



# TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

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

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## APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the consolidated financial statements of Trakcja Group for the period of 9 months ended September 30, 2020.

The condensed consolidated financial statements for the third quarter of 2020 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, 2020 to September 30, 2020, which shows a net loss of PLN **36 377** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2020 to September 30, 2020, which shows the negative total comprehensive income of PLN **22 388** thousand.
3. Consolidated balance sheet as at September 30, 2020, which shows the total assets and total equity and liabilities of PLN **1 580 169** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2020 to September 30, 2020, which shows a decrease in the total net cash flows by PLN **75 429** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2020 to September 30, 2020, which shows a decrease in equity by PLN **23 110** 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

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## I. SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.09.2020	4,4420	4,2279	4,6044	4,5268
31.12.2019	4,3018	4,2406	4,3891	4,2585
30.09.2019	4,3086	4,2406	4,3891	4,3736

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

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

	9 month period ended 30.09.2020		9 month period ended 30.09.2019	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	957 447	215 544	1 082 392	251 217
Cost of goods sold	(934 219)	(210 315)	(1 113 261)	(258 381)
<b>Gross profit (loss) on sales</b>	<b>23 228</b>	<b>5 229</b>	<b>(30 869)</b>	<b>(7 164)</b>
Operating profit (loss)	(21 474)	(4 834)	(83 723)	(19 432)
<b>Gross profit (loss)</b>	<b>(41 082)</b>	<b>(9 249)</b>	<b>(100 826)</b>	<b>(23 401)</b>
Net profit (loss) from continued operations	(36 377)	(8 189)	(80 883)	(18 772)
<b>Net profit for the period</b>	<b>(36 377)</b>	<b>(8 189)</b>	<b>(80 883)</b>	<b>(18 772)</b>

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

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

	30.09.2020		31.12.2019	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	611 434	135 070	596 366	140 042
Current assets	968 735	214 000	887 954	208 513
<b>Total assets</b>	<b>1 580 169</b>	<b>349 070</b>	<b>1 484 320</b>	<b>348 555</b>
Equity	402 374	88 887	425 484	99 914
Long-term liabilities	354 180	78 241	232 816	54 671
Short-term liabilities	823 615	181 942	826 020	193 970
<b>Total equity and liabilities</b>	<b>1 580 169</b>	<b>349 070</b>	<b>1 484 320</b>	<b>348 555</b>

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

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

	9 month period ended 30.09.2020		9 month period ended 30.09.2019	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(117 111)	(26 364)	(152 639)	(35 427)
Cash flows from investment activities	(347)	(78)	(3 416)	(793)
Cash flows from financial activities	42 029	9 462	82 041	19 041
<b>Total net cash flows</b>	<b>(75 429)</b>	<b>(16 981)</b>	<b>(74 014)</b>	<b>(17 178)</b>

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.

	30.09.2020		30.09.2019	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	107 461	25 234	116 675	27 134
<b>Cash at end of period</b>	<b>32 032</b>	<b>7 076</b>	<b>42 120</b>	<b>9 631</b>

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, 2018 was PLN 4.3000.

## II.CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

	Note	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020	01.01.2019- 30.09.2019	01.07.2019- 30.09.2019
		<i>Unaudited</i>		<i>Unaudited</i>	
<b>Continued operations</b>					
Sales revenue		957 447	399 030	1 082 392	426 970
Cost of goods sold		(934 219)	(380 673)	(1 113 261)	(457 385)
<b>Gross profit on sales</b>		<b>23 228</b>	<b>18 357</b>	<b>(30 869)</b>	<b>(30 415)</b>
Cost of sales, marketing and distribution		(4 191)	(1 517)	(4 399)	(1 312)
General and administrative costs		(45 379)	(12 500)	(48 383)	(15 579)
Other operating revenues		7 880	3 594	5 257	3 249
Other operating costs	13	(3 012)	561	(5 329)	(1 398)
<b>Operating profit</b>		<b>(21 474)</b>	<b>8 495</b>	<b>(83 723)</b>	<b>(45 455)</b>
Financial revenues		676	112	3 666	1 175
Financial costs		(20 284)	(5 653)	(20 769)	(11 543)
<b>Gross profit</b>		<b>(41 082)</b>	<b>2 954</b>	<b>(100 826)</b>	<b>(55 823)</b>
Income tax		4 705	(1 085)	19 943	10 761
<b>Net profit from continued operation</b>		<b>(36 377)</b>	<b>1 869</b>	<b>(80 883)</b>	<b>(45 062)</b>
<b>Net profit for the period</b>		<b>(36 377)</b>	<b>1 869</b>	<b>(80 883)</b>	<b>(45 062)</b>
<b>Attributable to:</b>					
Shareholders of parent entity		(36 232)	1 762	(81 502)	(45 755)
Non-controlling interests		(145)	107	619	693
<b>Profit per share attributable to shareholders in the period (PLN per share)</b>					
- basic	23	(0,42)	0,02	(1,59)	(0,90)
- diluted		(0,38)	0,02	(1,59)	(0,90)



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020	01.01.2019- 30.09.2019	01.07.2019- 30.09.2019
	<i>Unaudited</i>		<i>Unaudited</i>	
<b>Net profit for the period</b>	<b>(36 377)</b>	<b>1 869</b>	<b>(80 883)</b>	<b>(45 062)</b>
<b>Other comprehensive income:</b>				
<b>Other comprehensive income that will not be reclassified into profit or loss under certain conditions:</b>				
Actuarial gains/(losses)	(10)	(16)	(23)	(10)
<b>Other comprehensive income that will be reclassified to profit or loss:</b>	<b>13 999</b>	<b>3 560</b>	<b>4 544</b>	<b>9 073</b>
Foreign exchange differences on translation of foreign operations	13 999	3 560	6 049	10 001
Cash flow hedging instruments	-	-	(1 505)	(928)
<b>Total other comprehensive income</b>	<b>13 989</b>	<b>3 544</b>	<b>4 521</b>	<b>9 063</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(22 388)</b>	<b>5 413</b>	<b>(76 362)</b>	<b>(35 999)</b>
<b>Attributable to:</b>				
Shareholders of Parent entity	(22 576)	5 296	(77 902)	(37 414)
Non-controlling interests	188	117	1 540	1 415

## CONSOLIDATED BALANCE SHEET

	Note	30.09.2020 <i>Unaudited</i>	31.12.2019 <i>Audited</i>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>611 434</b>	<b>596 366</b>
Tangible non-current assets		284 756	286 228
Intangible assets		52 104	51 389
Goodwill from consolidation		174 660	168 983
Investment properties	27	23 827	22 447
Investments in other units		26	25
Other financial assets		7 857	6 202
Deferred tax assets		60 026	54 755
Long-term receivables		119	158
Accruals		8 059	6 179
<b>Current assets</b>		<b>968 735</b>	<b>887 954</b>
Inventory		137 225	135 390
Trade and other receivables		514 057	399 749
Other financial assets		4 451	12 699
Cash and cash equivalents		32 350	107 473
Accruals		13 838	16 574
Contracts with customers assets		261 777	211 032
Available-for-sale assets		5 037	5 037
<b>TOTAL ASSETS</b>		<b>1 580 169</b>	<b>1 484 320</b>
<b>Equity and liabilities</b>			
<b>Equity (attributable to shareholders of parent entity)</b>		<b>396 949</b>	<b>420 243</b>
Share capital		69 161	69 161
Share premium account		-	340 561
Revaluation reserve		7 082	7 082
Other capital reserves		330 591	276 188
Retained earnings		(36 232)	(285 430)
Foreign exchange differences on translation of foreign operations		26 347	12 681
<b>Non-controlling interests</b>		<b>5 425</b>	<b>5 241</b>
<b>Total equity</b>		<b>402 374</b>	<b>425 484</b>
<b>Long-term liabilities</b>		<b>354 180</b>	<b>232 816</b>
Interest-bearing loans and borrowings		302 955	207 857
Bonds		27 681	-
Provisions	25	14 204	14 093
Liabilities due to employee benefits		3 872	4 094
Provision for deferred tax		5 438	6 727
Derivative financial instruments		-	8
Other financial liabilities		30	37
<b>Short-term liabilities</b>		<b>823 615</b>	<b>826 020</b>
Interest-bearing loans and borrowings		101 238	153 790
Bonds		194	-
Trade and other liabilities		463 008	408 766
Provisions	25	43 485	94 773
Liabilities due to employee benefits		15 929	13 574
Income tax liabilities		243	238
Other financial liabilities		-	123
Accruals		7 365	506
Contracts with customers liabilities		191 362	154 250
Advances received towards flats		791	-
<b>Total equity and liabilities</b>		<b>1 580 169</b>	<b>1 484 320</b>

## CONSOLIDATED STATEMENT OF CASH-FLOWS

	01.01.2020- 30.09.2020 <i>Unaudited</i>	01.01.2019- 30.09.2019 <i>Unaudited</i>
<b><i>Cash flows from operating activities</i></b>		
<b>Gross profit from continued operations</b>	<b>(41 082)</b>	<b>(100 826)</b>
<b>Adjustments for:</b>	<b>(76 029)</b>	<b>(51 813)</b>
Depreciation	28 266	28 041
FX differences	2 313	1 193
Net interest and dividends	10 159	8 274
Profit on investment activities	(2 154)	(5 466)
Change in receivables	(93 100)	(192 222)
Change in inventory	2 882	(51 349)
Change in liabilities, excluding loans and borrowings	47 405	138 582
Change in prepayments and accruals	(2 945)	143
Change in provisions	(51 587)	21 799
Change in settlements from contracts	(12 196)	3 077
Change in financial derivatives	-	1 735
Income tax paid	(1 907)	(1 376)
Other	(3 417)	(4 627)
Foreign exchange differences on translation of foreign operations	252	383
<b>Net cash flows from operating activities</b>	<b>(117 111)</b>	<b>(152 639)</b>
<b><i>Cash flows from investment activities</i></b>		
Sale (purchase) of intangible assets and tangible non-current assets	(5 253)	(7 697)
- acquisition	(9 038)	(9 229)
- sale	3 785	1 532
Financial assets	4 761	4 054
- sold or repaid	10 752	8 841
- granted or acquired	(5 991)	(4 787)
Interest received	145	227
<b>Net cash flows from investment activities</b>	<b>(347)</b>	<b>(3 416)</b>
<b><i>Cash flows from financial activities</i></b>		
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest	-	746
Net proceeds from bond issues	20 000	-
Proceeds on account of taken borrowings and loans	58 182	114 517
Repayment of borrowings and loans	(10 630)	(8 617)
Interest paid	(11 761)	(9 427)
Payment of liabilities under financial lease agreements	(13 767)	(15 156)
Dividends paid to non-controlling shareholders	(3)	(3)
Other	8	(19)
<b>Net cash flows from financial activities</b>	<b>42 029</b>	<b>82 041</b>
<b>Total net cash flows</b>	<b>(75 429)</b>	<b>(74 014)</b>
<b>Cash at start of period</b>	<b>107 461</b>	<b>116 675</b>
Deconsolidation of sold companies	-	(541)
<b>Cash at end of period</b>	<b>32 032</b>	<b>42 120</b>
- with limited access	-	-

Cash excluded from the statement of cash flows comprises cash blocked on the property development project accounts in the amount of PLN 318 thousand.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Share premium account	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	-	-	-	-	-	-	-	(36 232)	(36 232)	(145)	(36 377)
Other comprehensive income	-	-	-		(10)	-	13 666	-	13 656	333	13 989
Total comprehensive income	-	-	-	-	(10)	-	13 666	(36 232)	(27 872)	188	(27 684)
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 changes	-	-		-	-	(896)	-	-	(896)	-	(896)
As at 30.09.2020 Unaudited	69 161	-	7 082	269 641	(1 162)	62 112	26 347	(36 232)	396 949	5 425	402 374

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
<b>As at 1.01.2019 Audited</b>	<b>41 120</b>	<b>309 984</b>	<b>5 768</b>	<b>(3 159)</b>	<b>(1 244)</b>	<b>388 236</b>	<b>15 840</b>	<b>(111 006)</b>	<b>645 539</b>	<b>8 841</b>	<b>654 380</b>
Net profit for the period	-	-	-	-	-	-	-	(81 502)	(81 502)	619	(80 883)
Other comprehensive income	-	-	-	(1 476)	(23)	-	5 099	-	3 600	921	4 521
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 476)</b>	<b>(23)</b>	<b>-</b>	<b>5 099</b>	<b>(81 502)</b>	<b>(77 902)</b>	<b>1 540</b>	<b>(76 362)</b>
Distribution of profit	-	-	-	-	-	(111 006)	-	111 006	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(93)	(93)
Deconsolidation of subsidiaries	-	-	-	-	-	-	(421)	-	(421)	-	(421)
Other changes	-	-	3	-	-	207	-	-	210	-	210
<b>As at 30.09.2019 Unaudited</b>	<b>41 120</b>	<b>309 984</b>	<b>5 771</b>	<b>(4 635)</b>	<b>(1 267)</b>	<b>277 437</b>	<b>20 518</b>	<b>(81 502)</b>	<b>567 426</b>	<b>10 288</b>	<b>577 714</b>

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
<b>As at 1.01.2019 Audited</b>	<b>41 120</b>	<b>309 984</b>	<b>5 768</b>	<b>(3 159)</b>	<b>(1 244)</b>	<b>388 236</b>	<b>15 840</b>	<b>(111 006)</b>	<b>645 539</b>	<b>8 841</b>	<b>654 380</b>
Net profit for the period	-	-	-	-	-	-	-	(285 430)	(285 430)	382	(285 048)
Other comprehensive income	-	-	1 273	(1 476)	92	-	(2 738)	-	(2 849)	869	(1 980)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1 273</b>	<b>(1 476)</b>	<b>92</b>	<b>-</b>	<b>(2 738)</b>	<b>(285 430)</b>	<b>(288 279)</b>	<b>1 251</b>	<b>(287 028)</b>
Distribution of profit	-	-	-	-	-	(111 006)	-	111 006	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(93)	(93)
Issue of shares	28 041	30 577	-	-	-	-	-	-	58 618	-	58 618
Acquisition of shares in a subsidiary	-	-	-	-	-	4 634	-	-	4 634	(4 758)	(124)
Deconsolidation of subsidiaries	-	-	-	4 635	-	(4 635)	(421)	-	(421)	-	(421)
Other	-	-	41	-	-	111	-	-	152	-	152
<b>As at 31.12.2019 Audited</b>	<b>69 161</b>	<b>340 561</b>	<b>7 082</b>	<b>-</b>	<b>(1 152)</b>	<b>277 340</b>	<b>12 681</b>	<b>(285 430)</b>	<b>420 243</b>	<b>5 241</b>	<b>425 484</b>

## III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

These condensed consolidated financial statements of Trakcja Group cover the period of 9 months ended September 30, 2020

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

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

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

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

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

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

On July 29, 2020, the District Court for the capital city of Warsaw in Warsaw has registered an amendment in the Statute concerning a change of the Company's name from "Trakcja PRKił 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 Street in Warsaw. Both the Parent Company and other entities that are members of the Group are established for an indefinite period of time.

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.

The Group's activities focus on the comprehensive performance of works relating to a widely understood rail and road infrastructure with the use of modern machinery. The Group specialises in providing engineering and construction services in the following scope: design, construction and modernisation of rail and tram lines, rail and tram electrification system and power lines, as well as the construction of bridges, viaducts, piers, overpasses, tunnels,

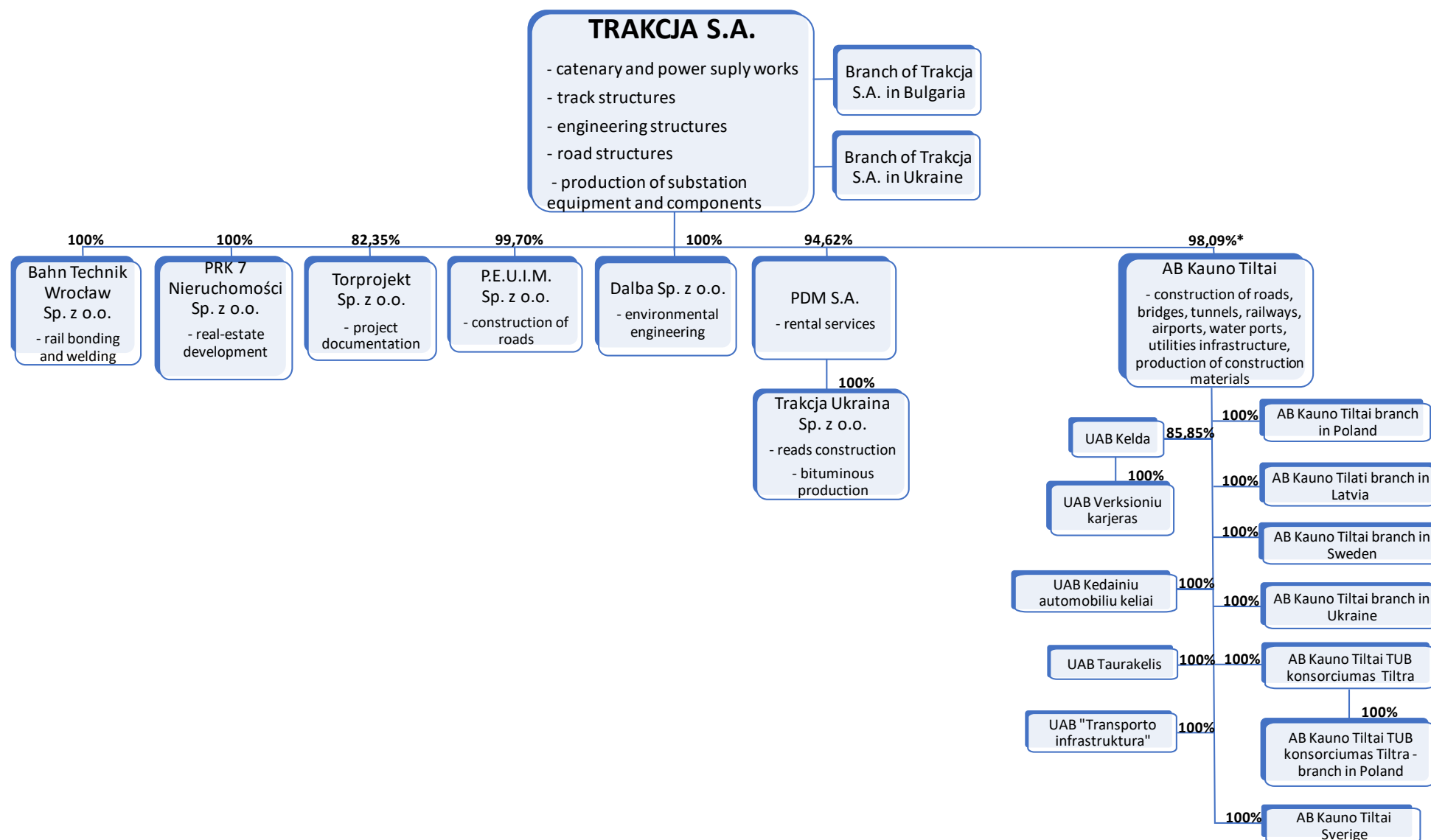
underpasses, retaining walls, roads and associated elements of rail and road infrastructure. In addition, Trakcja Group may perform general construction works, including the preparation of construction sites and the construction and modernisation of structures, as well as structural works and finishing works. The key part of the Group's activities consists in the construction of buildings both for rail infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and for general purposes (residential and commercial) and environmental engineering. The services provided also include the development of power systems and remote control systems. For over seventy years, the Group members have been implementing complete power installations of medium and lately high voltage, both in new and in modernised and renovated rail power facilities. The Group modernised several thousand kilometres of rail lines and provided power to over 10,000 kilometres of rail lines. It also constructed and modernised over 450 traction substations and 380 track section cabins.

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



## 2. Group structure

As at September 30, 2020 the Group consists of the Parent Company (Trakcja S.A.) and its subsidiaries. The Group's organisational structure is presented in the diagram below:



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

As at September 30, 2020, the Group consists of the Parent Company (Trakcja S.A.) and its subsidiaries. Fully-consolidated entities in the condensed consolidated financial statements of Trakcja Group in the 9 monthly 2020:

- Bahn Technik Wrocław Sp. z o.o. - a subsidiary based in Wrocław, Trakcja owns of 100% of the share capital of this company,
- PRK 7 Nieruchomości Sp. z o.o. - a subsidiary based in Warsaw, Trakcja owns of 100% of the share capital of this company,
- Torprojekt Sp. z o.o. - a subsidiary with its registered office in Warsaw, Trakcja owns 82.35% of the share capital of this company,
- Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. ("PEUiM") - a subsidiary with its registered office in Białystok, Trakcja owns 99.7% of the share capital of this company,
- Dalba Sp. z o.o. - a subsidiary with its seat in Białystok, Trakcja owns 100% of the share capital of this company,
- PDM Białystok S.A. - a subsidiary based in Białystok, Trakcja owns 94.62% of the share capital of this company,
- Branch of Trakcja S.A. in Bulgaria - is under liquidation,
- Branch of Trakcja S.A. in Ukraine,
- Trakcja Ukraina Sp. z o.o. - a subsidiary with its seat in Kiev, PDM S.A. owns of 100% of the share capital of Trakcja Ukraina Sp. z o.o.

AB Kauno Tiltai - AB Kauno Tiltai with its seat in Kaunas is a subsidiary of the parent company Trakcja, and at the same time the parent entity of the AB Kauno Tiltai Group. The AB Kauno Tiltai Group consists of the following entities:

- UAB Kelda - a subsidiary, company based in Vievis (Lithuania), a subsidiary of the company is:
  - UAB Verkšionių karjeras - a subsidiary, company based in Bagotelių K (Lithuania),
- UAB Taurakelis - a subsidiary, UAB Taurakelis with its seat in Tauragė (Lithuania),
- UAB Kedainių Automobilių Keliai - a subsidiary, company based in Kėdainiai (Lithuania),
- TUB Konsorciūmas Tiltra – a subsidiary, company based in Kaunas (Lithuania),
- AB Kauno Tiltai branch in Poland - a branch of the AB Kauno Tiltai company with its seat in Białystok (Poland),
- AB Kauno Tiltai branch in Latvia - a branch of AB Kauno Tiltai with its seat in Rēzekne (Latvia),
- AB Kauno Tiltai branch in Ukraine - a branch of AB Kauno Tiltai based in Kiev (Ukraine),
- AB Kauno Tiltai branch in Sweden - a branch of AB Kauno Tiltai based in Norsborg (Sweden),
- AB Kauno Tiltai Sverige - a subsidiary, company based in Malmö (Sweden),
- AB Kauno Tiltai TUB konsorciūmas Tiltra - branch in Poland,
- UAB "Transporto infrastruktūra" - a subsidiary, company based in Vilnius (Lithuania).

### 3. Changes in the Group structure and their consequences

In the third quarter 2020, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred.

During three quarters 2020, the Management Board of Trakcja S.A. adopted a resolution on terminating the business activity of Trakcja S.A. in Bulgaria and its liquidation as of June 1, 2020. The Company initiated a process aiming at de-registering the establishment of Trakcja S.A. in Bulgaria. In consideration of formal and legal requirements as well as formal time limits, the completion of the process of de-registering the establishment and its final closure is foreseen by the end of 2020.

On October 16, 2020, the company's name was changed from Przedsiębiorstwo Drogowo-Mostowe Białystok S.A. (PDM Białystok S.A.) to Platforma Działalności Międzynarodowej S.A. (PDM S.A.). The company also included the staff recruitment services, mainly in Eastern Europe, in the scope of its business activities.

#### 4. Parent Company's Management Board

As at September 30, 2020 the Company's Management Board was composed of the following members:

- Marcin Lewandowski-President of the Management Board;
- Paweł Nogalski-Vice-President of the Management Board;
- 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 third quarter of 2020, and after the balance sheet date, until the date of publication of this report, there were no changes in the composition of the Management Board.

#### 5. Parent Company's Supervisory board

As at September 30, 2020 the Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł-Chairman of the Supervisory Board,
- Jorge Miarnau Montserrat-Vice-Chairman of the Supervisory Board,
- Michał Hulbój-Vice-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 period and after the balance sheet date to the date of this report there were no changes in the Supervisory Board.

#### 6. Parent Company's Shareholdership

As at September 30, 2020 and as on the day of the publication of this report, the Company's share capital, in compliance with the entry into the National Court Register, amounted to PLN 69,160,780.80 and consisted of 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 gives the right to one vote at the Company's General Meeting of Shareholders.

To the best knowledge of the Issuer's Management Board and in accordance with the notifications referred to Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, shareholders that hold directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders as at the date of submitting the last periodic report, i.e. on September, 16 2020 and as at the date of publication of this report, it is as follows:

Shareholders	Number of shares	% in share capita	Number of votes	% in votes at GSM
COMSA S.A.	28 399 145	32,85%	28 399 145	32,85%
Agencja Rozwoju Przemysłu	16 117 647	18,64%	16 117 647	18,64%
OFE PZU "Złota Jesień"*	8 332 694	9,64%	8 332 694	9,64%
Other	33 601 490	38,87%	33 601 490	38,87%
<b>Total</b>	<b>86 450 976</b>	<b>100,00%</b>	<b>86 450 976</b>	<b>100,00%</b>

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

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

From the date of publication of the last quarterly report, i.e. from September 16, 2020, there have been no changes in the ownership of the Parent's shares by management and supervisory personnel.

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

## 8. Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on November 26, 2020.

## 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 2019. During the 9 months ended on September 30, 2020 no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at September 30, 2020.

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

### 9.1. Professional judgement

#### *Fair value of financial instruments*

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 48 of the Notes to the consolidated financial statements for 2019.

In the period of third quarter of 2020 the ended September 30, 2020, the Group has not changed the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

#### *Investment properties*

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

#### *Allocation of goodwill to cash generating units*

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

### *Classification of joint contractual arrangements*

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

#### *Control over related entities*

The Parent Company exercises control over related entities, if it is exposed or has rights to variable returns from its involvement and when it is in a position to use its powers over an entity to exert an effect on such returns. In the third quarter of 2020 the Parent Company did not take control over any significant entity.

## **9.2. Estimates uncertainty**

### *Determining the timing of satisfaction of performance obligations*

#### Sale of goods

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

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

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

#### Sale of construction services

Performance obligations related to the implementation of long-term construction contracts are satisfied over time in connection with the fact that the customer controls an asset which is created or enhanced by the entity throughout the implementation period. In the opinion of the Group, execution of construction work on land owned by the principal indicates that it controls the asset being created on an ongoing basis.

### *Determining the transaction price and the amounts allocated to performance obligations*

#### Variable consideration

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

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

#### Significant financing component

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

The transaction price of contracts for which the Group expects at contract inception that the period between the moment when the Group transfers goods or services and the moment of payment will be longer than one year is adjusted by a significant financing component.

#### ***Separation of non-lease components***

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

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

#### ***Defining the lease term***

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

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

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

#### ***Provisions for additional works***

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The largest companies that are members of Trakcja Group are obliged to grant warranty for their services. The provision for additional works depends on the segment in which the companies operate and is based on the Group's historical data. It is subject to individual review and may be increased or decreased when necessary. Any change in the estimates affects the value of the provisions.

#### ***Provisions for contractual penalties***

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

#### ***Measurement of employee benefit liabilities***

The employee benefit liabilities for retirement benefits and jubilee bonuses in the period concerned were estimated on the basis of actuarial methods that take into account amendments to the Remuneration Regulations made on 21 September 2020. On 21 September 2020, the Company's Management Board in agreement with the Company's trade unions adopted a new version of the Remuneration Regulations at Trakcja S.A. The new Remuneration Regulations include changes to the Company's jubilee prize and retirement benefit award system. Jubilee prizes are paid to employees on a one-off basis and in a fixed amount that depends only on the length of service at the Company. Retirement benefits are also paid on a one-off basis, at retirement, in an amount of the employee's monthly gross remuneration, however, no higher than PLN 10,000. According to the actuarial methods previously applied, retirement and pension benefits and jubilee bonuses depended on the employee's work records and average remuneration. The new Regulations introduced changes to the valuation of the employee benefit liabilities as at 30 September 2020. The amount of liability depends on various factors which are used as assumptions in the actuarial method. The key assumptions for determining the amount of liability are a discount rate and the average expected salary growth.

In addition, the Remuneration Regulations adopted at the Parent Company change the employee allowance award system, the monthly blue-collar employee bonus award system (a maximum of up to 20% of remuneration) and the

white-collar employee bonus award system (a maximum of 10% of remuneration provided that the Company's net profit is at least PLN 15 million).

### **Deferred tax assets**

The Group recognises a deferred tax asset assuming that in the future a taxable profit is generated that will allow for its use. Any deterioration in the future taxable profits may result in the assumption becoming unjustified. The Parent Company's Management Board verifies the estimated recoverability of deferred tax assets on the basis of changes in the factors taken into account, new information and past experiences. The likelihood that deferred tax assets will be utilised against future taxable profits is assumed in the Group's forecast. The Group's companies recognise deferred tax assets up to the amount corresponding to the likely amount of future taxable profit that will allow for negative temporary differences to be deducted. The Group's companies, which generated losses in the past and whose financial forecast does not project future taxable profits that would allow for negative temporary differences to be deducted, do not recognise any deferred tax assets in their books.

### **Amortisation and depreciation rates**

Depreciation and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Group reviews the adopted economic useful lives using current estimates. During the 9 months ended on September 30, 2020, no significant changes were made to the amortisation and depreciation rates applied by the Group.

### **Investment properties**

Investment properties are measured at fair value. The value of investment properties is determined by independent experts who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property valuation and rules and method for preparing valuation reports. Fair value of investment properties is measured by way of applying measurement techniques that require a maximum use of observable data. As at September 30, 2020 the Group performed the valuation of these investment properties for which the circumstances occurred which would indicate that the value of investment properties might have changed determined on the basis of valuation reports performed for the purpose of banks for long-term financing.

### **Goodwill impairment**

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company's Management Board. The tests performed consist in the estimation of the value in use of cash generating units ("CGU") on the basis of future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rate. As a result of goodwill impairment tests carried out as at 30 June 2020, no impairment was identified. As at 30 September 2020, there were no indications of impairment of cash generating units other than those identified in the consolidated semi-annual report of the Trakcja Group for the period of 6 months ended June 30, 2020. Therefore, the Group did not perform any tests as at September 30, 2020.

### **Write-downs of inventories**

The Management Board assesses whether there are any indications that inventories may need to be written down in accordance with Note 9.12 of the Notes to the Consolidated Financial Statements for 2019. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. The goodwill impairment losses are described in detail in Note 24.

### **Expected credit loss on trade receivables and other receivables**

Pursuant to IFRS 9, the Group recognizes write-downs on the account of expected credit losses due to trade receivables and other receivables. In terms of trade receivables, the Group applies a simplified method for receivables recognized in the group dimension – for these receivables, a write-down is made for so-called lifelong credit losses, regardless of the analysis of credit risk changes. The change in expected credit losses is presented in Note 24.



### **Fair value and its measurement**

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 27 and 30. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, 41 and 47 of the Notes to the consolidated financial statements for 2019.

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

In connection with Note 10 of the annual report of the Trakcja Company for the 12 months ended on December 31, 2019, and Note 62 consolidated annual of the Trakcja Group for the 12 months ended on December 31, 2019 the Company's Management Board presents the update regarding the issues described in the above note to the financial statements. Going concern

### **Going concern**

These financial statements for the six-month period ended September 30, 2020 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption was unjustified.

The Management Board of the Company presented the following information on the current financial standing of the Company, indicating the risk to the Company's going concern status in the period of twelve months from the date of preparation of the financial statements.

### **Risk to the going concern status**

In the period of 9 months ended on September 30, 2020, the Company recorded net loss of PLN 31 766 thousand, and the net negative working capital amounted to PLN 18 665 thousand.

As at September 30, 2020, the Company's financial liabilities due to credits, lease and bonds amounted to a total of PLN 401 292 thousand (long-term part PLN 314 195 thousand, short term part PLN 87 097 thousand).

As at September 30, 2020, trade and other liabilities were at PLN 294 586 thousand, including outdated at PLN 98 616 thousand, which the Company pays from current inflows to a possible extent.

In connection with the above factors, there is a risk of a threat to going concern.

### **General situation of the Company and action undertaken**

The Company recorded the following results for the 9 months ended on September 30, 2020:

- gross result on sales: PLN 976 thousand (9M 2019: PLN -46 322 thousand)
- EBITDA: PLN -8,355 thousand (9M 2019: PLN -62 727 thousand)
- net result: PLN -31 766 thousand (9M 2019: PLN -72 948 thousand)
- equity: PLN 318 286 thousand (as at December 31, 2019: PLN 349 925 thousand)

The current contract portfolio in comparison to September 30, 2020 amounted to PLN 1,860 million, in the period 01.01.2020 – 30.09.2020, the Company signed agreements with the total value of above PLN 59,2 million net.

In the third quarter of 2020, the Management Board of the Parent Company undertook negotiations with PKP PLK to amicably settle court disputes. As at the date of this semi-annual report, the value of contractual claims, claimed in court by Trakcja with consortium partners and subcontractors against PKP PLK, amounts to a total of PLN 158.6 million. (gross amount including interest capitalized as at the date of filing the suit); the amount due to Trakcja is at approximately PLN 120.3 million.

The Company, along with consortium partners and subcontractors, is conducting negotiations with PKP PLK with the participation of the General Prosecutor's Office of the Arbitration Court of the Republic of Poland concerning the amount of PLN 139.2 million (gross amount, along with interest capitalized as at the date of filing the suit), whereas the amount due to Trakcja is approximately PLN 106.9 million.

The value of other contractual claims sought out of court by the Company along with consortium partners and subcontractors amounts to PLN 285.6 million, whereas the amount due to Trakcja is approximately PLN 236 million. At this stage, the Management Board of the Parent Company is not able to define the end date of negotiations or their effect on the financial result.

In connection with the signing of the long-term financing documentation, the Company also undertook to meet a number of follow-up conditions which include, implementing a recovery plan.

As from the publication date of the report, the Company has completed stage 1 and commence stage 2 of the Recovery Plan for the years 2020-21. The Recovery Plan foresees numerous activities undertaken by the Company (56 new initiatives) aiming at, amongst others, obtaining financial benefits by the Company, improvement of internal procedures, optimization of the internal structure. In addition, according to the financial documentation, the Company provides mBank S.A. (facility agent) with a report of the Management Board on the implementation of the Recovery Plan, which is additionally verified by the financial advisor.

### **New contracts won**

The Parent Company continues to actively participate in tender procedures for the railway and road construction markets, currently characterised by a smaller number of participants. Increased pressure from competitors results from saturation of the market with projects in relation to the contracting potential of construction companies in Poland. The current market trend shows that bids from contractors that significantly exceed investor budgets are more and more frequently accepted by contracting authorities.

In the third quarter of 2020, the Parent Company signed the following significant contracts:

- a) on April 2, 2020, the subsidiary, Trakcja, signed a contract for "Upgrade of the 110/15/6 kV Central Station in Łódź" (the subsidiary's share – PLN 18.9 million, net);
- b) on May 7, 2020, Trakcja signed a contract for "Construction of B. Chrobry bridges within the provincial road No 455 in Wrocław", as announced in detail in current report No 17/2020 (the Company's share – PLN 56.7 million, net).

### **The most advantageous tenders submitted under the public contract award procedures**

In the 9-month period of 2020, Trakcja submitted the most advantageous tenders in the following public contract award procedures:

- a) "Reconstruction of Railway Line No. 7 in the Warszawa Wschodnia – Wawer Section" (the Company's share: PLN 422.4 million net);
- b) "Tram Line Expansion in Olsztyn" (the Company's share: PLN 163.9 million net);
- c) "Road and Viaduct Construction in Skarżysko Kamienna" (the Company's share: PLN 28.3 million net).

After the reporting period, the Company has been awarded a contract under the public contract award procedure for the "Construction of Cogeneration Unit with Capacity of Approx. 75 MWt / 22 MWe at Ciepłownia Południe at ul. Żelazna 7 in Radom" (the Company's share: PLN 545.5 million net).

### **Active policy on liquidity management of the Parent Company**

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is also focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective (including a weekly monitoring of cash flows), aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company undertakes actions aimed at winning contracts which provide for advance

payments. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the ordering party at the initial stage of a contract. It also is in the process of negotiations with subcontractors to extend payment terms. The Parent Company places great emphasis on optimising the invoicing processes by shortening the period between the completion of works and their invoicing.

As at September 30, 2020, the Parent Company held cash and cash equivalents in the amount of PLN 7 245 thousand and unused credit lines in the amount of PLN 8,556 thousand.

As at the day preceding the preparation of these financial statements, the company held cash in the amount of PLN 1,938 thousand and unused credit lines in the amount of PLN 3,424 thousand.

With regard to the activities carried out under the second round of financing, the Parent Company and its financial advisor (Ipopema Financial Advisory Sp. z o.o.; hereinafter: the "Advisor") approved by financial institutions, are in the process of updating the financial model, based on the past financial data and on the assumptions about future uncertain events.

On the basis of the data and assumptions adopted as at the publication hereof, a financial gap was identified at the Parent Company in the amount of PLN 167-196 million (the financial gap disclosed in the financial statements for 2019 was PLN 89 million). An increase in the financial gap was triggered, in particular, by failure to meet the assumptions made in the preceding model and by delay in obtaining certain financial instruments. The Company points out that the aforementioned amount is an imprecise estimate that changes in time depending on the assumptions adopted with regard to future events and that it is exposed to a high risk of variability in time.

With regard to the activities carried out under the second round of financing, the Parent Company is in the process of negotiating with financial institutions and key shareholders the additional financing for the Company in the amount necessary to cover the financial gap identified.

#### **New financing sources**

During 9 months of 2020:

1. The Parent Company continued to issue financial instruments under the credit agreements signed.
2. The subsidiary, BTW Sp. z o.o., concluded a leaseback agreement concerning specialist machines owned by the company, as a result of which it received cash in the amount of PLN 15 000 thousand. BTW extended a loan of PLN 11 000 thousand to the Parent Company.
3. On May 7, 2020, an annex to the consolidated intercreditor agreement of June 13, 2019, as amended ("Intercreditor Agreement") was concluded between the Company, its subsidiaries and financial institutions. Under the Annex to the Intercreditor Agreement, the subsidiary, Trakcja Ukraina sp. z o.o., acceded the Intercreditor Agreement as a party and, in addition, amendments were introduced to the wording of the agreement in order to adapt the terms of cooperation between the parties in connection with the planned issue of bonds convertible into the Company's shares, which were acquired by COMSA S.A.U. ("COMSA Convertible Bonds"). Pursuant to the Annex to the Intercreditor Agreement, COMSA's receivables under the Convertible Bonds have been subordinated to the repayment of financial claims resulting in particular from the existing financing of the Company and cannot be repaid before full, final and unconditional repayment of all such claims, expiry of the obligations of all creditors who are parties to the Intercreditor Agreement to provide funds or issue guarantees on the basis of relevant financing documents and expiry of all guarantees issued on the basis of relevant financing documents. At the same time, the parties agreed that the COMSA Convertible Bonds may, without the consent of the creditors, be converted into shares of the Company, irrespective of their subordination, on the terms and conditions indicated in the Terms and Conditions of Issue of COMSA Convertible Bonds. Apart from the above amendments, no material provisions of the Intercreditor Agreement have been amended.
4. On May 8, 2020, the Parent Company issued 1,764,705 Series F registered bonds convertible into the Series D shares of the Company with a par value of PLN 1.70 per share and the total par value of PLN 19 999 998.50 ("Series F bonds") and 4,514,405 Series G registered bonds convertible into the Series D shares of the Company with a par value of PLN 1.70 per share and the total par value of PLN 7 674 488.50 ("Series G bonds").

On May 8, 2020 the Company's Management Board adopted a resolution to allot:

- all Series F Bonds at the issue price equal to the par value to Agencja Rozwoju Przemysłu S.A. and
- all Series G Bonds at the issue price equal to the par value to COMSA S.A.U. ("Comsa").

All Series F Bonds were paid for by bank transfer to the bank account of the Parent Company. The amount due from Comsa as a result of accepting the offer to purchase Series G Bonds was set off against Comsa's claim resulting from the loan granted to the Parent Company.

For more information on the Series F and G Bonds, see Section 23 of the Additional notes and explanations to the condensed consolidated financial statements.

On 5 August 2020, the Company obtained the consent of a bondholder, namely Agencja Rozwoju Przemysłu S.A., to the amendment to the Terms of Issue of Series F Bonds and Annex No. 1 to the Terms of Issue of Series F Bonds was signed by both Parties, amending the interest period applied. The new interest period (interest period) is to be 3 months. Other key provisions of the Terms of Issue of Series F Bonds remained unchanged.

5. In June 1, 2020 the Company expects to receive an advance payment of PLN 24 498 thousand for the contract: "Reconstruction of track system together with auxiliary infrastructure at the E59 railway line, Choszczno–Stargard section as part of the project 'Works on the E59 railway line, Choszczno - Stargard section'". Receipt of the advance payment is currently being processed with the Contracting Authority.
6. During 9M 2020, Group companies received financing of PLN 3.4 million as public aid in the form of a reimbursable loan from the Polish Development Fund [Polski Fundusz Rozwoju S.A.]:
  - Bahn Technik Wrocław Sp. z o.o. – PLN 1.4 million;
  - Torprojekt Sp. z o.o. PLN 1.1 million;
  - Dalba Sp. z o.o. PLN 0.9 million.
7. In addition, in 9M 2020, in their comprehensive income statement Trakcja S.A. Included dividends from subsidiaries in the amount of PLN 2,042 thousand, the payment of which will be set off against loans granted to Trakcja by these subsidiaries.

#### **The risk of failure to achieve the contractual values of financial ratios**

Long-term financing agreement i.e. "Joint Terms Agreement" executed on September 27, 2019, as informed by the Company in the current report no. 51/2019, imposes an obligation for the Company to achieve and maintain defined financial indicators (hereafter "Covenants") at the Company or Group level. The agreement foresees that the first verification of fulfilment of Covenants by the Company and by the Group will take place on September 30, 2020.

On 10 September 2020, the Parent Company submitted to the financing entities a request that the time limits for verification of the Covenants set be changed. On 30 September 2020, the Company was granted the consent to the derogation from verification of the Covenants as at 30 September 2020, which the Company made known in Current Report 28/2020. In keeping with the long-term financing agreement, the Covenants are to be verified next on 31 December 2020. The Covenants concerned are to be calculated based on the data for the last 12 months. As at the publication hereof, in the opinion of the Company's Management Board, a risk exists that the financial ratios agreed may not be met. In keeping with the long-term financing agreement, should the Parent Company become aware of any failure to meet the Covenants (which may happen at the initial determination of the Parent Company's and Group's financial performance for 2020 and at the initial calculation of the financial ratios specified in the long-term financing agreement), the Parent Company is obliged to notify thereof the Cooperation Agent ("Agent") immediately. The agent is or may become obliged, at the request of the major creditors, i.e. the entities whose exposure is at least 50.1% in total of the total exposure of all the creditors at the time, to take measures, and in particular, to demand that all the funds drawn be payable at request or to consider the debt incurred outstanding within the time limits agreed on in the agreement concerned. The Parent Company maintains regular contacts with the Agent and the creditors, which are informed on an ongoing basis (no less frequently than once a month) about the progress in the implementation of the Recovery Plan (the Management Board's report on the implementation of the Recovery Plan,

verified by the advisor). On 23 November 2020, the Parent Company submitted to the financing entities a request that the time limits for verification of the Covenants set be changed.

### **Risks related to the SARS CoV-2 pandemic**

The current development of the SARS CoV-2 pandemic has no influence on the Company's going concern in the foreseeable future. Further development of pandemic-related events is currently difficult to foresee and may adversely affect the Company's operations, timeliness of works, and costs incurred.

The current SARS CoV-2 epidemic, which results, amongst others, in potential restrictions of transport and interruptions in the continuity of supplies of components and raw materials may lead to delays in the the execution by the Company of purchase orders under the contracts, to which the Company is a party as a contractor or subcontractor; in consequence, this may lead to a risk of claims addressed by contracting parties for payment by the Company of contractual penalties due to untimely contract performance.

Although as at the publication date of this report both contractors and financial institutions continue normal business, the further spread of SARS CoV-2 and the change in the mode of work of the Company's contractors, courts and financial institutions may lead to delays in decision-making processes, and may indirectly affect the Company's current business, in particular through:

- Hindering access to funds obtained by the Company from the securities market;
- A requirement to amend delivery dates of selected imported materials;
- Limiting the availability of foreign workers;
- Prolongation of collection procedures due to a part of clients' staff working remotely;
- Prolongation of administrative and court procedures;
- Limitations to movement and transport;
- Remote work and quarantines of some of the workers.

In consequence, these events may cause delays in obtaining funds by the Company, essential to perform its financial liabilities or obtaining new contracts due to a lack of required financial collateral in the form of guarantees or funds for a contractual deposit, as well as non-performance of the Company's contractual obligations. As a consequence of the negative influence of the SARS CoV-2 epidemic on the aforementioned operations, the Company's liquidity and financial situation may be adversely affected. Simultaneously, the potential pandemic-related restrictions or delays of deadlines of investments of contracting authorities may affect the Company's financial perspectives in the next financial periods. According to the Company, the threat of these risks is average and, as at the date of this publications, the Company is not able to estimate the effects of such risks on future financial results or cash flow.

### **Events expected to occur after the balance sheet date**

1. The Company is in the process of selling its non-operational assets. The Company plans to sell further non-operational assets, including real estate at Oliwska Street in Warsaw for the price of PLN 17,500 thousand. The Company assumes the receipt of an advance payment for the sale of real estate at Oliwska Street in Warsaw. The advance payment is to amount to PLN 3.5 million, which represents 20% of the expected sales price. The closing date of the transaction, at the request of the counterparty, has been postponed for reasons related to the current COVID-19 pandemic. The Company assumes that the transaction will be completed in first quarter 2021.
2. The Company expects the finalisation of the real estate sale transaction at ul. Lotnicza 100 in Wrocław, which should take place in the I half of 2021, however, the Management Board of the Parent Company takes into account the fact that as a result of the SARS CoV-2 epidemic, the completion of the transaction may be postponed in time.

The Company's Management Board is of the opinion that the analyses carried out and the steps taken neutralise liquidity risk in a satisfactory manner. In the Company's opinion, the measures taken will make it possible to secure the financing of its operations and prepare the Company to execute projects on a larger scale.

### **Risk of failure of steps taken**

The Company's Management Board has prepared the financial statements on the assumption that the Company will continue as a going concern in the period of at least 12 months from the date of approval of these statements for publication. The going concern status of the Company depends on successful implementation of the process of covering the financial gap. Any failure to achieve the expected effects of steps taken with respect to additional financing and negotiation of claims may pose a threat to the Parent Company's ability to continue as a going concern. In addition, future deterioration in liquidity could potentially be affected by factors such as: postponement of the dates for raising cash on account of advances, claims and negative events resulting from the COVID-19 pandemic.

Taking into account possible negative or unforeseen effects of the events described in this section, as well as possible postponement of activities ensuring sufficient financing of the Company's operations, the Company may take additional steps, involving:

1. Entering into negotiations with the Company's creditors regarding the restructuring of debt together with the simultaneous implementation of measures permitted by the applicable laws to protect the Company and the interests of creditors and shareholders.
2. Carrying out operational restructuring consisting in the disposal of assets not used in the core business, including shares in subsidiaries, property, plant and equipment.
3. Reducing the scale of the Company's operations.

## **11. Basis for preparing the consolidated financial statements**

The condensed consolidated financial statements are prepared according to the historical cost principle, except for the financial derivatives, investment properties which are measured at fair value.

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

These consolidated financial statements are prepared on the assumption that the Group remains a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, there are circumstances indicating a threat of continuation operations by the Group. Details are described in note 10 of this report.

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

The subsidiaries of AB Kauno Tiltai Group and the following subsidiaries: PRK 7 Nieruchomości Sp. z o.o., Torprojekt Sp. z o.o., PEUIM Sp. z o.o., Dalba Sp. z o.o., PDM S.A., Bahn Technik Wrocław Sp. z o.o., 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 third quarter of 2020. The euro is the measurement currency of the companies with their registered offices in Lithuania, whereas the Swedish crown (SEK) is the currency of AB Kauno Tiltai Sverige and the Ab Kauno Tiltai branch in Sweden; the Bulgarian lev (BGN) is the currency of the establishment of Trakcja S.A. in Bulgaria, 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

Except for the changes specified below, the accounting principles (policy) applied to these condensed consolidated financial statements for the third quarter of 2020 are consistent with those applied to the annual consolidated financial statements for 2019, 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.

### **Changes introduced by the Group independently**

In the third quarter of 2020, the Group made changes to the recognition of non-collectable receivables as costs in relation to the data disclosed in the semi-annual consolidated financial statements as at June 30, 2020. As at September 30, 2020, these costs were PLN 1 592 thousand and were transferred from the other operating expenses to the costs of goods sold. As a result thereof, the other operating expenses for the third quarter were positive.

### **The effect of using new accounting standards and amendments to the accounting policy**

In the period covered by the condensed financial statements for the 9 monthly of 2020, the following changes to the accounting principles and principles of drawing up financial statements have been introduced:

- **Amendments to IFRS 3 "Business Combinations"**

The amendment to IFRS 3 was published on October 22, 2018 and applies to annual periods beginning on or after January 1, 2020. The purpose of the amendment was to specify the definition of business, and easier differentiation of acquisition of joint ventures from groups of assets for merger settlement purposes.

- **Amendments to IAS 1 and IAS 8: Definition of "material"**

Amendments to IAS 1 and IAS 8 were published on October 31, 2018 and apply to annual periods beginning on or after January 1, 2020. Their purpose was to further specify the definition of the term "material" for its easier practical application.

- **Reform of reference interest rates (reference rates) - Amendments to IFRS 9, IAS 39 and IFRS 7**

Amendments to IFRS 9, IAS 39 and IFRS 7 were published on September 26, 2019 and apply to annual periods beginning on or after January 1, 2020. These amendments modify detailed hedge accounting requirements to minimize (eliminate) the potential effects of uncertainties related with the reform of reference (interbank) interest rates. In addition, entities will be required to add disclosures concerning hedging relations, which are directly affected by reform-related uncertainties.

- **Amendments to IFRS 16, Leases: Allowances related with Covid-19**

The amendment was published on May 28, 2020 and applies as from June 1, 2020. The amendment to IFRS 16 introduces a simplification which allows recognizing modifications to lease contracts in case of any changes in payments with relation to the Covid-19 pandemic.

#### **Standards and amendments to standards adopted by the IASB, but not yet approved by the EU**

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at September 16, 2020 (the effective dates stated below is for IFRS in full):

- **Amendments to IAS 1, Presentation of Financial Statements: Classification of liabilities as short- or long-term**

The amendment to IAS 1 was published on January 23, 2020 and applies to annual periods beginning on or after January 1, 2022.

The amendment re-defines the criteria that must be met for the liability to be recognized as short-term. The amendment affect a change in the presentation of liabilities and their reclassification between short- and long-term liabilities.

The Group will apply the amended standard as from January 1, 2022 or from January 1, 2023 in connection with the planned delay of the validity date of the standard.

- **Amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements to the 2018-2020 standards**

Amendments to these standards were published on May 14, 2020 and apply to annual periods beginning on or after January 1, 2022.

Amendments include, amongst others, an introduction of a prohibition to decrease the costs of producing fixed assets by revenues from sales of test products generated during the process of creating/launching a fixed assets.

The Group applies amended standards as from January 1, 2022. At the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the amended standards.

IFRS in the shape approved by the European Union does not currently significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards, interpretations and their changes, which at the day of approving this financial statement for publication have not yet been approved for application by the European Union:

- IFRS 14, Regulatory Deferral Accounts, published on January 30, 2014 (the process of implementation by EU countries is withheld);
- IFRS 17 Insurance Contracts, published on 18 May 2017 along with amendments dated June 25, 2020;
- Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture published on September 11, 2014 (the process of implementation by EU countries is withheld);
- Amendments to IAS 1, Presentation of Financial Statements: Classification of liabilities as short- and long-term liabilities, published on January 23, 2020;
- Amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements to the 2018-2020 standards published on May 14, 2020;
- Amendments to IFRS 4, Insurance Contracts - postponement of the application of IFRS 9 published on June 25, 2020;

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



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

#### **Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective**

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

- **IFRS 14 Regulatory Deferral Accounts**

The new standard was issued on January 30, 2014 and applies to annual periods beginning on or after January 1, 2016. The new standard is temporary due to the pending works of the IASB on regulating the manner of settling operations in price regulation conditions. The standard introduces rules on recognizing assets and liabilities connected with regulated price transactions if the entity decides to shift to IFRS.

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

- **IFRS 17 Insurance Contracts**

The new standard was published on May 18, 2017, and then amended on June 25, 2020 and applies to annual periods beginning on or after January 1, 2023. Earlier application is admissible (on the condition of simultaneous application of IFRS 15 and IFRS 9). The standard shall replace existing regulations on insurance contracts (IFRS 4). In addition, IFRS 4 was amended on 25 June 2020 – in the scope of prolonging the period of releasing insurers with the application of IFRS 9 Financial Instruments up to January 1, 2023.

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

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

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

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

## **14. Description of factors and events that have a significant impact on the financial performance of Trakcja Group in the third quarter of 2020**

As at September 30, 2020, the portfolio of construction contracts of Trakcja Group was PLN 2,798 million (excluding revenues allocated to consortium members). In the third quarter of 2020, the companies within Trakcja Group signed construction contracts with the total value of PLN 702 million (excluding revenues allocated to consortium members). In seeking to maximise its production potential, Trakcja Group continues to participate in new contract award procedures.

The factor which had a significant impact on the gross profit on sales in the 9-month period of 2020 was an increase in fixed costs caused by the extension of the contract completion dates at the Parent Company, in particular, due to the prolonged process of financial restructuring and to the implementation of other parallel infrastructure investment projects that affected the pace of obtaining administrative decisions, as well as to the changes made in the project schedules because of overlaps with the completion of their projects by other industries beyond the scope of the

Company's works (e.g. railway traffic control) and to the deterioration in the availability of materials as a result of the accumulation of works in the infrastructure sector, and also to the ongoing restrictions related to the SARS-CoV-2 pandemic.

The Trakcja Group's sales revenues for the third quarter of 2020 were PLN 399,030 thousand, i.e. they decreased by PLN 27,940 thousand as compared to the analogous period of 2019. The cost of goods sold dropped by PLN 76,712 thousand and was PLN 380,673 thousand.

The Group's gross profit on sales for the third quarter of 2020 was PLN 18,357 thousand, i.e. it was by PLN 48,772 thousand higher than that for the analogous period of the preceding year. In the third quarter of 2020, the gross profit margin on sales was 4.6%, while in the corresponding period of 2019 it was (-7.1)%. An increase in the gross profit margin on sales resulted mainly from the fact that the gross loss on sales incurred by the Parent Company in the period between July and September 2020 decreased by PLN 46,422 thousand as compared to the corresponding period of the preceding year, and amounted to PLN (-306) thousand.

The general and administrative costs for the third quarter of 2020 were PLN 12,500 thousand and decreased by 19.8%, i.e. by PLN 3,079 thousand, in comparison with the comparable period of 2019. The decrease was caused by a decrease by PLN 1,760 thousand in the Parent Company's costs, which resulted, primarily, from a change in the cost allocation principles effective as at 1 July 2020 which consisted in allocating the costs of certain organisational units, which had so far been recognised in the general and administrative costs, to the costs of the contract completion costs. In addition, the Parent Company incurred lower costs of legal services, which resulted from the completion of the Company's financial restructuring process in 2019. The Kauno Group's general and administrative costs also decreased, which resulted from the implementation of the personal cost optimisation process in 2020. In the analysed period, the costs of sales, marketing and distribution at Trakcja Group were PLN 1,517 thousand and increased by PLN 205 thousand in relation to those for the third quarter of 2019.

The profit on the Group's other operating activities was PLN 4,155 thousand and increased by PLN 2,304 thousand as compared to the corresponding period of the previous year. The increase was caused by the recognition of revenues from valuation of real estate property in the amount of PLN 1,399 thousand at the Parent Company, the financial assistance granted to the Group's subsidiaries towards payment of salaries and the exemption from payment of social security contributions, as a result of the SARS-CoV-2 pandemic, and also by the allocation of non-collectable receivables recognised as costs to the costs of goods sold in the amount of PLN 1 592 thousand at the Parent Company. For the third quarter of 2020, the Group's operating profit was PLN 8,495 thousand, and increased by PLN 53,950 thousand in comparison with the comparable period, for which the Group incurred a loss in the amount of PLN 45,455 thousand.

The Group's loss on financial activities for the period between July and September of 2020 was PLN 5,541 thousand and decreased by PLN 4,827 thousand in relation to the loss on financial activities for the comparable period of the preceding year, when it amounted to PLN (-10,368) thousand. The Group's financial revenues decreased by PLN 1,063 thousand. The Trakcja Group's financial expenses decreased as a result of a drop of PLN 3,028 thousand in the costs of fees and commissions at the Parent Company, related to the granting to the Company in October 2019 of debt financing and guarantee limits. A decrease in the financial expenses was also caused by a drop in the interest expenses on the Parent Company's liabilities by PLN 2,002 thousand.

The Group's gross profit for the period from July 1, 2020 to September 30, 2020 was PLN 2,954 thousand. The gross profit for the third quarter of 2020 increased by PLN 58,777 thousand as compared to the third quarter of 2019, when it was PLN (-55,823) thousand. The income tax for the third quarter of 2020 decreased the net profit by PLN 1,085 thousand and was lower by PLN 11,846 thousand than the income tax for the corresponding period of the previous year. The Group's net profit for the period from July 1, 2020 to September 30, 2020 was PLN 1,869 thousand, which was in increase by PLN 46,931 thousand in comparison with that for the third quarter of 2019.

At the end of the third quarter of 2020, the Group's balance sheet total was PLN 1,580,169 thousand and was higher by 6.5% than the balance sheet total at the end of 2019.

The non-current assets increased by PLN 15,068 thousand (i.e. by 2.5% of the non-current assets as at December 31, 2019) and were PLN 611,434 thousand, while the current assets increased by PLN 80,781 thousand, i.e. by 9.1% in comparison with their value as at December 31, 2019, and were PLN 968,735 thousand.

The increase was mainly caused by an increase in the goodwill on consolidation by PLN 5,677 thousand, concerning foreign exchange differences arising from the conversion, which as at September 30, 2020 was PLN 174,660 thousand. The increase in the non-current assets in the period concerned was also caused by an increase by PLN 5,721 thousand in the deferred tax assets.

An increase in the current assets resulted primarily from an increase in the trade and other receivables by PLN 114,308 thousand, i.e. by 28.6%. As at September 30, 2020, the trade and other receivables were PLN 514,057 thousand. The assets concerning contracts with customers also increased (by PLN 50,745 thousand, i.e. by 24% as compared to the end of 2019. As at September 30, 2020, the cash and cash equivalents decreased by PLN 75,123 thousand, i.e. by 69.9%, as compared to December 31, 2019.

As of September 30, 2020, the total equity of the Group decreased by PLN 23,110 thousand, i.e. by 5.4% in comparison with its balance as of December 31, 2019.

As at September 30, 2020 the long-term liabilities were PLN 354,180 thousand and increased by PLN 121,364 thousand, i.e. by 52.1%, as compared as at December 31, 2019. As at September 30, 2020, the long-term interest-bearing loans were PLN 302,955 thousand and increased by PLN 95,098 thousand, i.e. by 45.8%, as compared as at December 31, 2019. In addition, as at September 30, 2020 the Group recognised a liability in the amount of PLN 27,681 thousand from the issue of bonds by the Parent Company (for the detailed information on the bond issue, please see pt. 16 hereof).

The short-term liabilities were PLN 823,615 thousand and decreased by 0.3%, i.e. by PLN 2,405 thousand, as compared to the amount thereof as at December 31, 2019. The decrease resulted in particular from a decrease in the short-term interest-bearing loans by PLN 52,552 thousand and by a decrease in the provisions by PLN 51,228 thousand as compared to their amounts as at the end of 2019. As at September 30, 2020, the trade and other liabilities were PLN 463,008 thousand, i.e. they increased by PLN 54,242 thousand as compared to their balance as at December 31, 2019. The liabilities from contracts with customers also increased by PLN 37,112 thousand and amounted to PLN 191,362 thousand.

At the beginning of 2020, the Group's cash and cash equivalents, as disclosed in the consolidated statement of cash flows, were PLN 107,461 thousand and at the end of the 9-month period their balance was PLN 32,032 thousand. The net cash flows for the first 9 months of 2020 were negative and amounted to PLN 75,429 thousand, i.e. they decreased by PLN 1,415 thousand in comparison with the corresponding period of 2019.

#### **Current and expected influence of COVID-19 on the financial situation, results, cash flow**

The outbreak and current developments of the SARS CoV-2 pandemic in Poland and on other markets, on which the Group conducts business, had little effect on the Group's operations and financial results in the period 9 months of 2020 ended September 30, 2020.

However, the introduced pandemic state, government restrictions applicable from March 20, 2020, and concerns about the development of the situation and its influence on the Group's functioning forced the Trakcja Group companies to amend the work organization. In account of the health and safety of employees and to ensure continuity of the Group's operations, the Management Board prepared a procedure of operation with regard to the risks related with SARS CoV-2. The Management Board has signed an agreement with trade unions on 6 April 2020, pursuant to which as from 6 April 2020 the working time was reduced by 10 % and, in consequence, the salaries of employees remunerated at a monthly rate were reduced pro rata. This reduction of working time concerned mainly clerical workers, to allow maintaining the contract performance potential. The 10% decrease of salaries shall also covered members of the Management Board, the Supervisory Board, as well as workers engaged on the basis of self-employment, and contractors. In addition, it was agreed, amongst others, to temporarily suspend the payout of bonuses and rewards, allowances, and retirement severance pays, to reduce overtime, and to introduce restrictions with relation to using business vehicles. In addition, the write-off to the company's social benefits fund was reduced

by 25%. The agreement was temporary and applicable to June 30, 2020, and no new agreement has been signed until the date of approval of this report. On September 21, 2020, the Management Board in agreement with the Company's trade unions adopted a new version of the Remuneration Regulations at Trakcja S.A. The new Remuneration Regulations include changes, in particular, to the Company's jubilee prize award system (a fixed amount that depends only on the length of service at the Company) and the retirement benefit award system (an amount equal to the amount of employee's monthly gross remuneration, however, no higher than PLN 10,000), the monthly blue-collar employee bonus award system (a maximum of up to 20% of remuneration) and the white-collar employee bonus award system (a maximum of 10% of remuneration provided that the Company's net profit is at least PLN 15 million). In addition, the Remuneration Regulations make the award of bonuses for white-collar employees dependent on the Company's profitability.

In addition, pursuant to GIS recommendations, the Group adjusted the working space, introduced a possibility of remote work, and secured disinfectants and personal protection for employees.

Due to the increasingly more complicated pandemic situation in Poland, an orange alert was announced at the Company by decision of the President of the Management Board made on 5 November 2020. The alert imposes the following restrictions: for office operations a maximum of 1 person on stand-by per department; procedure concerning people that informed the Company about a quarantine of a household member, procedure for reporting cases of employees' illness, quarantine or isolation. Additional restrictions were introduced as regards field offices so that to avoid eliminating the majority of the contract management. In addition, the Crisis Management Team was appointed at the Company and instructions for prevention activities were implemented in order to prevent COVID-19 from spreading at the facilities of Trakcja. The Company purchased tests for the entire Group and entered into an agreement for disinfection of offices.

In addition, in 9M 2020 the SARS CoV-2 pandemic directly affected the Group's operations through, amongst others:

- Prolongation of collection procedures, which has resulted in delaying sales and cash flow;
- Temporary interruptions in deliveries of certain goods and limitation of availability of services by subcontractors, in particular those that engage foreign personnel;
- Worsening of commercial terms, in particular with regard to payment dates, required advance payments, and, to a limited extent, prices.

During the reporting period, the Group has attempted to eliminate existing interruptions by way of using other available subcontractors and performing work with own resources. The Group is seeking alternative sources of supplies and undertakes trading negotiations to agree on satisfactory terms.

During 9M 2020, within the scope of public aid, the Group obtained PLN 3.4 million in the form of financial subsidies granted by Polski Fundusz Rozwoju S.A. within the scope of the "Tarcza finansowa PFR" programme (PFR Financial Shield).

The Company's Management Board regularly monitors the development of the situation and analyses the potential influence of the pandemic on the Company's and the Group's business, results and perspectives, including the need to change valuations of contracts and the Group's liquidity indices. Simultaneously, it cannot be excluded that the above circumstances may adversely affect the Group's activity, its financial situation, results, perspectives, as well as the price of shares in the coming periods. As at the date of publication of this report, the current status of the SARS CoV-2 pandemic has not substantially affected the Group's strategic orientation and operational goals and its financial situation. Nevertheless, since October 2020 the Company has noted a sharp increase in the number of employees infected by SARS CoV-2 and an increase in the number of employees that are quarantined or isolating. If the pandemic has a significant impact on the financial situation and assets of the Group and the Company, the Management Board of Trakcja will notify thereof the stockholders in a separate current report.

## 15. Seasonality and cyclicity

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

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

In the third quarter of 2020, the Company did not issue, redeem or repay any debt or equity securities.

In the third quarter of 2020 ended September 30, 2020, e.i. on May 8, 2020 the Company's Management Board adopted a resolution to:

- allot all 11 764 705 Series F secured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 19 999 998.50 and an issue price equal to the par value ("Series F Bonds") to Agencja Rozwoju Przemysłu S.A. ("ARP") and
- allot all 4 514 405 Series G unsecured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 7 674 488,50 and an issue price equal to the par value ("Series G Bonds") to COMSA S.A.U ("Comsa").

Series F Bonds and Series G Bonds were issued at an issue price equal to their par value. The Series F Bonds are secured with collateral indicated in the Terms and Conditions of Issue of Series F Bonds, including in particular a highest-ranking contractual mortgage on the Company's real property located in Bieńkowice established in favour of the mortgage administrator. In addition, the Company submitted representations on submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure for the benefit of the ARP concerning all of the Company's assets and for the benefit of the collateral administrator concerning the mortgaged property. Series G bonds are unsecured and are subject to contractual subordination in accordance with the Intercreditor Agreement.

The bonds bear interest based on 1M WIBOR plus an agreed margin. Interest will be accrued and paid on a monthly basis, with interest on Series G Bonds to be paid at the earliest upon redemption of Series G Bonds. The Bonds redemption date is December 30, 2022. The Bonds may be redeemed early in cases provided for by law, as well as in the event of occurrence of circumstances that are typical for this type of bonds, as set out in the Terms and Conditions of issue of Series F Bonds and Series G Bonds. The Bonds were issued pursuant to Article 33 (2) of the Bond Act. The issue of bonds constitutes an element of the long-term financing, as notified by the Company in the Report on Long-Term Financing.

On August 5, 2020, the Company obtained the consent of a bondholder, namely Agencja Rozwoju Przemysłu S.A., to the amendment to the Terms of Issue of Series F Bonds and Annex No. 1 to the Terms of Issue of Series F Bonds, amending the interest period applied, was signed by both Parties. The new interest period (interest period) is to be 3 months. Other key provisions of the Terms of Issue of Series F Bonds remain unchanged.

## 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 9-month period ended September 30, 2020, except for the factors described in other notes hereto, no other significant events occurred, which could have had an impact on the assessment of the Trakcja Group's financial condition. The Group's performance for the year was primarily affected by the contracts completed by the Group.

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

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

- the ability to win new construction contracts, which on account of the profile of the Group's activities is determined by expenditures on the railway and tramway infrastructure in Poland and Lithuania, as well as in new markets;
- the accuracy of the project cost estimates, as it exerts a direct impact on the decisions regarding the participation in tenders, the valuation of contracts for tenders and as a result the margins on the contracts. The accuracy of the

contract cost budget estimates, in turn depends on both methodological and external factors such as changes in prices for materials and services rendered by subcontractors;

- the Central Bank's monetary policy reflected in the interest rate changes. For the purpose of financing the acquisitions planned, the Group may take out bank loans, and therefore it may incur financial expenses determined by the interest rate levels;
- the timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity;
- the level of prices of materials, including transport costs;
- growing bargaining power of subcontractors (impact on the level of prices of services provided by them);
- the increasing pressure on margins;
- number of contracts won under the "National Railway Program until 2023" program;
- number of contracts won under the "National Road Construction Program for 2014-2023, with a prospect until 2025";
- the ability to acquire highly qualified staff;
- a decrease in the number of entities participating in tenders on the Polish railway market;
- the ability to further diversify the activity;
- the ability to obtain external financing;
- results of court proceedings.

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

- the procedure for awarding public procurements, in particular, an amendment to the Public Procurement Law;
- the public and private partnership;
- the financing of railway infrastructure;
- the environmental protection in the scope of the implementation of individual projects, in particular, the Environmental Protection Law;

The current development of the SARS CoV-2 pandemic has no influence on the Company's going concern in the foreseeable future. Further development of pandemic-related events is currently difficult to foresee and may adversely affect the Company's operations, timeliness of works, and costs incurred. Detailed information is presented in note 14 and 19 of this report on the activities of the Trakcja Group.

## 19. Risk factors

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

- risk of growing competition,
- risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years,
- risk of being dependent on key customers,
- risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors,
- risk of subcontractors' bankruptcy,



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

#### Extraordinary threats

An extraordinary threat identified as at the date of the publication of this report is a risk related with the influence of the COVID-19 situation and the related changes in government regulations on the Group's business and financial situation.

#### Main risks and uncertainties related with the SARS CoV-2 pandemic

The most significant risk related with the current SARS CoV-2 pandemic is its intensification, which would result in an introduction of government restrictions resulting in a lack of possibility to perform contracts, withholding construction works, significant limitations to the work of financial institutions, courts, and key contractors.

The current SARS CoV-2 epidemic, which results, amongst others, in potential restrictions of transport and interruptions in the continuity of supplies of components and raw materials may lead to delays in the the execution by the Company of purchase orders under the contracts, to which the Company is a party as a contractor or subcontractor; in consequence, this may lead to a risk of claims addressed by contracting parties for payment by the Company of contractual penalties due to untimely contract performance.

Although as at the publication date of this report both contractors and financial institutions continue normal business, the further spread of SARS CoV-2 and the change in the mode of work of the Company's contractors, courts and financial institutions may lead to delays in decision-making processes, and may indirectly affect the Company's current business, in particular through:

- Hindering access to funds obtained by the Company from the securities market;
- A requirement to amend delivery dates of selected imported materials;
- Limiting the availability of foreign workers;
- Prolongation of collection procedures due to a part of clients' staff working remotely;
- Prolongation of administrative and court procedures;
- Limitations to movement and transport;
- Remote work and quarantines of some of the workers.

In consequence, these events may cause delays in obtaining funds by the Company, essential to perform its financial liabilities or obtaining new contracts due to a lack of required financial collateral in the form of guarantees or funds for a contractual deposit, as well as non-performance of the Company's contractual obligations. As a consequence of the negative influence of the SARS CoV-2 epidemic on the aforementioned operations, the Company's liquidity and financial situation may be adversely affected. Simultaneously, the potential pandemic-related restrictions or delays of deadlines of investments of contracting authorities may affect the Company's financial perspectives in the next financial periods. According to the Company, the threat of these risks is average and, as at the date of this publications, the Company is not able to estimate the effects of such risks on future financial results or cash flow.

## 20. Opinion of the Management Board on the published forecast

The Management Board of Trakcja S.A. did not publish any financial forecast for 2020.

On October 23, 2020, the regular process of reviewing long-term contracts and collecting financial data for the purpose of preparing the Company's financial statements for the 9-month period ended on September 30, 2020 was completed. On the basis thereof, the Company made public (CR 30/2020) the following initial estimates of the Company's financial performance for the 9-month period of 2020: revenues from sale: PLN 483,756 thousand; gross profit on sales: PLN 976 thousand; EBITDA: PLN (-8,357) thousand; net loss: PLN (-31,766) thousand). These items have not changed significantly as compared to the data published herein.

## 21. Brief description of significant accomplishments or failures in the third quarter of 2020

In the third quarter of 2020, Trakcja Group reported a net loss of PLN 36,377 thousand, compared to a net profit of PLN 80,883 thousand in the corresponding period of the previous year.

The Group's significant achievements in the third quarter of 2020 include:

- Signing new contracts valued at PLN 702 million (excluding the part assigned to consortium partners);
- Further rebuilding of the order backlog; as at September 30, 2020, the portfolio of construction contracts of Trakcja Group was PLN 2,798 million (excluding revenues allocated to consortium members),
- The completion by the Parent Company of the first stage and the commencement of the second stage of the Recovery Plan, in keeping with which the Company is to take a series of measures, in particular, in order to achieve financial benefits, improve internal procedures and optimise internal structure.

## 22. Information material for the assessment of the Parent Company's and Group's employment, assets, financial condition and performance and changes therein, as



## well as information material for the assessment of the Parent Company's and Group's ability to meet its obligations

For information relevant to the assessment of the staffing levels, assets, financial condition and financial performance of the Parent Company, or changes in any of the foregoing, and information relevant to the assessment of the Parent Company's ability to meet its obligations, see Note 10 of the Notes to the condensed separate financial statements.

No information material for the assessment of the Parent Company's and Group's employment, assets, financial condition and performance and changes therein or for the assessment of the Parent Company's and Group's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the 9-month period ended on September 30, 2020.

## 23. Profit (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.

Earnings (loss) per share:

	01.01.2020 - 30.09.2020 Unaudited	01.07.2020 - 30.09.2020 Unaudited	01.01.2019 - 30.09.2019 Unaudited	01.07.2019 - 30.09.2019 Unaudited
Net profit (loss) from continued operations	(36 377)	1 869	(80 883)	(45 062)
Net profit applied to calculate diluted earnings per share	(35 996)	2 156	(80 883)	(45 062)
Net profit attributable to shareholders of Parent entity	(36 232)	1 762	(81 502)	(45 755)
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	(35 851)	2 049	(81 502)	(45 755)
<b>Number of issued shares (pcs)</b>	<b>86 450 976</b>	<b>86 450 976</b>	<b>51 399 548</b>	<b>51 399 548</b>
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976	86 450 976	51 399 548	51 399 548
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	95 097 390	102 730 086	51 399 548	51 399 548

The dilution of earnings per share results from the issue of bonds convertible to shares, which is detailed in Note 16 hereof.

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

	01.01.2020 - 30.09.2020 Unaudited	01.07.2020 - 30.09.2020 Unaudited	01.01.2019 - 30.09.2019 Unaudited	01.07.2019 - 30.09.2019 Unaudited
- basic	(0,42)	0,02	(1,57)	(0,88)
- diluted	(0,38)	0,02	(1,57)	(0,88)

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

	01.01.2020 - 30.09.2020 Unaudited	01.07.2020 - 30.09.2020 Unaudited	01.01.2019 - 30.09.2019 Unaudited	01.07.2019 - 30.09.2019 Unaudited
- basic	(0,42)	0,02	(1,57)	(0,88)
- diluted	(0,38)	0,02	(1,57)	(0,88)

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

	01.01.2020 - 30.09.2020 Unaudited	01.07.2020 - 30.09.2020 Unaudited	01.01.2019 - 30.09.2019 Unaudited	01.07.2019 - 30.09.2019 Unaudited
- basic	(0,42)	0,02	(1,59)	(0,89)
- diluted	(0,38)	0,02	(1,59)	(0,89)

## 24. Change in impairment losses and expected credit loss

	Goodwill	Inventory	Receivables	Total
<b>As at 1.01.2020</b>	<b>223 957</b>	<b>929</b>	<b>76 595</b>	<b>301 481</b>
<i>Audited</i>				
Recognized	-	1 745	5 619	7 364
Variances due to currency translation	-	70	28	98
Reversed	-	-	(1 200)	(1 200)
<b>As at 30.09.2020</b>	<b>223 957</b>	<b>2 744</b>	<b>81 042</b>	<b>307 743</b>
<i>Unaudited</i>				

## 25. Provisions

<b>As at 01.01.2020</b>	<b>108 866</b>
<i>Audited</i>	
Recognized	11 759
Foreign exchanges due to currency translation	710
Used	(62 120)
Reversed	(1 526)
<b>As at 30.09.2020</b>	<b>57 689</b>
<i>Unaudited</i>	
including	
- long-term	14 204
- short-term	43 485

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

From January 1, 2020 to September 30, 2020 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 21,428 thousand (as compared to PLN 19,725 thousand in the comparable period of 2019), of which the amount of 5 444 thousand PLN relates to the recognition in accordance with IFRS 16 of the lease of office space at ul. Al. Jerozolimskie 100 in Warsaw - the new seat of the Company from February 24, 2020.

From January 1, 2020 to September 30, 2020 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 2,693 thousand (as compared to PLN 1,061 thousand in the comparable period).

## 27. Investment properties

The table below presents changes in investment properties during the year:

	Year ended	
	30.09.2020 Unaudited	31.12.2019 Audited
As at start of period (by type groups):	<b>22 447</b>	<b>20 445</b>
- land	19 849	17 819
- buildings, premises, civil and water engineering structures	2 598	2 626
<b>Increases:</b>	<b>1 421</b>	<b>2 236</b>
- land	1 421	2 236
- revaluation	1 416	-
- changes in accounting policies - MSSF 16	-	2 236
- exchange rate differences	5	-
<b>Decreases:</b>	<b>(41)</b>	<b>(234)</b>
- land	(24)	(206)
- revaluation	-	(205)
- exchange rate differences	-	(1)
- depreciation	(24)	-
- buildings, premises, civil and water engineering structures	(17)	(28)
- revaluation	(17)	(28)
<b>As at end of period (by type groups):</b>	<b>23 827</b>	<b>22 447</b>
- land	21 246	19 849
- buildings, premises, civil and water engineering structures	2 581	2 598

As at September 30, 2020, the Group had the selected investment properties revalued because of the indications that the fair value thereof could have changed, as determined in accordance with the appraisal reports prepared for the purposes of long-term financing. In addition, in keeping with the accounting policy adopted, the Company and the Group estimated the valuation of all the investment properties as at December 31, 2020. The investment properties were valued by an independent expert (based on the market data as at September 30, 2020) with suitable professional qualifications in evaluating real estates, and with up-to-date experience in evaluating real estates at the locations similar to those of the Group's assets.

The valuation of the investment properties as at September 31, 2020 demonstrated an increase in the value thereof in the amount of PLN 1,399 thousand which was recognised in the other operating revenues. When updating the value of the investment properties, the valuation techniques and methods have not been changed, but only a change in the value in relation to the comparable year was recognised. The valuation methods and factors affecting the value of the properties owned by the Group have been described in Note 23 to the Annual Consolidated Financial Statements for the financial year ended December 31, 2019.

Fair value is determined using techniques and methods which are appropriate considering the circumstances and for which sufficient data is available, with the maximum use of the relevant observable inputs and the minimum use of the unobservable inputs.

Reconciliation of the opening and closing balance of fair value is as follows:

	Own real estate	Right-of-use assets	Total
<b>Balance as at 01.01.2019</b>	<b>20 445</b>	<b>-</b>	<b>20 445</b>
Revaluation	(199)	-	(199)
Changes in accounting policies - MSSF 16	-	2 236	2 236
Depreciation	-	(34)	(34)
Exchange rate differences	(1)	-	(1)
<b>Balance as at 31.12.2019</b>	<b>20 245</b>	<b>2 202</b>	<b>22 447</b>
Revaluation	1 399	-	1 399
Depreciation	-	(24)	(24)
Exchange rate differences	5	-	5
<b>Balance as at 30.09.2020</b>	<b>21 649</b>	<b>2 178</b>	<b>23 827</b>

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

In the third quarter of 2020, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual consolidated financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

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

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

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

In the third quarter of 2020, 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 third quarter of 2020, 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 9 months ended September 30, 2020 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 2019.

Balance sheet elements accounted in fair value	Level 1		Level 2		Level 3	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019
Derivatives (liability)	-	-	-	8	-	-
Investment property	-	-	-	-	23 827	22 447
Office properties	-	-	-	-	19 336	17 875
Land properties	-	-	-	-	2 052	1 974
Deposits of natural resources	-	-	-	-	2 439	2 598

In the period of 9 months ended September 30, 2020 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 2018.

Key customers:

In the period of 9 months of 2020, revenues from transactions with external single customers constituted respectively 10% or more of the total revenues of the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

The total amount of income obtained in 9 months ended 30.09.2020 from a single customer (thousand PLN)	Operation segment containing the revenues
381 709	Civil construction - Poland
204 247	Construction, engineering and concession contracts - Baltic states

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

## Operating segments:

### For the period from 1.01.2020 to 30.09.2020

Unaudited

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments				
<b>Revenues</b>							
Sales to external customers	535 183	391 462	30 802	957 447	-	-	957 447
Sales between segments	495	-	1 126	1 621	-	(1 621)	-
<b>Total segment revenues</b>	<b>535 678</b>	<b>391 462</b>	<b>31 928</b>	<b>959 068</b>	<b>-</b>	<b>(1 621)</b>	<b>957 447</b>
<b>Results</b>							
Depreciation	18 638	9 114	514	28 266	-	-	28 266
Financial income - interests	126	255	368	749	-	(424)	325
Financial expenses - interests	13 318	1 439	173	14 930	-	(424)	14 506
<b>Gross profit</b>	<b>(42 881)</b>	<b>5 550</b>	<b>(1 577)</b>	<b>(38 908)</b>	<b>-</b>	<b>(2 174)</b>	<b>(41 082)</b>

### For the period from 1.01.2019 to 30.09.2019

Unaudited

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments				
<b>Revenues</b>							
Sales between segments	709 653	308 922	63 817	1 082 392	-	-	1 082 392
Total segment revenues	744	9	1 033	1 786	-	(1 786)	-
<b>Total segment revenues</b>	<b>710 397</b>	<b>308 931</b>	<b>64 850</b>	<b>1 084 178</b>	<b>-</b>	<b>(1 786)</b>	<b>1 082 392</b>
<b>Results</b>							
Share of profit (losses) of joint venture	18 595	8 808	638	28 041	-	-	28 041
Financial expenses - interests	512	2 844	318	3 674	-	(483)	3 191
-	11 426	2 359	81	13 866	-	(483)	13 384
<b>Gross profit</b>	<b>(95 553)</b>	<b>(7 131)</b>	<b>1 757</b>	<b>(100 927)</b>	<b>-</b>	<b>101</b>	<b>(100 826)</b>

**As at 30.09.2020**

Unaudited

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
<b>Segment assets</b>	<b>1 111 389</b>	<b>621 668</b>	<b>64 859</b>	<b>1 797 916</b>	-	<b>(277 773)</b>	<b>1 520 143</b>
Assets not allocated to segments							60 026
<b>Total assests</b>							<b>1 580 169</b>
<b>Segment liabilities*</b>	<b>579 308</b>	<b>323 462</b>	<b>17 746</b>	<b>920 516</b>	-	<b>(96 901)</b>	<b>823 615</b>

Other disclosures:

Capital expenditure	(5 234)	(3 635)	(169)	(9 038)	-		(9 038)
Impairment of non-financial assets	22	1 723	-	1 745	-	-	1 745

\* short-term liabilities were allocated to assess segment

**As at 31.12.2019**

Audited

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
<b>Segment assets</b>	<b>1 145 628</b>	<b>519 117</b>	<b>84 130</b>	<b>1 748 875</b>	-	<b>(319 310)</b>	<b>1 429 565</b>
Assets not allocated to segments							54 755
<b>Total assests</b>							<b>1 484 320</b>
<b>Segment liabilities*</b>	<b>712 263</b>	<b>190 282</b>	<b>27 943</b>	<b>930 488</b>	-	<b>(104 468)</b>	<b>826 020</b>

Other disclosures:

Capital expenditure	(5 697)	(7 837)	(1 692)	(15 226)	-	101	(15 125)
Impairment of non-financial assets	(9 800)	(128 815)	-	(138 615)	-	-	(138 615)

\* short-term liabilities were allocated to assess segment

## Geographical segments:

### For the period from 1.01.2020 to 30.09.2020

Unaudited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
<b>Revenues</b>						
Sales to external customers	564 882	392 565	957 447	-	-	957 447
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	255	-	255	-	(255)	-
<b>Total segment revenues</b>	<b>565 137</b>	<b>392 565</b>	<b>957 702</b>	<b>-</b>	<b>(255)</b>	<b>957 447</b>

### For the period from 1.01.2019 to 30.09.2019

Unaudited

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

### As at 30.09.2020

Unaudited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	1 163 433	634 483	1 797 916	-	(277 773)	1 520 143
Segment liabilities*	611 774	308 742	920 516	-	(96 901)	823 615

\* short-term liabilities were allocated to assess segment

### As at 31.12.2019

Audited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	1 192 744	556 131	1 748 875	-	(319 310)	1 429 565
Segment liabilities*	737 838	192 650	930 488	-	(104 468)	826 020

\* short-term liabilities were allocated to assess segment



## 32. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	30.09.2020 <i>Unaudited</i>	31.12.2019 <i>Audited</i>
<b>Contingent receivables</b>		
<b>From related entities due to:</b>	<b>58 132</b>	<b>64 022</b>
Received guarantees and sureties	55 903	62 731
Bills of exchange received as collateral	2 229	1 291
<b>Total contingent receivables</b>	<b>58 132</b>	<b>64 022</b>
<b>Contingent liabilities</b>		
<b>Toward other entities due to:</b>	<b>8 975 580</b>	<b>8 696 931</b>
Provided guarantees and sureties	915 112	899 060
Promissory notes	614 385	521 671
Mortgages	4 265 941	4 252 519
Assignment of receivables	1 470 121	1 429 992
Assignment of rights under insurance policy	227 438	120 137
Security deposits	30 931	21 900
Other liabilities	1 451 652	1 451 652
<b>Total contingent liabilities</b>	<b>8 975 580</b>	<b>8 696 931</b>

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Group members as collateral for their claims against the Group arising out of the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Group. Promissory notes are a different form of collateral for the aforementioned bank guarantees. As at 30 September 2020 and 31 December 2019, other contingent liabilities relate to registered pledges.

As at September 30, 2020, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 914 thousand (December 31, 2019: PLN 1,309 thousand) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. Contingent liabilities arising from the employment contracts signed with employees. As at September 30, 2020 - amounted to PLN 7 235 thousand (as compared to PLN 7 712 thousand as at December 31, 2019).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, the provisions recognised as at September 30, 2019 are sufficient to mitigate the recognised and measurable tax risk.

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

In the third quarter of 2020, 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 table below presents a list of guarantees granted by the Parent Company:

Beneficiary	Value of guarantee in thousand PLN
PKP PLK S.A.	554 082
GDDKiA	87 875
WZDW Poznań	10 811
Gmina Kraków	9 421
Województwo Pomorskie	8 427
Other	43 454
<b>Total</b>	<b>714 070</b>

The table below presents a list of guarantees received by the Parent Company:

Subcontractor	Value of guarantee in thousand PLN
Krakowskie Zakłady Automatyki S.A.	17 518
Menard Polska	3 466
Keller Polska	3 168
Kolejowe Zakłady Automatyki S.A.	2 206
PKP PLK S.A.	2 000
Other	25 634
<b>Total</b>	<b>53 992</b>

Pursuant to the Common Terms Agreement of 27 September 2019, the Parent Company granted collateral to its subsidiaries (except for the AB Kauno Tiltai Group) in the form of a guarantee of repayment of credits and loans in the total amount of PLN 702 400 thousand; simultaneously, the Parent Company has received from its subsidiaries (except for the AB Kauno Tiltai Group) collateral in the form of a guarantee in the total amount of PLN 702 400 thousand.

### 34. Significant court cases and disputes

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

#### Proceedings concerning the Parent Company:

*The case concerning 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 Inżynierskich 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 Inżynierskich 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 8 June 2015, the Parent Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

#### *Case against Leonhard Weiss International GmbH*

As Leonhard Weiss International failed to respond to the statement including a debit note and a request for payment dated 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 Parent Company expects that an enforceable solution may be issued in the second half of 2019 or in the first half of 2020.

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

- 1) on PLN 7,500,000.00 from 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.

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

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

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

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

#### *Proceedings against PKP PLK S.A.*

On October 31, 2017, the Parent Company filed a case against PKP PLK S.A. for the payment of PLN 46,747,276.90 (including, interest of PLN 4,913,969.34), requesting that compensation be paid to it in connection with extension of the completion date of the agreement entitled: "Design and completion of construction works on the railway line Kraków – Medyka – State border, at the section Podłęże – Bochnia, km 16.000 – 39.000 as part of the project

"Modernisation of railway line E 30/C-E30, section Kraków – Rzeszów, phase III" and a part of the lump-sum fee due to the Parent Company and unpaid by PKP PLK S.A. due to the submission of an unjustified statement on the withdrawal from the Agreement in part. On December 12, 2017, the Parent Company extended the claim whose current value is PLN 50,517,012.38 (including, interest of PLN 5,336,177.01). The extension pertained to the Parent Company's claims against PKP PLK S.A. in relation to the groundless enforcement of the contractual penalties accrued and the part of remuneration for the performance of the contract and agreements for additional works, which PKP PLK S.A. unreasonably refuses to pay. On October 18, 2018, the Parent Company extended the claim to PLN 51,767,012.38. The damage of the Parent Company includes PLN 1,250,000.00, which the Parent Company was obliged to pay to the Bocheński Powiat in order to satisfy the request of PKP PLK S.A. concerning the earlier – than it resulted from the Work Schedule – launching of track 1 on the Bochnia route - Brzesko Okocim. On 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 S.A., including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercom 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". On 29 March 2018, an extension of a claim pursued as part of the case to include claims of another subcontractor – INFRAKOL Sp. z o.o. Sp.K. The Parent Company's portion of the claim is PLN 11,640,113.77 (including, interest of PLN 1,415,797.02). The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

b) additional works in connection with Contract No. 90/132/336/00/17000031/10/I/I dated 29 November 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Sędziszów Małopolski – Rzeszów Zachodni under the project "Modernisation of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3" in the total amount of PLN 2,829,000.00. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On August 27, 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 6,675,193.36 PLN (in words: six million six hundred seventy five thousand one hundred ninety three zlotys and thirty six groszy) along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement No 90/132/121/00/17000031/10/I/I of 16 December 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 111,500 - 133,600 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2 "specified in the Contractor's Applications No. 72 (gas pipeline) and No. 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,283,547.59 and capitalized interest on the principal for the period from 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 S.A., seeking the amount of PLN 632,459.66 (in words: six hundred thirty-two thousand four hundred fifty-nine zlotys and sixty-six grosz) along with statutory interest for delay, for additional works not provided for in the Agreement No 90/107/0086/17/Z/I of 14 March 2017 for the preparation of design documentation and performance of construction works on the Poznań Wschód - Mogilno section from km 0.265 to km 73.000, as a part of the project: "Works on the railway line No 353 Poznań Wschód-Dziarnowo", i.e. works on the construction of additional access ways to platforms at the Wydartowo station, additional suspension of the overhead contact line on the Wydartowo - Trzemeszno route and preparation of maps for design purposes, as well as incurring additional costs related to the unpredictable increase in prices of services provided by PKP Energetyka on the overhead contact line. On July 12, 2019, the Company extended the claim to PLN 14,601,921.80, i.e. by the value of additional performances provided to PKP PLK S.A. 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 S.A. seeking the amount of 20,934,758.14 PLN (in words: twenty million nine hundred thirty-four thousand seven hundred fifty-eight zlotys and fourteen grosz) along with statutory interest for delay, as reimbursement for the costs of extension of the implementation of Agreement No 90/132/336/00/17000031/10/I/I of 29 November 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 133.600 - 154.900 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2", due to circumstances within the scope of responsibility of PKP PLK S.A., both under the provisions of the Contract, as a public procurement contract, as well as general liability for damages specified in the provisions of the Civil Code. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On January 17, 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 12,296,388.86 PLN (in words: twelve million two hundred ninety-six thousand three hundred eighty-eight zloty and eighty-six grosz) along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0085/15/Z/I for "Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempień-Poznań section" due to circumstances within the scope of responsibility of PKP PLK S.A. On July 12, 2019, the Company extended the claim to PLN 14,601,921.80, i.e. by the value of additional performances provided to PKP PLK S.A. 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 S.A. seeking the amount of 1,320,495.25 PLN (in words: one million three hundred twenty thousand four hundred ninety-five zloty and twenty-five grosz) along with statutory interest for delay, as:

a) reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0090/15/Z/I for Construction of civil engineering structures on km 160.857; km 155.170 and km 145.650 of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempień-Poznań section" – as regards the Partial Contract A – railway viaduct on km 145.650 in Mosina, due to circumstances within the scope of responsibility of PKP PLK S.A.,

b) reimbursement for the costs of additional works performed by the Company, not provided for in the Contractor's Bid for the contract in question.

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

On April 2, 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 489,147.29 PLN (in words: four hundred eighty-nine thousand one hundred forty-seven zloty and twenty-nine grosz) along with statutory interest for delay, as a reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0092/15/Z/I for Construction of civil engineering structures on km 160.857; km 155.170 and km 145.650 of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempień-Poznań section" – as regards

the Partial Contract C – railway viaduct on km 160.857 in Poznań, due to circumstances within the scope of responsibility of PKP PLK S.A. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

In the third quarter 2020, the Management Board of the Dominating Entity undertook negotiations with PKP PLK to amicably settle court disputes. As at the date of this semi-annual report, the value of contractual claims, claimed in court by Trakcja with consortium partners and subcontractors against PKP PLK, amounts to a total of PLN 158.6 million. (gross amount including interest capitalized as at the date of filing the suit); the amount due to Trakcja is at approximately PLN 120.3 million.

The Parent Company along with consortium partners and subcontractors is conducting negotiations with PKP PLK with the participation of the Solicitor's Office of the Republic of Poland at the Arbitration Court in the amount of PLN 139.2 million. (gross amount including interest capitalized as at the date of filing the suit); the amount due to Trakcja is at approximately PLN 106.9 million.

On August 5, 2020, the first organizational meeting took place, attended by representatives of the parties, the Mediator, and the Head of the PGRP's Arbitration Court Division. At the meeting, the parties agreed on a schedule of activities to be taken, including submission of materials concerning court proceedings with the reservation that each Party presents its own materials. In addition, information was submitted on claimed liabilities, and a short description of the factual and legal state of existing disputes. Trakcja S.A. and PKP PLK S.A. held individual meetings with the Mediator on August 27 and 28, 2020.

In addition, on October 5, 2020, Trakcja S.A. and PKP PLK S.A. concluded a mediation agreement concerning the foundation piles constructed by the Company for overhead contact lines under the contracts performed by the Company, in which the awarding entity was PKP PLK S.A. Upon submission of the dispute summary subject to mediation and the consent of both parties to the mediation procedure that involves the participation of a second mediator, an organisational meeting was held on November 12, 2020 between the parties and the representatives of the State Treasury Solicitor's Office [Prokuratoria Generalna] and the mediators approved by both parties. It was decided that mediations concerning the Company's lawsuits against PKP PLK S.A. and the mediations concerning the aforementioned foundation piles were to be conducted jointly. At the request of the awarding entity, the parties agreed that the first three mediation meetings were to be held for the purpose of discussing the foundation piles, and that the issues related to the court proceedings were to be discussed at the subsequent meetings. The first three meetings were to be held on November 20, 2020, 26 November 2020 and December 3, 2020. The first meeting scheduled for November 20, 2020 was cancelled because of the health and pandemic issues at the mediation team of PKP PLK S.A.

#### *Proceedings concerning subsidiaries:*

##### *AB Kauno Tiltai*

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 67,854,722 (EUR 14,989,556.33). Pursuant to a decision of the court, this amount was reduced to PLN 4,716,373 (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. Information on dividends paid and declared

No dividends were declared or paid by the Parent Company in the third quarter of 2020.

On June 30, 2020 the Company's Annual General Meeting adopted a resolution, according to which the Company's loss for 2019 in the amount of PLN 249,678,732.87 will be covered from the supplementary capital of the Parent Company, including:

- in the amount of PLN 178,758,684.16 from the part of the supplementary capital create from profits carried forward;
- in the amount of PLN 70,920,048.71 from the part of the supplementary capital created from share premium.

### 36. Information on related-party transactions

In the third quarter of 2020, 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, 2020 to September 30, 2020:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs
<b>Shareholders of parent company:</b>					
COMSA S.A.	01.01.2020-30.09.2020	-	-	-	407
	01.01.2019-30.09.2019	170	1 160	-	-
ARP S.A.	01.01.2020-30.09.2020	-	-	-	1 338
	01.01.2019-30.09.2019	-	-	-	-
<b>Total</b>					
	<b>01.01.2020-30.09.2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 745</b>
	<b>01.01.2019-30.09.2019</b>	<b>170</b>	<b>1 160</b>	<b>-</b>	<b>-</b>

Please find below information on any receivables from and liabilities towards related entities as at September 30, 2020:

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received Bonds
<b>Shareholders of parent company:</b>					
COMSA S.A.	30.09.2020	-	87	-	8 032
	31.12.2019	-	188	-	7 656
ARP S.A.	30.09.2020	-	184	-	47 732
	31.12.2019	-	184	-	27 668
<b>Total</b>					
	<b>30.09.2020</b>	<b>-</b>	<b>271</b>	<b>-</b>	<b>55 764</b>
	<b>31.12.2019</b>	<b>-</b>	<b>372</b>	<b>-</b>	<b>35 324</b>

### 37. Significant events in the third quarter of 2020 and after the balance sheet date

Please find below a summary of significant events that took place in the third quarter of 2020.

Refinancing process	CR
05.08.2020 the Company received consent of the bondholder, Agencja Rozwoju Przemysłu S.A., to amend the Terms and Conditions of the Issue of F-Series Bonds (exchangeable to D-Series Shares); The new interest payment date (interest period) shall be 3 months.	25/2020
30.09.2020 in connection with:	
- the common terms agreement executed on 27 September 2019 between the Company, mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego, Agencja Rozwoju Przemysłu S.A., Bank Polska Kasa Opieki S.A. and	
- and the common terms agreement executed on 13 June 2019 between the Company, AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A., Credendo – Excess & Surety Societe Anonyme operating in Poland through Credendo – Excess & Surety Spółka Akcyjna Branch in Poland, Generali Towarzystwo Ubezpieczeń S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A., Powszechny Zakład Ubezpieczeń S.A. And UNIQA Towarzystwo Ubezpieczeń S.A., notified by the Company in the current report no. 12/2019 of 13 June 2019.	28/2020
The Company received consent of the Majority Financing Entities and Insurers to withdraw from testing financial indicators: the consolidated financial leverage, the individual financial leverage, and the individual and consolidated debt coverage indicators as at 30 September 2020. Initially, the Common Terms Agreements imposed an obligation on the Company to achieve and maintain defined financial indicators starting from 30 September 2020 and in subsequent periods defined in the Common Terms Agreements.	
Other	CR
29.07.2020 the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register, has registered the amendment to the Statute, the change of the Company's name from "Trakcja PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".	24/2020
21.09.2020 as part of the activities undertaken to eliminate the adverse impact of the current situation on the Company's operations and results with simultaneous maintenance of jobs included the adoption of new Remuneration Regulations in Trakcja S.A. As of 21 September 2020 in cooperation with trade unions operating in the Company. The new Remuneration Regulations include a change of the system of payments of jubilee awards and retirement benefits, payment of allowances for employees, monthly bonuses for blue collars and bonuses for white collars.	26/2020
25.09.2020 The Management Board of Trakcja S.A. based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them (first call).	27/2020



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

Other report	CR
25.09.2020 The Management Board of Trakcja S.A. based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them (second call).	29/2020
23.10.2020 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 9 months ended on 30 September 2020. Therefore, the Company announces the initial estimated results for 9 months of 2020: Sales revenues: PLN 483,756 thousand, Gross result on sales: PLN 976 thousand EBITDA: PLN -8,357 thousand, Net profit/loss: PLN -31,766 thousand. These items have not changed significantly compared to the data published in this report.	30/2020
25.09.2020 The Management Board of Trakcja S.A. based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them (third call).	31/2020

## IV. QUARTERLY FINANCIAL INFORMATION

### STANDALONE INCOME STATEMENT

	Nota	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020	01.01.2019- 30.09.2019	01.07.2019- 30.09.2019
		<i>Unaudited</i>		<i>Unaudited</i>	
<b>Continued operations</b>					
Sales revenue		483 756	167 981	634 384	210 933
Cost of goods sold		(482 780)	(168 287)	(680 706)	(257 681)
<b>Gross profit (loss) on sales</b>		<b>976</b>	<b>(306)</b>	<b>(46 322)</b>	<b>(46 748)</b>
Cost of sales, marketing and distribution		(1 447)	(621)	(1 599)	(461)
General and administrative costs		(25 102)	(6 525)	(25 601)	(8 285)
Other operating revenues		5 116	1 726	1 914	889
Other operating costs	13	(2 716)	683	(5 813)	(1 974)
<b>Operating profit (loss)</b>		<b>(23 173)</b>	<b>(5 043)</b>	<b>(77 421)</b>	<b>(56 577)</b>
Financial revenues		2 648	109	4 863	106
Financial costs		(16 236)	(5 074)	(17 004)	(9 759)
<b>Gross profit (loss)</b>		<b>(36 761)</b>	<b>(10 008)</b>	<b>(89 562)</b>	<b>(66 232)</b>
Income tax		4 995	1 259	16 614	12 189
<b>Net profit (loss) from continued operations</b>		<b>(31 766)</b>	<b>(8 749)</b>	<b>(72 948)</b>	<b>(54 043)</b>
<b>Net profit for the period</b>		<b>(31 766)</b>	<b>(8 749)</b>	<b>(72 948)</b>	<b>(54 043)</b>
<b>Profit per share attributable to shareholders in the period (PLN per share)</b>					
- basic		(0,37)	(0,10)	(1,42)	(1,05)
- diluted		(0,33)	(0,08)	(1,42)	(1,05)

## STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020	01.01.2019- 30.09.2019	01.07.2019- 30.09.2019
	<i>Unaudited</i>		<i>Unaudited</i>	
<b>Net profit for the period</b>	<b>(31 766)</b>	<b>(8 749)</b>	<b>(72 948)</b>	<b>(54 043)</b>
<b>Other comprehensive income:</b>				
<b>Other comprehensive net income that will be reclassified to profit or loss:</b>	<b>(51)</b>	<b>(10)</b>	<b>(15)</b>	<b>(24)</b>
Foreign exchange differences on translation of foreign operations	(51)	(10)	(15)	(24)
<b>Total other comprehensive income</b>	<b>(51)</b>	<b>(10)</b>	<b>(15)</b>	<b>(24)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(31 817)</b>	<b>(8 759)</b>	<b>(72 963)</b>	<b>(54 067)</b>

## STANDALONE BALANCE SHEET

	30.09.2020 <i>Unaudited</i>	31.12.2019 <i>Audited</i>
<b>ASSETS</b>		
<b>Aktywa trwałe</b>	<b>615 225</b>	<b>614 028</b>
Tangible non-current assets	161 463	167 605
Intangible assets	51 159	50 510
Investment properties	21 164	19 789
Investments in subsidiaries	311 308	311 308
Other financial assets	8 421	8 340
Deferred tax assets	56 122	51 162
Accruals	5 588	5 314
<b>Current assets</b>	<b>559 910</b>	<b>614 433</b>
Inventory	55 128	64 720
Trade and other receivables	300 239	297 327
Other financial assets	6 538	11 777
Cash and cash equivalents	7 245	47 514
Accruals	9 552	12 813
Contracts with customers assets	176 171	175 245
Assets held for sale	5 037	5 037
<b>TOTAL ASSETS</b>	<b>1 175 135</b>	<b>1 228 461</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>318 286</b>	<b>349 925</b>
Share capital	69 161	69 161
Share premium account	-	340 561
Revaluation reserve	7 082	7 082
Other capital reserves	273 884	182 823
Retained earnings	(31 766)	(249 678)
Foreign exchange differences on translation of foreign	(75)	(24)
<b>Total equity</b>	<b>318 286</b>	<b>349 925</b>
<b>Long-term liabilities</b>	<b>314 968</b>	<b>204 242</b>
Interest-bearing loans and borrowings	286 514	199 909
Bonds	27 681	-
Provisions	219	3 102
Liabilities due to employee benefits	554	1 231
<b>Short-term liabilities</b>	<b>541 881</b>	<b>674 294</b>
Interest-bearing loans and borrowings	86 903	159 479
Bonds	194	-
Trade and other liabilities	294 586	293 598
Provisions	37 067	86 440
Liabilities due to employee benefits	6 871	7 867
Accruals	636	455
Contracts with customers liabilities	115 624	126 455
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 175 135</b>	<b>1 228 461</b>

## STANDALONE STATEMENT OF CASH FLOWS

	01.01.2020- 30.09.2020 <i>Unaudited</i>	01.01.2019- 30.09.2019 <i>Unaudited</i>
<b><i>Cash flows from operating activities</i></b>		
<b>Gross profit from continued operations</b>	<b>(36 761)</b>	<b>(89 562)</b>
<b>Adjustments for:</b>	<b>(33 401)</b>	<b>(4 929)</b>
Depreciation	14 818	14 694
FX differences	1 113	835
Net interest and dividends	8 944	2 039
Profit on investment activities	(2 169)	(75)
Change in receivables	(4 452)	(104 573)
Change in inventory	9 592	(22 746)
Change in liabilities, excluding loans and borrowings	(909)	98 880
Change in prepayments and accruals	3 170	7
Change in provisions	(52 255)	21 120
Change in settlements from contracts	(11 757)	(16 766)
Other	504	1 647
Foreign exchange differences on translation of foreign operations	-	9
<b>Net cash flows from operating activities</b>	<b>(70 162)</b>	<b>(94 491)</b>
<b><i>Cash flows from investment activities</i></b>		
Sale (purchase) of intangible assets and tangible non-current assets	(1 172)	(884)
- acquisition	(3 695)	(1 341)
- sale	2 523	457
Financial assets	5 260	2 002
- granted or acquired	5 461	3 086
- repaid	(201)	(1 084)
Loans	(200)	-
- granted	5 000	-
- repaid	(5 200)	-
<b>Net cash flows from investment activities</b>	<b>3 888</b>	<b>1 118</b>
<b><i>Cash flows from financial activities</i></b>		
Net proceeds from issue of shares	20 000	-
Proceeds on account of taken borrowings and loans	45 710	75 493
Repayment of borrowings and loans	(17 870)	(4 077)
Interests and commissions paid	(10 440)	(6 791)
Payment of liabilities under financial lease agreements	(11 395)	(11 986)
<b>Net cash flows from financial activities</b>	<b>26 005</b>	<b>52 639</b>
<b>Total net cash flows</b>	<b>(40 269)</b>	<b>(40 734)</b>
<b>Cash at start of period</b>	<b>47 514</b>	<b>61 451</b>
<b>Cash at end of period</b>	<b>7 245</b>	<b>20 717</b>
- with limited access	-	-

## STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
				Share premium	Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2020 Audited	69 161	340 561	7 082	-	391	182 433	(24)	(249 679)	349 925
Net profit for the period	-	-	-	-	-	-	-	(31 766)	(31 766)
Other comprehensive income	-	-	-	-	-	-	(51)	-	(51)
Total comprehensive income	69 161	340 561	7 082	-	391	182 433	(75)	(281 445)	318 108
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 30.09.2020 Unaudited	69 161	-	7 082	269 641	391	3 852	(75)	(31 766)	318 286

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
				Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2019 Audited	41 120	309 984	5 808	391	269 117	(28)	(86 687)	539 704
Net profit for the period	-	-	-	-	-	-	(72 948)	(72 948)
Other comprehensive income	-	-	-	-	-	(15)	-	(15)
Total comprehensive income	-	-	-	-	-	(15)	(72 948)	(72 963)
Distribution of profit	-	-	-	-	(86 687)	-	86 687	-
Other changes	-	-	1	-	-	-	-	1
As at 30.09.2019 Unaudited	41 120	309 984	5 809	391	182 430	(43)	(72 949)	466 742

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Actuarial gains/ (losses)	Results from previous years			
<b>As at 1.01.2019 Audited</b>	<b>41 120</b>	<b>309 984</b>	<b>5 808</b>	<b>391</b>	<b>269 117</b>	<b>(28)</b>	<b>(86 687)</b>	<b>539 705</b>
Net profit for the period	-	-	-	-	-	-	(249 678)	(249 678)
Other comprehensive income	-	-	1 273	-	-	4	-	1 277
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1 273</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>(249 678)</b>	<b>(248 401)</b>
Distribution of profit	-	-	-	-	(86 687)	-	86 687	-
Issue of shares	28 041	30 577	-	-	-	-	-	58 618
Other changes	-	-	1	-	2	-	-	3
<b>As at 31.12.2019 Audited</b>	<b>69 161</b>	<b>340 561</b>	<b>7 082</b>	<b>391</b>	<b>182 432</b>	<b>(24)</b>	<b>(249 678)</b>	<b>349 925</b>



## V.NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

### 1. Analysis of the financial performance of Trakcja S.A. for the third quarter of 2020

The sales revenues of Trakcja S.A. for the third quarter of 2020 were PLN 167,981 thousand, i.e. they decreased by PLN 42,952 thousand, i.e. by 20.4% as compared to the comparable period of 2019. The cost of goods sold for the third quarter of 2020 decreased by PLN 89,394 thousand, i.e. by 34.7%, and was PLN 168,287 thousand. The Company's gross loss on sales was PLN 306 thousand, i.e. it decreased by PLN 46,442 thousand. The gross profit margin on sales was (-0.2)% and increased by 22.0 pp. in comparison with its level at the end of the third quarter of 2019, when it was (-22.2)%.

Factors that had the most significant impact on the gross profit margin on sales in the 9-month period of 2020 included the following: difficulties with making payments to subcontractors and suppliers of materials, which had an adverse effect on the pace of completion of the construction contracts, as well as the settlement of low-margin contracts awarded in the preceding years in which the acquisition of contracts was difficult and before the significant increase in the production costs. Another factor was an increase in the fixed costs due to the prolongation of the time limits for the completion of the contracts awarded, in particular, due to the prolonged process of the financial restructuring and the implementation of other infrastructure projects in parallel, as well as the ongoing restrictions due to the SARS – CoV-2 pandemic.

The general and administrative costs for the third quarter of 2020 were PLN 6,525 thousand and decreased by 21.2%, i.e. by PLN 1,760 thousand, in comparison with the comparable period. The decrease in the general and administrative costs results mainly from the change in the allocation of costs, which has been in force since 1 July 2020 and which consists in assigning the costs of certain organisational units, which had so far been recognised in the general and administrative costs, to the contract completion costs, and from a decrease by PLN 270 thousand in the costs of legal services, which was caused by the completion by the Company of the financial restructuring in October 2019. In the analysed period, the costs of sales, marketing and distribution were PLN 621 thousand and increased by PLN 160 thousand, as compared to the comparable period of the preceding year.

The profit on other operating activity was PLN 2,409 thousand. It was higher by PLN 3,494 thousand than its amount for the corresponding period of the comparable year. The increase was caused by the recognition of revenues from the revaluation of the investment properties in the amount of PLN 1,399 thousand and by the allocation of the non-collectable receivables in the amount of PLN 1,592 thousand to the cost of goods sold. The Company's loss on operating activity for the period from 1 July 2020 to 30 September 2020 was PLN 5,043 thousand. The loss on operating activity decreased by PLN 51,534 thousand in comparison with its amount for the third quarter of 2019, when it was PLN 56,577 thousand. The Company's financial revenues were PLN 109 thousand and increased slightly, i.e. by PLN 3 thousand, in comparison with the financial revenues for the third quarter of 2019. The financial expenses decreased by PLN 4,685 thousand and were PLN 5,074 thousand. This decrease was caused by a decrease by PLN 3,028 thousand in the costs of fees and commissions for debt financing and guarantee limits granted to the Company, and by a decrease in costs of interest in liabilities by PLN 2,002 thousand. In turn, the interest on loans increased by PLN 640 thousand as compared to the corresponding period of the comparable year.

The Company's gross loss for the period from 1 July 2020 to 30 September 2020 was PLN (-10,008) thousand. The gross loss was lower by PLN 56,224 thousand as compared to the corresponding period of the previous year, when the Company generated the gross loss in the amount of PLN 66,232 thousand. The income tax in the third quarter 2020 had a positive effect on the net loss in the amount of PLN 1,259 thousand; similarly to the third quarter of 2019, in which the tax effect was PLN 12,189 thousand. The Company's net loss for the period from 1 July 2020 to 30 September 2020 was PLN 8,749 thousand and was higher by PLN 45,294 thousand than the net loss for the corresponding period of the preceding year, in which it amounted to PLN 54,043 thousand.

At the end of the third quarter of 2020, the Company's balance sheet total was PLN 1,175,135 thousand and was lower by PLN 53,326 thousand than the balance sheet total at the end of 2019. As at 30 September 2020 the non-current assets were PLN 615,225 thousand and increased by PLN 1,197 thousand, i.e. by 0.2%, as compared to the balance thereof as at 31 December 2019. The current assets decreased by 8.9% as compared to their balance as at 31 December 2019 and amounted to PLN 559,910 thousand. The cash and cash equivalents decreased by PLN 40,269 thousand and the trade and other receivables increased by PLN 2,912 thousand, and the value of inventories decreased by PLN 9,592 thousand. As at the balance sheet date, the assets on contracts with customers were PLN 176,171 thousand and increased by PLN 926 thousand as compared to their balance at the end of the preceding year.

As at 30 September 2020 the Company's equity was PLN 318,286 thousand and decreased by PLN 31,639 thousand, i.e. by 9.0%, as compared to its balance as at 31 December 2019.

As at 30 September 2020 the long-term liabilities were PLN 314,968 thousand and increased by PLN 110,726 thousand, i.e. by 54.2%, as compared to their balance as at 31 December 2019. The key factors responsible for the increase were an increase in loans by PLN 86,605 thousand and the recognition of a bond liability in the amount of PLN 27,681 thousand.

The short-term liabilities were PLN 541,881 thousand and decreased by PLN 132,413 thousand, i.e. by 19.6% in comparison with their balance as at the end of the preceding year. The decrease was caused by a decrease in loan liabilities by PLN 72,576 thousand, a decrease in liabilities from contracts with customers by PLN 10,831 thousand and a decrease in the provisions by PLN 49,373 thousand.

At the beginning of 2020, the Company's cash and cash equivalents, as disclosed in the statement of cash flows, were PLN 47,514 thousand and at the end of the 9-month period of 2020 their balance was PLN 7,245 thousand. The net cash flows for the first 9 months of 2020 were negative and amounted to PLN 40,269 thousand, i.e. they increased by PLN 465 thousand in comparison with the corresponding period of 2019.

## 2. Seasonality and cyclicity

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

### 3. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	30.09.2020 <i>Unaudited</i>	31.12.2019 <i>Audited</i>
<b>Contingent receivables</b>		
<b>From related entities due to:</b>	<b>702 400</b>	<b>702 400</b>
Received guarantees and sureties	702 400	702 400
<b>From other entities due to:</b>	<b>54 675</b>	<b>62 109</b>
Received guarantees and sureties	53 992	60 818
Bills of exchange received as collateral	683	1 291
<b>Total contingent receivables</b>	<b>757 075</b>	<b>764 509</b>
<b>Contingent liabilities</b>		
<b>Toward related entities due to:</b>	<b>725 511</b>	<b>712 900</b>
Provided guarantees and sureties	702 400	702 400
Bills of exchange received as collateral	23 111	10 500
<b>Toward other entities due to:</b>	<b>8 684 735</b>	<b>8 380 829</b>
Provided guarantees and sureties	714 069	762 550
Promissory notes	592 852	516 402
Mortgages	4 197 672	4 197 672
Assignment of receivables	1 470 121	1 313 768
Assignment of rights under insurance policy	227 438	120 137
Security deposits	30 931	18 648
Other liabilities	1 451 652	1 451 652
<b>Total contingent liabilities</b>	<b>9 410 246</b>	<b>9 093 729</b>

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

As at September 30, 2020, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 914 thousand (as compared to PLN 1,039 thousand as at December 31, 2019) 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 2,232 thousand as at September 30, 2020 (PLN 519 thousand as at December 31, 2019).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax

settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, the provisions recognised as at September 30, 2019 are sufficient to mitigate the recognised and measurable tax risk.

Warsaw, November 26, 2020

*Management Board:*

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

*Person responsible for preparing the report:*

Katarzyna Kocerka

Financial Reporting Director

Trakcja Group