.	5/2021

Other	CR
04.01.2021 The Company received a notification pursuant to Article 19.1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR), presented by Comsa S.A.U. based in Barcelona as a person closely related with Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Company's Supervisory Board.	1/2021
07.01.2021 The Company hereby announced dates of publication of periodic reports in 2021.	2/2021
22.01.2021 The Company completed the process of cyclical reviews of long-term contracts and collection of financial data for the purpose of preparation of the Company's individual financial statements for the 12 months ended on 31 December 2020. Therefore, the Company announced the initial estimate 2020 results: Sales revenues: PLN 652,753 thousand,Gross result on sales: PLN -18,614 thousand,EBITDA: PLN -32,089 thousand,Net profit/loss: PLN -64,928 thousand.	3/2021
03.03.2021 the sales price for the Property has been paid, which has taken place in the following manner a part of the price in the amount of PLN 2,250,000.00 (two million two hundred fifty thousand) was received by the Company,a part of the price in the amount of PLN 50,150,000.00 (fifty million one hundred fifty thousand) was transferred by the buyer, that is, Lotnicza 100 spółka z o.o. (the "Buyer") by wire transfer to the account of mBank S.A with a view of repaying the whole of the Company's debt obligations under a working capital credit (in the amount of PLN 50 million and interest), secured by a contractual joint mortgage established upon the Property which was the object of the sale, this will enable the removal of the mortgage in question.	6/2021

(data in PLN thousand, unless indicated otherwise)

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

Significant construction contracts	**CR**
09.04.2021 The Management Board of Trakcja S.A. has become aware of the bilateral signing on 08.04.2021 of Annexes and Agreements of a similar nature as the basic contract in connection with the agreement concluded on 10 January 2018 for realization of project documentation and exercising author's supervision over the execution of the Warsaw cross-city line reconstruction under the project POIiŚ 5.1-13 titled "Works on the Warsaw cross-city line on section Warszawa Wschodnia – Warszawa Zachodnia".The total net value of the Annexes concluded on 8 April 2021 shall amount to PLN 15,964,381.26 , net, and the share of Torprojekt Sp. z o.o shall amount to PLN 12,270,223.44, net. The work is to be completed by 25 June 2029. The total net value of the Annexes in question and of the Agreement shall amount to PLN 40,008,188.26, and the share of Torprojekt Sp. z o.o shall amount to PLN 31,034,030.44, net.	8/2021

Other	**CR**
01.04.2021 The Company has decided to create a revaluation write-down for "Investments in subsidiaries" within the framework of the Company's standalone balance sheet in the amount of PLN 3,855,000.00 and a revaluation write-down for "Goodwill from consolidation" within the framework of the Trakcja Group consolidated balance sheet in the amount of PLN 38,735,000.00. Additionaly, the company made available to the public the update of the preliminary estimates of the Company's financial results for the 12 months ending on 31 December 2020.	7/2021
10.05.2021 The Company hereby infromed on convening the Extraordinary General Meeting of Trakcja S.A. to be held on 10 September 2021.	9/2021
24.05.2021 The Company has received from its stockholder, Agencja Rozwoju Przemysłu S.A. [Industrial Development Agency JSC] ("ARP") notice on the concluding of a conditional understanding between ARP, PKP Polskie Linie Kolejowe S.A. ("PKP PLK") and the State Treasury of the Republic of Poland – Minister of Infrastructure, which primarily concerns involvement with the Company, within the framework of which, inter alia, PKP PLK has committed itself to subscribe 250,000.000 shares of the Company's stock for a total issue price in the amount of PLN 200,000.000.00.	10/2021
24.05.2021 The Company communicated inside information delayed on 26 November 2020 concerning the receipt of notice from Agencja Rozwoju Przemysłu S.A. [Industrial Development Agency JSC] and PKP PLK that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of concluding an understanding between ARP and PKP PLK concerning, inter alia, the exercise of voting rights by ARP by reason of stock held in the Company's share capital in the manner agreed with PKP PLK, as regards the taking over of shares of stock of the new issue by PKP PLK.	11/2021
24.05.2021 The Company informed that on 25.11.2020 it received from Agencja Rozwoju Przemysłu S.A. [Industrial Development Agency JSC] and PKP PLK notice that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of adding votes at the disposal of ARP following the concluding of an understanding between ARP and PKP PLK stipulated.	12/2021
24.05.2021 The Company has received from its stockholder, Agencja Rozwoju Przemysłu S.A. [Industrial Development Agency JSC] ("ARP") notice on the concluding of a non-binding understanding between the Company's stockholders, that is, ARP and COMSA, concerning primarily the acquisition by ARP or an entity under the direct or indirect control of the State Treasury of the Republic of Poland or another entity designated by ARP, previously approved by COMSA ("Designated Buyer") of all stock issued by the Company, held by COMSA at a particular moment.The Parties have also agreed in the understanding that ARP or the Designated Buyer shall acquire from COMSA all bonds issued by the Company, held by COMSA at a particular moment.	13/2021

(data in PLN thousand, unless indicated otherwise)

24.05.2021 The Company has received from its stockholder, Agencja Rozwoju Przemysłu S.A. [Industrial Development Agency JSC] a stockholder representing at least one tenth of the Company's share capital – a motion for supplementing draft resolutions concerning business introduced into the Agenda of the Company's Extraordinary Meeting convened for 10 September 2021 accompanied by draft resolutions. The draft resolutions include a new draft concerning the increase of the Company's share capital containing i.a. the following points: a. the Company's share capital shall be increased from PLN 69.160.780, by PLN 200.000.000,00 zl i.e. to PLN 269.160.780,80 b. The increase of the Company's share capital shall be effected through the issuance of 250.000.000 ordinary bearer shares of series E, having the nominal value of PLN 0.80 each c. Series E Shares will be covered in full only by cash contributions before the registration of the increase of share capital made by issuing Series E Shares; d. the issue of Series E Shares will be conducted by way of private subscription referred to in Article 431 § 2 item 1) of the Code of Commercial Companies as part of an offer addressed to a single investor, i.e. to the company PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw e. the agreement for taking up Series E Shares should be concluded by within 45 days from the date of adoption of the resolution;	14/2021

(data in PLN thousand, unless indicated otherwise)

IV. QUARTERLY FINANCIAL INFORMATION

STANDALONE INCOME STATEMENT

	1.01.2021 - 31.03.2021 Unaudited	1.01.2020 - 31.03.2020 Unaudited, Modified*
Continued operations		
Sales revenue	139 994	140 730
Cost of goods sold	(137 364)	(139 541)
Gross profit (loss) on sales	**2 630**	**1 189**
Cost of sales, marketing and distribution	(502)	(524)
General and administrative costs	(7 330)	(8 817)
Other operating revenues	2 006	2 103
Other operating costs	(311)	(2 809)
Operating profit (loss)	**(3 507)**	**(8 858)**
Financial revenues	967	266
Financial costs	(4 185)	(7 224)
Gross profit (loss)	**(6 725)**	**(15 816)**
Income tax	50	2 616
Net profit (loss) from continued operations	**(6 675)**	**(13 200)**
Net profit (loss) from discontinued operations	-	-
Net profit for the period	**(6 675)**	**(13 200)**
Profit per share attributable to shareholders in the period (PLN per share)		
- basic	(0.08)	(0.15)
- diluted	(0.06)	(0.15)

**The restatement for the period from 01.01 to 31.03.2021 relates to the reclassification of costs between costs of sale, marketing and distribution as well as general management and administrative costs on one hand and own cost of sales on the other hand (for more information, see section 13 hereof*

(data in PLN thousand, unless indicated otherwise)

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	1.01.2021 - 31.03.2021 Unaudited	1.01.2020 - 31.03.2020 Unaudited
Net profit for the period	**(6 675)**	**(13 200)**
Other comprehensive income:		
Other comprehensive net income that will be reclassified to profit or loss:	**-**	**(57)**
Foreign exchange differences on translation of foreign operations	-	(57)
Total other comprehensive income	**-**	**(57)**
Total comprehensive income for the period	**(6 675)**	**(13 257)**

(data in PLN thousand, unless indicated otherwise)

STANDALONE BALANCE SHEET

	31.03.2021 Unaudited	31.12.2020 Audited
ASSETS		
Non-current assets	**618 675**	**614 064**
Tangible non-current assets	154 225	158 946
Intangible assets	52 018	51 255
Investment properties	23 961	23 981
Investments in subsidiaries	307 453	307 453
Other financial assets	15 333	6 241
Deferred tax assets	59 816	59 765
Prepayments	5 869	6 423
Current assets	**466 307**	**520 523**
Inventory	43 062	46 494
Trade and other receivables	256 127	307 855
Other financial assets	3 325	8 481
Cash and cash equivalents	3 999	6 693
Prepayments	11 592	8 862
Contracts with customers assets	143 165	137 101
Assets held for sale	5 037	5 037
TOTAL ASSETS	**1 084 982**	**1 134 587**
Equity and liabilities		
Equity	**272 971**	**279 645**
Share capital	69 161	69 161
Revaluation reserve	7 082	7 082
Other capital reserves	273 884	273 883
Retained earnings	(77 156)	(70 481)
Total equity	**272 971**	**279 645**
Long-term liabilities	**271 426**	**294 482**
Interest-bearing loans and borrowings	240 275	263 881
Bonds	27 985	27 832
Provisions	2 773	2 289
Liabilities due to employee benefits	393	480
Short-term liabilities	**540 585**	**560 460**
Interest-bearing loans and borrowings	82 601	94 610
Bonds	189	194
Trade and other liabilities	316 053	302 052
Provisions	39 873	42 133
Liabilities due to employee benefits	9 414	9 658
Deffered revenue	874	716
Contracts with customers liabilities	91 581	111 097
TOTAL EQUITY AND LIABILITIES	**1 084 982**	**1 134 587**

(data in PLN thousand, unless indicated otherwise)

STANDALONE STATEMENT OF CASH FLOWS

	Note	1.01.2021 - 31.03.2021 Unaudited	1.01.2020 - 31.03.2020 Unaudited
Cash flows from operating activities			
Gross profit from continued operations		**(6 725)**	**(15 816)**
Adjustments for:		**(7 585)**	**(31 401)**
Depreciation		5 025	5 147
FX differences		167	1 162
Net interest and dividends		3 219	3 995
Profit on investment activities		(720)	(661)
Change in receivables	4	(2 024)	9 618
Change in inventory		3 432	(4 794)
Change in liabilities, excluding loans and borrowings		12 675	(27 089)
Change in prepayments and accruals		(2 020)	7
Change in provisions		(1 776)	(8 044)
Change in settlements in contracts		(25 579)	(10 891)
Other		16	101
Foreign exchange differences on translation of foreign operations		-	48
Net cash flows from operating activities		**(14 310)**	**(47 217)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		52 607	1 340
- acquisition		(1 189)	(962)
- sale		53 796	2 302
Financial assets		(3 889)	621
- granted or acquired		1	809
- repaid		(3 890)	(188)
Net cash flows from investment activities		**48 718**	**1 961**
Cash flows from financial activities			
Proceeds on account of taken borrowings and loans		18 692	31 445
Repayment of borrowings and loans		(49 783)	(4 105)
Interests and commissions paid		(2 967)	(3 897)
Payment of liabilities under financial lease agreements		(3 044)	(2 873)
Net cash flows from financial activities		**(37 102)**	**20 570**
Total net cash flows		**(2 694)**	**(24 686)**
Cash at start of period		**6 693**	**47 514**
Cash at end of period		**3 999**	**22 828**

(data in PLN thousand, unless indicated otherwise)

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revalua-tion reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Share premium	Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2021 Audited	**69 161**	**-**	**7 082**	**269 641**	**391**	**3 851**	**-**	**(70 481)**	**279 645**
Net profit for the period	-	-	-	-	-	-	-	(6 675)	(6 675)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6 675)**	**(6 675)**
Other changes	-	-	-	-	-	1	-	-	1
As at 31.03.2021 Unaudited	**69 161**	**-**	**7 082**	**269 641**	**391**	**3 852**	**-**	**(77 156)**	**272 971**
As at 1.01.2020 Audited	**69 161**	**340 561**	**7 082**	**-**	**391**	**182 432**	**(24)**	**(249 678)**	**349 925**
Net profit for the period	-	-	-	-	-	-	-	(13 200)	(13 200)
Other comprehensive income	-	-	-	-	-	-	(57)	-	(57)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(57)**	**(13 200)**	**(13 257)**
Other changes	-	-	-	-	-	(75)	-	-	(75)
As at 31.03.2020 Unaudited	**69 161**	**340 561**	**7 082**	**-**	**391**	**182 357**	**(81)**	**(262 879)**	**336 593**

(data in PLN thousand, unless indicated otherwise)

	Share capital	Share premium account	Revalua-tion reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Share premium	Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2020 Audited	**69 161**	**340 561**	**7 082**	**-**	**391**	**182 432**	**(24)**	**(249 679)**	**349 925**
Net profit for the period	-	-	-	-	-	-	-	(70 481)	(70 481)
Other comprehensive income	-	-		-	-	-	24	-	24
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**24**	**(70 481)**	**(70 457)**
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(178 759)	-	249 679	-
Other changes	-	-	-	-	-	178	-	-	178
As at 31.12.2020 Audited	**69 161**	**-**	**7 082**	**269 641**	**391**	**3 851**	**-**	**(70 481)**	**279 645**

V. NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

1. Analysis of the financial performance of Trakcja S.A. in the I quarter of 2021

Factors that had the most significant bearing on sales revenue and performance in the I quarter of 2021 include seasonality of sales, typical for entities operating in the construction sector and characterised by a much lower level of revenue earned in the I quarter of the year and a significant proportion of sales revenue generated in the second half of the calendar year.

In the I quarter ended March 31, 2021, Trakcja S.A. earned sales revenue of PLN 139,994 thousand, down by PLN 1% year-on-year. In the I quarter of 2021, cost of sales decreased by PLN 2,177 thousand or 2% to PLN 137,364 thousand. In the I quarter of 2021, the Company posted gross profit on sales of PLN 2,630 thousand, which is a increase by PLN 1,441 thousand as compared to PLN 1,189 thousand in the corresponding period of the previous year. An increase of the gross profit on sales resulted from a drop in provisions for employee holidays to an amount of PLN 590 thousand in comparison with an analogous period during the preceding year, as well as from the dissolution of provisions for overtime for white-collar employees in the amount of PLN 517 thousand.

The gross profit margin on sales reached 1.88% in the I quarter of 2021. The margin increased by 1.04 p.p. compared to the margin in the I quarter of 2020.

General and administrative expenses stood at PLN 7,330 thousand and decreased by 17% or PLN 1,487 thousand year-on-year. The decrease in expenses is attributable to an decrease in the costs of advisory and consulting services, mainly related to the restructuring of financing. Furthermore, a drop of expenses in dispersed areas of general management expenses became gradually noticeable due to a number of cost-saving and improvement initiatives conducted in 2020 within the Company.

In the period under consideration, selling, marketing and distribution expenses decreased by PLN 22 thousand year-on-year to PLN 502 thousand.

Net other operating income/(expenses) amounted to PLN 1,695 thousand and increased by PLN 2,401 thousand. The increase resulted from a low balance during the comparable period, partially caused by the write-off of unrecoverable receivables in the amount of PLN 1,591 thousand and expenses of claim enforcement in the amount of PLN 782 thousand.

The Company recorded a loss on operations in the amount of PLN 3,507 thousand for the period from January 1, 2021 to March 31, 2021. Losses on operations decreased by PLN 5,351 thousand as compared against the result on operations for the I quarter of 2020, which had amounted to PLN 8,858 thousand.

The Company's finance income reached PLN 967 thousand and increased by PLN 701 thousand year-on-year. Finance costs decreased by PLN 3,039 thousand to PLN 4,185 thousand. The decrease in finance costs was primarily caused by decreased interest expenses on credits, loans and leases by PLN 1,498 thousand, including interest on credits by PLN 985 thousand. Futhermore, a reduction by PLN 742 thousand. was the cost of foreign exchange differences and by PLN 586 thousand commission costs related to financial debt restructuring.

In the period from January 1, 2021 to March 31, 2021, the Company incurred a loss before tax of PLN 6,725 thousand. Income tax for the I quarter of 2021 increased the net result on continuing operations by PLN 50 thousand. This represents a decrease by PLN 2,566 thousand as compared to the corresponding period of the previous year. The Company's net loss for the period from January 1, 2021 to March 31, 2021 was PLN 6,675 thousand and decreased by PLN 6,525 thousand year-on-year.

At the end of the I quarter of 2021, the Company's total assets amounted to PLN 1,084,902 thousand, down PLN 49,605 thousand as compared to the end of 2020.

Non-current assets increased by PLN 4,611 thousand to PLN 618,675 thousand. As compared to the balance as at December 31, 2020, current assets decreased by PLN 54,216 thousand or 10.4% to PLN 466,307 thousand. On March 3, 2021, the Company received payment for the sale of real property in the amount of PLN 53,580 thousand including payment for the real property situated at ul. Lotnicza 100, Wrocław, which contributed to the reduction of the level of receivables. On the other hand, the amount of contracts with customers assets increased by PLN 6,064,000.00 and amounted to PLN 143,165 thousand as at March 31, 2021.

As at March 31, 2021, the Company's equity decreased by PLN 6,674 thousand compared to December 31, 2020.

Long-term liabilities decreased by PLN 23,056 thousand compared to December 31, 2020, reaching PLN 271,426 thousand as at March 31, 2021. This increase was mainly driven by the decrease in credits, loans and leases by PLN 23,606 thousand. Short-term liabilities stood at PLN 540,585 thousand, having decreased by 3.5%, i.e. by PLN 19,875 thousand compared to the balance as at the end of the previous year. Among short-term liabilities, the largest decrease was recorded for Liabilities from contracts with customers that stood at PLN 91,581 thousand and decreased by PLN 19,516 thousand. Liabilities from Interest-bearing loans and borrowings also decreased and amounted to PLN 82,601 thousand as at March 31, 2021, on the other hand, liabilities under contracts with customers and other liabilities have increased by 14,001 thousand, that is, by 4.6%, reaching the sum of PLN 316,053 thousand on March 31, 2021.

At the beginning of 2020, the Company's cash stood at PLN 6,693 thousand, and at the end of the 3-month period it amounted to PLN 3,999 thousand. Net cash flows for the period of 3 months of 2021 were negative and amounted to PLN 2,694 thousand, which is an increase by PLN 21,992 thousand year-on-year. The Company recorded negative cash flows from operating activities of PLN 14,310 thousand, which increased by PLN 32,907 thousand. In the I quarter of 2021, the Company reported positive net cash flows from investing activities of PLN 48,718 thousand (mainly due to proceeds from the sale of the real property situated at ul. Lotnicza 100, Wrocław, whereas in the corresponding period of 2020 positive cash flows from investing activities amounted to PLN 1,961 thousand. In the I quarter of 2021, net cash flows from financing activities reached a negative balance of PLN 37,102 thousand. The above amount resulted primarily from repayment of loans and credits in the amount of PLN 49 783 thousand. PLN (including the repayment of the loan obligation to mBank in the amount of PLN 50 million).

2. Seasonality and cyclicality

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

(data in PLN thousand, unless indicated otherwise)

3. Earnings (loss) per share

	3 month period ended	
	31.03.2021 Unaudited	**31.03.2020 Unaudited**
Net profit (loss) from continued operations	(6 675)	(13 200)
Net profit (loss) for financial year	(6 675)	(13 200)
Net profit applied to calculate diluted earnings per share	(6 379)	(13 200)
Number of issued shares (pcs)	**86 450 976**	**86 450 976**
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976	86 450 976
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	102 730 086	86 450 976

	3 month period ended	
	31.03.2021	**31.03.2020**
Profit (loss) per 1 share (in PLN/share):	**Unaudited**	**Unaudited**
- basic	(0.08)	(0.15)
- diluted	(0.06)	(0.15)

	3 month period ended	
	31.03.2021	**31.03.2020**
Profit (loss) from continued operations per 1 share (in PLN/share):	**Unaudited**	**Unaudited**
- basic	(0.08)	(0.15)
- diluted	(0.06)	(0.15)

4. Explanatory notes to the statement of cash flow

The balance sheet change of the state of trade receivables and other receivables on March 31, 2021 amounted to PLN – 51,728 thousand , and the change disclosed in the cash flow statement amounted to PLN – 2,024 thousand . This difference primarily follows from the fact that the Company received payment for the sale of fixed assets in the amount of PLN 53,580,000.00, including payment for the sale of real property in 2018, situated at ul. Lotnicza 100, Wrocław (the Company provided information in this regard in Current Report 26/2018), for which payment was received in 2021 (the Company provided information in this regard in Current Report 6/2021).

5. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

(data in PLN thousand, unless indicated otherwise)

	31.03.2021 Unaudited	31.12.2020 Audited
Contingent receivables		
From related entities due to:	**702 400**	**702 400**
Received guarantees and sureties	702 400	702 400
From other entities due to:	**57 252**	**59 601**
Received guarantees and sureties	55 961	58 918
Bills of exchange received as collateral	1 291	683
Total contingent receivables	**759 652**	**762 001**
Contingent liabilities		
To related entities due to:	**724 601**	**726 031**
Provided guarantees and sureties	702 400	702 400
Bills of exchange granted under the obligation	22 201	23 631
To other entities due to:	**10 789 812**	**10 764 809**
Provided guarantees and sureties	658 608	668 050
Promissory notes	491 354	549 923
Mortgages	5 553 168	5 658 168
Assignment of receivables	1 247 715	1 053 263
Assignment of rights under insurance policy	227 438	227 438
Security deposits	38 316	34 754
Other liabilities	2 573 213	2 573 213
Total contingent liabilities	**11 514 413**	**11 490 840**

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

As at March 31, 2021, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 706 thousand (as compared to PLN 706 thousand as at December 31, 2020) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues.

The contingent liabilities arising from employment contracts with employees were at PLN 2,378 thousand as at March 31, 2021 (PLN 2,378 thousand as at December 31, 2020).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, the provisions recognised as at March 31, 2021 are sufficient to mitigate the recognised and measurable tax risk.

Marcin Lewandowski President of the Management Board	Paweł Nogalski Vice-President of the Management Board
Arkadiusz Arciszewski Vice-President of the Management Board	Aldas Rusevičius Vice-President of the Management Board
Robert Sobków Member of the Management Board	Adam Stolarz Member of the Management Board

The person responsible for preparing the report:

Katarzyna Kocerka

Head of Financial Reporting Trakcja Group

Warsaw, May 26, 2021